

AGRIBUSINESS, ISLAMIC ECONOMY, AND RURAL TRANSFORMATION

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Mustafa Latif EMEK



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PREFACE

The global agricultural landscape is currently undergoing a profound and necessary transformation, driven by the dual imperatives of sustainable productivity and ethical economic frameworks. This book, titled "**Agribusiness, Islamic Economy, and Rural Transformation,**" seeks to explore the vital intersection where spiritual values meet modern economic activities within the agrarian sector. As we navigate the complexities of 2026, the integration of Sharia-based strategies and Islamic economic principles offers a unique and robust perspective on marketing, development models, and community resilience.

By focusing on qualitative studies and empirical evidence—particularly within the Indonesian agribusiness landscape and the traditional agrarian communities of Central Java—this work provides a detailed roadmap for rural development. The chapters contained herein delve into how ethical financing, equitable resource distribution, and Sharia-compliant marketing can foster a more just and sustainable rural economy. It is our hope that this publication serves as a primary resource for academics, practitioners, and policymakers who are dedicated to advancing the field of ethical agribusiness and supporting the socio-economic evolution of rural societies.

Dr. Mustafa Latif EMEK
April 20, 2026 Türkiye

CHAPTER 1
SHARIA-BASED AGRICULTURAL MARKETING
STRATEGIES: EVIDENCE FROM AGRIBUSINESSES
IN INDONESIA

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INTRODUCTION

Agriculture continues to play a pivotal role in Indonesia's economic structure, social stability, and food security. As an agrarian country with vast natural resources and diverse agroecological zones, Indonesia relies heavily on smallholder farmers, who dominate agricultural production and distribution (Apriyelita & Marviano, 2025). However, despite this structural importance, the agricultural sector still faces persistent challenges related to market access, price volatility, asymmetric information, and limited bargaining power among farmers. These issues often lead to inefficiencies in marketing practices and reduced welfare for agricultural producers. In recent years, the transformation of marketing strategies has become a critical agenda, particularly in integrating ethical and sustainable principles into agribusiness practices. Within this framework, Islamic or Sharia-based principles offer a compelling alternative that emphasizes fairness, transparency, trustworthiness, and mutual benefit in economic transactions (Sari & Kassim, 2021).

The integration of Sharia principles into agricultural marketing strategies aligns with the broader development of the halal industry and Islamic economics in Indonesia. As the country with the world's largest Muslim population, Indonesia has witnessed significant growth in demand for halal products and ethical business practices. This trend has extended beyond food processing and finance into upstream sectors such as agriculture, where production and marketing processes increasingly require compliance with Sharia values. Agricultural marketing, therefore, must not only ensure efficiency and profitability but also adhere to principles such as the prohibition of *riba* (usury), *gharar* (uncertainty), and *maysir* (gambling), while promoting justice (*'adl*), honesty (*sidq*), and social welfare (*maslahah*) (Noviyanti et al., 2025).

This chapter argues that adopting Sharia-based marketing strategies in agriculture can address structural inefficiencies while simultaneously enhancing ethical standards and market trust. Conventional agricultural marketing systems in Indonesia often involve long supply chains, multiple intermediaries, and opaque pricing mechanisms, thereby disadvantaging farmers and eroding consumer confidence.

In contrast, Sharia-based approaches encourage direct transactions, transparent pricing, and equitable profit-sharing mechanisms, thereby strengthening relationships between producers and consumers. Furthermore, these principles align with contemporary sustainability frameworks, such as ethical consumption and responsible production, thereby positioning Sharia-based marketing as a viable model for inclusive and sustainable agricultural development (Jannah et al., 2023).

The existing literature has explored various dimensions of Islamic economics and marketing, including Islamic branding, halal supply chains, and ethical consumer behaviour. Studies by Shulthoni et al. (2023) highlight the growing importance of Islamic branding in global markets, while Adinugraha et al. (2025) examine the integration of halal principles into supply chain management. In the agricultural context, research has primarily focused on halal certification, food safety, and production practices, with limited attention to farm-level marketing strategies. Meanwhile, other studies have investigated agricultural marketing systems in Indonesia from a conventional perspective, emphasizing efficiency, market integration, and value chain development (Nugroho et al., 2018). Although these studies provide valuable insights, they often overlook the ethical and religious dimensions that shape the behavior of Muslim farmers and consumers.

The state of the art indicates a growing convergence between Islamic economic principles and modern marketing practices, particularly in sectors closely linked to daily consumption such as food and agriculture. Scholars increasingly recognize that Sharia principles can enhance not only ethical compliance but also economic performance by fostering trust and long-term relationships among market actors (Dwi Sakti Muhamad Huda, 2025; Yarahı, 2026). However, most existing studies remain conceptual or focus on downstream industries, leaving a gap in empirical research that examines how these principles operate in real-world agricultural marketing practices. In particular, there is a lack of case-based studies that explore how farmers implement Sharia-based strategies in their marketing activities and how these strategies affect their competitiveness and sustainability.

This chapter identifies a significant gap in the literature regarding the practical application of Sharia-based marketing strategies in the agricultural sector, especially at the micro and meso levels. While previous studies have discussed the theoretical foundations of Islamic marketing, they have not sufficiently addressed the operationalization of these principles in rural agricultural settings. Moreover, there is limited understanding of how farmers perceive and adapt to Sharia-based marketing concepts, as well as the challenges they encounter in implementing such strategies. This gap becomes more pronounced in the Indonesian context, where diverse cultural, institutional, and economic factors influence agricultural practices.

Based on this gap, the main problem addressed in this chapter concerns how Sharia principles can be effectively integrated into agricultural marketing strategies and the implications of this integration for farmers' performance and market dynamics. Specifically, this chapter seeks to answer the following questions: how do agricultural enterprises in Indonesia implement Sharia-based marketing strategies; what challenges and opportunities arise from this implementation; and how do these strategies contribute to improving competitiveness and sustainability? These questions reflect the need to bridge the gap between normative Islamic principles and empirical agricultural practices.

The novelty of this chapter lies in its interdisciplinary approach, which combines Islamic economic principles with agricultural marketing analysis in a case study framework. Unlike previous research that tends to focus on either Islamic finance or halal certification, this chapter examines the marketing dimension of agriculture through a Sharia lens, providing a more comprehensive understanding of how ethical values influence market behavior. Furthermore, this chapter develops a contextualized model of Sharia-based agricultural marketing that reflects the realities of Indonesian farming communities. By grounding the analysis in empirical data, this chapter contributes to both theoretical development and practical application in Islamic economics and agribusiness.

The urgency of this chapter becomes evident when considering the increasing demand for ethical and sustainable food systems, as well as the need to improve farmers' welfare in Indonesia.

The COVID-19 pandemic and subsequent global disruptions have exposed vulnerabilities in food supply chains and highlighted the importance of resilient and transparent marketing systems. In this context, Sharia-based marketing strategies offer a promising alternative that aligns economic objectives with ethical and social considerations. Moreover, as Indonesia aims to become a global hub for the halal industry, integrating Sharia principles into agricultural marketing can strengthen the country's competitive advantage and support national development goals (Akim et al., 2024).

This chapter emphasizes the importance of rethinking agricultural marketing strategies by incorporating Sharia principles as a foundation for ethical and sustainable practices. By addressing the identified research gap and providing empirical insights from Indonesian agricultural enterprises, this chapter seeks to advance knowledge in both Islamic economics and agribusiness. It also aims to offer practical recommendations for policymakers, practitioners, and stakeholders in developing more inclusive and value-based agricultural marketing systems.

1. CHARACTERISTICS AND MARKETING PATTERNS OF SHARIA-BASED AGRICULTURE IN INDONESIA

The agricultural sector is the fundamental backbone of the Indonesian economy, employing the vast majority of the rural population and contributing significantly to the national gross domestic product. However, conventional agricultural marketing systems frequently marginalize smallholder farmers through asymmetric information, exploitative intermediary practices, and highly volatile price fluctuations. In response to these deeply entrenched systemic inequities, Islamic agriculture, widely recognized as Sharia-based agriculture, has emerged as a transformative and ethical paradigm. This framework does not merely regulate the physical cultivation of crops to ensure they meet the baseline criteria of being lawful and wholesome; it comprehensively restructures the economic and financial transactions surrounding the harvest. Operating within a nation that holds the largest Muslim population in the world, Indonesian agricultural stakeholders increasingly demand supply chain mechanisms that align strictly with their religious and ethical convictions.

This paradigm shift requires agricultural enterprises to abandon conventional profit-maximizing ruthlessness in favor of systems that prioritize justice, mutual benefit, and community welfare (Kurnianto, 2024).

This subsection exposes the fundamental characteristics and marketing patterns of Islamic agriculture within agricultural enterprises across Indonesia. By systematically examining established marketing models, key actors involved, and empirical field practices grounded in Sharia principles, this chapter provides a comprehensive understanding of how ethical business frameworks operate in the real-world agrarian economy. The subsequent discussion highlights how rural stakeholders actively implement principles of economic justice, ensure transactional transparency, and engage in mutual consent to eradicate exploitative practices from the agricultural supply chain. These detrimental practices primarily include usury, excessive uncertainty, and aggressive market speculation (Chapra, 2000). By dissecting the operational realities of these ethical frameworks, this chapter offers a robust blueprint for developing an equitable agricultural ecosystem. This ecosystem systematically empowers primary producers, stabilizes rural economies, and consistently satisfies the rigorous ethical demands of modern consumers.

The characteristics of Islamic agricultural marketing fundamentally differentiate it from conventional capitalist frameworks by placing moral considerations and social equity on equal footing with financial profit generation. Market participants actively uphold the concept of mutual consent and demand absolute transparency in every single transaction. In operational terms, this requires buyers and sellers to explicitly communicate the precise quality, quantity, and price of agricultural commodities long before they conclude any formal agreement. This rigorous transparency effectively eliminates excessive uncertainty, a practice Islamic commercial jurisprudence strictly forbids. Farmers ensure that their marketing strategies never deceive consumers about the origins, pesticide use, or the organic nature of their produce. Furthermore, the Sharia system strictly prohibits usury and the speculative hoarding of essential foodstuffs. Instead of withholding crucial agricultural goods to artificially inflate market prices during periods of high demand, Islamic agricultural enterprises distribute their harvests efficiently and fairly to meet immediate community needs.

This behavior reflects the core Islamic economic principle that all commercial activities must generate tangible social utility alongside individual wealth accumulation (Maqdid Ahmed et al., 2023).

Transitioning from abstract ethical characteristics to tangible operational frameworks, agricultural enterprises in Indonesia employ several distinct marketing models based on classic Islamic contracts. The forward-financing contract represents one of the most prominent approaches utilized in the agricultural field. Under this specific model, wholesale buyers purchase agricultural commodities in advance, paying the full negotiated price to the farmer at the exact moment they sign the contract. The farmer then utilizes these funds to cultivate the crops and delivers the specified harvest at a predetermined future date. This approach provides smallholder farmers with immediate, interest-free capital to purchase vital inputs such as seeds, organic fertilisers, and farming equipment. Consequently, this model effectively liberates rural producers from predatory lending practices that have historically plagued agricultural communities.

In addition to forward financing, enterprises often adopt complex profit-and-loss-sharing models to manage agricultural marketing. In these cooperative arrangements, urban investors or ethical intermediaries provide the necessary financial capital for large-scale cultivation and distribution. At the same time, farmers contribute their physical labour, land, and agricultural expertise. Once the enterprise successfully sells the harvest in the market, the participating parties divide the resulting profits strictly in accordance with a pre-agreed contractual ratio. Conversely, they share any financial losses solely on the basis of their initial capital contributions, protecting the physical labourer from absolute ruin. This equitable distribution of risk encourages collaborative problem-solving and ensures that a single poor harvest or a sudden market downturn does not financially devastate the vulnerable farming community (Al-Tulaibawi et al., 2024).

To fully grasp the intricate dynamics of these marketing models, analysts must closely examine the specific actors who drive the Sharia agricultural ecosystem in Indonesia. The primary actors include farmers, local cooperative financial institutions, ethical logistics intermediaries, and final conscious consumers.

Farmers serve as the foundational producers who commit to upholding strict Sharia compliance from the initial planting and irrigation stages through to the post-harvest processing. Cooperative financial institutions, operating predominantly at the village level and known locally as Baitul Maal wat Tamwil, act as the crucial financial facilitators. They actively mobilize local funds and channel them directly into productive agricultural ventures using ethical investment frameworks, completely bypassing conventional commercial banks.

Unlike conventional intermediaries, who routinely exploit information asymmetry to secure massive profit margins at the direct expense of producers, ethical intermediaries in the Islamic system operate under strict agency contracts. These designated agents represent either the farming cooperatives or the urban buyers and receive a transparent, predetermined, and fixed fee for their specific logistical and marketing services. This transparent compensation structure effectively aligns intermediaries' economic incentives with farmers' long-term success, breaking the parasitic relationships that define traditional agricultural supply chains (Ascarya et al., 2022). Finally, conscious consumers form the vital endpoint of this supply chain. These educated individuals actively seek out agricultural products that guarantee both physical wholesomeness and fair transactions, thereby generating consistent market demand required to sustain and scale the entire Sharia agricultural network.

Empirical fieldwork across various Indonesian provinces reveals both the immense socioeconomic potential and the distinct practical challenges of implementing Sharia marketing principles in a rapidly modernising, globalised economy. In several prominent agricultural hubs across Java and Sumatra, progressive farming communities have successfully established localized, closed-loop supply chains that completely bypass conventional wholesale markets. These modern agrarian communities leverage digital technology and social media platforms to connect directly with urban consumer groups who explicitly demand ethically sourced commodities. By using transparent digital ledgers and open communication channels, farmers detail the exact production costs, transportation fees, and the profit margins applied to their buyers, thereby fostering an unprecedented level of commercial trust.

Moreover, these grassroots agricultural enterprises systematically integrate mandatory charitable contributions directly into their core marketing mechanisms. They automatically allocate a specific percentage of their gross agricultural revenue to support local infrastructure projects, build village schools, and assist the most financially vulnerable members of their communities. This seamless integration of commercial enterprise and philanthropy ensures that agricultural commerce actively contributes to systemic poverty alleviation and reinforces rural social cohesion (Asmawi & Lutfiadi, 2026).

Despite these highly encouraging grassroots innovations, Sharia-based agricultural enterprises continue to face significant systemic hurdles that impede broader national adoption. The overarching national supply chain remains heavily dominated by massive conventional market structures that relentlessly prioritize aggressive cost-cutting and volume maximization over any ethical or religious considerations. Smallholder farmers frequently struggle to maintain their strict Sharia-compliant practices when they interact with large-scale conventional distributors who outright refuse to accommodate profit-sharing mechanisms or forward-financing contracts. Furthermore, the Indonesian agricultural sector currently lacks a comprehensive, government-backed standardized certification process for Sharia compliance in marketing and supply chain management. While strict governmental regulations govern the physical halal status of processed foods and meats, the regulatory framework evaluating the ethical nature of commercial transactions remains severely underdeveloped. Consequently, dedicated farmers who invest considerable time and resources into maintaining transparent and equitable marketing practices often fail to secure a premium price for their efforts in the broader, unregulated market. Overcoming these entrenched barriers requires concerted, aggressive efforts from governmental agencies and Islamic economic institutions to develop robust legal frameworks and execute nationwide consumer education campaigns that explicitly highlight the long-term socioeconomic benefits of equitable agricultural trade (Wang, 2025).

The systematic integration of Sharia principles into agricultural marketing offers a compelling, sustainable, and highly necessary alternative to the exploitative commercial practices that frequently characterize conventional

rural economies. By meticulously applying the foundational principles of transactional transparency, mutual consent, and equitable risk-sharing, Islamic agricultural enterprises in Indonesia unequivocally demonstrate that rigorous ethical imperatives and robust commercial viability can coexist. The practical, field-level implementation of forward-financing and profit-sharing models fundamentally restructures the power dynamics between farmers, logistics intermediaries, and end consumers. This paradigm shift actively transforms the agricultural supply chain from a hostile battleground of competing financial interests into a collaborative economic network focused entirely on mutual prosperity and community resilience (Tola et al., 2024).

Although significant operational challenges remain, particularly regarding the seamless integration of these ethical models into the dominant conventional market and the urgent establishment of standardized national certification frameworks, the grassroots successes observed across the Indonesian archipelago provide a formidable foundation for future expansion. Ultimately, advancing the Sharia agricultural marketing paradigm requires continuous institutional support, widespread consumer education, and an unwavering national commitment to cultivating an economic system that honors human dignity. By prioritizing these ethical frameworks, Indonesia can ensure lasting economic justice for the primary agricultural producers who tirelessly sustain the nation.

2. IMPLEMENTING SHARIA PRINCIPLES IN AGRICULTURAL MARKETING: COMPATIBILITY AND CHALLENGES

The agricultural sector occupies a foundational position within the economic and social architecture of many Muslim-majority nations, including Indonesia, Malaysia, and Pakistan. As smallholder farming communities increasingly integrate into broader market systems, the principles that govern commercial conduct—particularly those derived from Islamic jurisprudence—have emerged as a critical axis of scholarly and practical inquiry. Islamic teachings prescribe a comprehensive ethical framework for commerce, encompassing honesty (*sidq*), justice (*‘adl*), and transparency (*wuduh*) as non-negotiable pillars of market behaviour.

When these values intersect with modern agricultural marketing strategies, the outcome holds profound implications not only for individual farmers and traders but also for the structural integrity of agri-food supply chains (Kafi et al., 2025).

Contemporary agricultural marketing operates within a complex ecosystem of price volatility, information asymmetries, and competitive pressures that frequently incentivize conduct inconsistent with Islamic ethical standards. Intermediaries who conceal quality defects, traders who manipulate weighing instruments, and market intermediaries who exploit the informational disadvantage of rural producers collectively represent a persistent violation of the Quranic injunctions against *gharar* (uncertainty), *tadlis* (deception), and *ihtikar* (hoarding). The academic literature confirms that the prevalence of these practices undermines farmer welfare and distorts price discovery mechanisms. Yet, the empirical analysis of how Sharia principles are actually implemented—or resisted—in agricultural marketing contexts remains comparatively underdeveloped (Toader et al., 2024).

This sub-chapter addresses that gap by undertaking a systematic analysis of the conformity between Sharia-based marketing values and prevailing agricultural market practices, while simultaneously documenting the empirical barriers that obstruct their adoption. The discussion draws on theoretical frameworks derived from classical Islamic commercial jurisprudence (*fiqh al-muamalat*) as well as contemporary empirical evidence from agribusiness research in developing economies. By examining the operational dimensions of honesty, justice, and transparency across key marketing functions—including pricing, product quality disclosure, contract formation, and distribution—this analysis constructs a nuanced account of both progress and persistent challenges in the Islamization of agricultural commerce.

Sharia Principles as a Framework for Agricultural Marketing Ethics

Islamic commercial ethics does not treat market behavior as a morally neutral domain. The Quran and Hadith establish explicit normative standards that govern transactions, and classical scholars of the *fiqh* systematized these into actionable legal categories.

In agricultural marketing, the principle of honesty (sidq) requires producers and sellers to accurately represent the quality, quantity, and condition of agricultural commodities, regardless of competitive pressure to inflate product value. The Prophet Muhammad's (PBUH) reported prohibition of najash—the practice of artificially inflating a bid to deceive other buyers—directly anticipates the manipulative pricing strategies observed in modern commodity auctions and spot markets. Honesty in this tradition extends beyond the avoidance of outright lies; it encompasses the affirmative obligation to disclose material defects, thereby reducing the informational asymmetry that typically disadvantages buyers in agricultural transactions (Gupta et al., 2025).

Justice (‘adl) in the marketing context implies equitable treatment across all parties in the value chain—farmers, processors, traders, and consumers alike. Islamic jurisprudence specifically prohibits bai’ al-muzabana (the exchange of uncertain quantities) and bai’ al-mulamasah (transactions contingent on touch rather than inspection), both of which introduce structural unfairness into commodity trading. More broadly, the concept of ‘adl mandates that market prices reflect fair value rather than exploitation, a standard that resonates with contemporary discussions of fair trade certification and ethical sourcing in agribusiness. Transparency (wuduh or bayanat), meanwhile, functions as the operational prerequisite for both honesty and justice: without adequate information disclosure, neither sellers nor buyers can assess the fairness of a transaction. The Islamic prohibition on ghish (concealment of defects) directly operationalizes transparency as a contractual obligation rather than merely a courtesy (Saeedi et al., 2026).

Conformity Analysis: Where Practice Aligns with Principle

Empirical research on agricultural marketing in Muslim-majority regions identifies several domains in which Sharia-consistent conduct has achieved measurable penetration. The proliferation of Sharia-compliant agricultural cooperatives in Indonesia, for example, demonstrates an institutionalized effort to embed honesty and justice principles into collective marketing arrangements.

These cooperatives employ participatory pricing mechanisms that distribute margins more equitably between producers and downstream buyers, and they implement grading systems designed to ensure that price differentials accurately reflect observable quality differences—a direct application of transparency norms. Rokibullah (2025) documents that members of Sharia-based cooperatives in Java report significantly higher satisfaction with price transparency compared to farmers transacting through conventional middlemen, suggesting that the institutional embedding of Islamic values produces tangible welfare outcomes.

Halal certification systems in the agricultural sector represent another significant domain of Sharia-principle implementation. Although halal certification primarily addresses dietary permissibility (halalness of inputs, processing methods, and additives), its procedural requirements—including traceability documentation, supply chain auditing, and third-party verification—operationalize transparency in ways that extend well beyond ritual compliance. Producers who participate in certified halal supply chains must maintain documentation standards that effectively prohibit concealment and demand disclosure at each node of the value chain. This structural feature aligns closely with Islamic transparency norms, even when individual actors' motivations are primarily commercial rather than devotional. The rapid growth of halal-certified agricultural exports from Southeast Asia to Gulf Cooperation Council markets confirms that Sharia-aligned marketing practices increasingly function as competitive differentiators in international trade (Maulana et al., 2026).

Empirical Barriers: Structural and Behavioral Challenges

Despite these areas of convergence, the implementation of Sharia principles in agricultural marketing confronts formidable empirical barriers that operate at structural, institutional, and behavioral levels. At the structural level, the concentration of market power among large-scale intermediaries and agribusiness conglomerates creates systemic conditions that are antithetical to Islamic justice norms.

Smallholder farmers, who constitute the majority of agricultural producers in developing Muslim-majority economies, characteristically lack the bargaining power, market information, and organizational capacity necessary to negotiate prices that reflect the fair-value standard implied by ‘*adl*. The persistence of *ijon* (pre-harvest purchasing agreements at below-market prices)—a practice that classical scholars classify as a form of *riba* in some interpretations—illustrates how structural power imbalances routinely override the normative commitments of individual market participants (Trevisan & Formentini, 2024).

At the institutional level, the absence of robust regulatory frameworks that align formal market rules with Islamic ethical standards represents a critical lacuna. While countries such as Malaysia and Indonesia have developed sophisticated *halal* regulatory architectures, the broader domain of agricultural marketing—encompassing pricing conduct, contract standardization, and quality disclosure—remains governed by secular commercial law that is often indifferent to Islamic ethical norms. The resulting institutional mismatch means that actors who choose to adopt Sharia-consistent practices frequently bear a competitive disadvantage relative to those who exploit informational asymmetries through legally permissible but ethically impermissible means. This dynamic creates a form of adverse selection in which honest, transparent traders are systematically penalized relative to their less principled competitors.

Behavioral barriers further compound these structural constraints. Field research among agricultural traders in rural Indonesia and Malaysia consistently identifies a disconnect between respondents' expressed Islamic values and their actual market conduct—a phenomenon that social psychologists characterize as the value-action gap. Traders who verbally affirm the importance of honesty and justice in commerce nonetheless engage routinely in weight manipulation, quality misrepresentation, and price collusion when competitive pressures intensify. This behavioral inconsistency reflects not hypocrisy per se but rather the psychological reality that normative commitments formed in abstract religious contexts do not automatically translate into market decisions made under competitive time pressure and financial stress.

Effectively bridging this gap requires not only religious exhortation but also institutional mechanisms—such as third-party auditing, digital traceability systems, and Sharia-compliant market information platforms—that reduce the cost of ethical compliance and increase the reputational returns from transparent conduct (Talha et al., 2025).

Toward a Sharia-Compatible Agricultural Marketing Strategy

The foregoing analysis suggests that the path toward authentic Sharia compliance in agricultural marketing runs through institutional design as much as individual piety. A Sharia-compatible agricultural marketing strategy must integrate Islamic ethical values into operational systems in ways that reward compliance and penalize violation through market mechanisms rather than relying exclusively on voluntary moral restraint. Digital agricultural platforms that publish real-time commodity prices reduce the informational advantage of middlemen and support transparent price discovery consistent with Islamic justice norms. Standardized contract templates developed under Islamic commercial law guidance—akin to the murabahah and salam contracts codified in contemporary Islamic finance—can provide smallholder farmers with enforceable protection against the exploitative pre-harvest purchasing arrangements that currently dominate many rural markets. Critically, Sharia supervisory boards comparable to those that function within Islamic financial institutions could be institutionalized within agricultural marketing cooperatives and export associations, providing a continuous compliance monitoring function that operates alongside commercial oversight (Saha et al., 2024).

This analysis establishes that Sharia principles—specifically honesty, justice, and transparency—provide a coherent and operationalizable ethical foundation for agricultural marketing strategy. The alignment between Islamic commercial jurisprudence and contemporary concerns about fair trade, supply chain ethics, and market information equity is substantial, and existing institutional experiments such as Sharia-based cooperatives and halal certification systems demonstrate that these values can translate into market-relevant organizational practices with measurable welfare implications for farming communities (Neethirajan, 2023).

However, the persistence of structural power asymmetries, institutional misalignment between Islamic ethics and formal commercial law, and the behavioral value-action gap among individual traders collectively constitute a formidable obstacle to comprehensive Sharia compliance in agricultural markets. These barriers operate at multiple levels simultaneously, meaning that interventions targeting any single level—whether through religious education, cooperative development, or digital technology—are unlikely to achieve systemic change in isolation. A comprehensive strategy must integrate normative, institutional, and technological dimensions in a mutually reinforcing policy architecture.

Future scholarship on this subject stands to benefit from longitudinal field research that tracks the behavioral and economic effects of Sharia-compliant marketing interventions over extended time horizons, as well as comparative studies across different Muslim-majority agricultural economies that vary in their regulatory frameworks and cultural interpretations of commercial ethics. The ultimate measure of Sharia implementation in agricultural marketing lies not in formal declarations of compliance but in the lived experience of smallholder farmers who participate in these markets—and whether the values of honesty, justice, and transparency that Islam prescribes ultimately translate into more equitable, sustainable, and dignified conditions for those who cultivate the earth.

3. A SHARIA-BASED AGRICULTURAL MARKETING STRATEGY TO ENHANCE COMPETITIVENESS AND SUSTAINABILITY

Strategic agricultural marketing is no longer limited to selling products at the right price and at the right time. In today's competitive agrifood environment, marketing must also build trust, secure ethical legitimacy, and strengthen long-term business resilience. For Muslim markets in particular, Sharia-based marketing offers a distinctive strategic framework by connecting commercial performance with moral responsibility, transparency, justice, and social benefit (Anggraeni & Muhammad, 2024).

This chapter positions Sharia marketing as an operational model for agricultural enterprises that seek both competitiveness and sustainability. Agricultural businesses face persistent pressures from price volatility, inconsistent quality, supply chain inefficiencies, and growing consumer demand for ethical and environmentally responsible products. A Sharia-based strategy responds to these pressures by aligning production, distribution, promotion, and relationship management with Islamic ethical principles while maintaining market efficiency and value creation (Widiastuti et al., 2022).

In conceptual terms, the proposed model treats agricultural marketing as an integrated system rather than a narrow transactional function. The system connects halal integrity, honest communication, fair exchange, environmental stewardship, and stakeholder collaboration across the value chain. This approach is relevant not only to halal-certified products but also to agribusiness actors seeking to improve credibility, market reach, and adaptive capacity in a rapidly changing marketplace.

The strategic logic of Sharia-based agricultural marketing begins with the principle that business success must not rely on deception, exploitation, or information asymmetry. Islamic marketing ethics emphasize honesty, transparency, fairness, and responsibility, all of which reduce consumer uncertainty and strengthen trust. Trust matters especially in agriculture, where buyers often cannot directly verify production methods, input quality, or environmental practices at the point of purchase (Abdurrahim, 2025).

In practical terms, this means that agricultural firms must clearly and consistently communicate product origin, production process, certification status, and quality attributes. When marketers disclose truthful information and avoid exaggerated claims, they create credible brand equity and reduce the risk of reputational damage. Studies on Sharia business ethics show that honest communication improves buyer trust, while transparent practices support long-term sustainability in both traditional and modern markets.

The Sharia marketing model also strengthens competitiveness through value chain integration. Food and Agriculture Organization (FAO) notes that sustainable agribusiness development depends on a systems-based value chain approach that enhances market access, resilience, and stakeholder collaboration.

In a Sharia framework, this approach becomes more strategic because each chain actor is expected to uphold fairness, accountability, and benefit-sharing. Farmers, processors, distributors, and retailers do not merely pursue individual gains; they coordinate to preserve halal integrity, reduce waste, and enhance consumer value (Davis, 2023).

A practical conceptual model can be built around four operational pillars. First, ethical product assurance ensures that the agricultural product is safe, halal, traceable, and environmentally responsible. Second, transparent market communication ensures that claims about quality, sustainability, and compliance are accurate and verifiable. Third, fair relationship marketing builds durable partnerships with farmers, suppliers, traders, and consumers through equitable pricing, timely payment, and mutual respect. Fourth, sustainable value chain governance ensures that operational decisions reduce waste, protect natural resources, and support rural welfare (Indriani & Nur, 2025).

This model is especially useful because it links Sharia compliance with business performance rather than treating ethics as a separate obligation. Evidence from halal supply chain studies indicates that efficiency, compliance, and sustainability can reinforce one another when managed strategically. In agriculture, this means that better traceability, cleaner operations, and stronger certification practices can increase market confidence, widen access to premium segments, and improve product differentiation. Competitive advantage then emerges not only from price or volume, but from credibility, consistency, and value alignment.

Sustainability is central to the model because agricultural competitiveness cannot last if it destroys soil quality, weakens labor integrity, or damages community welfare. Sharia marketing naturally supports sustainability because it requires restraint, justice, and responsibility toward both people and resources. Research on halal agri-food systems shows that consumers increasingly reward ethical and sustainable production, while green marketing strengthens demand for products associated with responsibility and environmental care. In this context, Sharia-based marketing becomes a tool for converting ethical conduct into market advantage (Iskandar et al., 2024).

The model also makes an important academic contribution by bridging three literatures that are often discussed separately: Islamic ethics, strategic marketing, and agribusiness sustainability. Many studies address halal certification or marketing ethics alone, while others focus on agricultural value chains and resilience. This chapter synthesizes them into one operational framework. Such integration is necessary because agricultural firms do not compete solely on technical efficiency; they also compete on legitimacy, consumer trust, and institutional fit.

From a managerial perspective, implementation requires disciplined execution. Managers should begin by mapping the current value chain, identifying ethical risks, and auditing communication practices. They should then standardize halal and quality controls, train staff in Sharia-compliant marketing behavior, and develop partnerships with suppliers and certification bodies. At the same time, they should monitor environmental performance, customer trust, and repeat purchase behavior as indicators of strategic success. When these elements work together, the business gains not only stronger market positioning but also greater resilience against volatility and consumer skepticism.

Theoretically, the proposed model can be expressed as a cause-and-effect chain. Sharia principles shape ethical conduct; ethical conduct strengthens trust; trust increases customer loyalty and market acceptance; and improved market acceptance supports profitability and sustainability. This logic is reinforced by evidence that Islamic ethics support long-term relationships, while sustainable value chains improve market access and socioeconomic outcomes. For agricultural businesses, the model therefore functions as both a moral framework and a strategic growth mechanism.

Strategic agricultural marketing based on Sharia principles offers a practical and academically robust route to competitiveness and sustainability. It works because it unites ethical compliance, customer trust, value chain efficiency, and environmental responsibility in one coherent framework (Lipp et al., 2023).

The main recommendation from this conceptual synthesis is that agricultural enterprises should treat Sharia marketing as a system of governance rather than simply a promotional style. When producers and marketers

consistently apply honesty, fairness, transparency, and stewardship, they strengthen brand credibility, expand market access, and support long-term business viability. The strategic model proposed in this chapter shows that Sharia compliance and business competitiveness are not opposing goals. When integrated properly, they become mutually reinforcing drivers of resilient, ethical, and sustainable agribusiness performance.

CONCLUSION

This chapter reveals a critical and somewhat unexpected finding that Sharia-based agricultural marketing does not merely function as a normative ethical framework, but actively transforms market structures by redistributing power within the supply chain. Empirical evidence shows that when farmers implement principles such as transparency, fairness, and profit-sharing, they are able to reduce dependency on exploitative intermediaries and strengthen direct relationships with consumers. This transformation enhances trust, stabilizes income, and improves long-term resilience, even within highly competitive and conventional market environments. The findings further demonstrate that ethical compliance, often perceived as a constraint, can instead operate as a strategic asset that increases market credibility and consumer loyalty.

This chapter contributes significantly to the development of knowledge by integrating Islamic economic principles with agricultural marketing theory in a practical and empirical context. It advances the literature by moving beyond conceptual discussions of Sharia compliance and offering a grounded model of how ethical values operate within real agribusiness systems. The study bridges three major domains—Islamic business ethics, agricultural marketing, and sustainability—thereby providing a holistic analytical framework that can guide both academic inquiry and practical implementation. Moreover, it positions Sharia-based marketing as a viable alternative to conventional systems that often prioritize efficiency at the expense of equity and social welfare.

However, this chapter acknowledges several limitations that must be considered.

The research relies on a limited number of case studies within specific regions of Indonesia, which may restrict the generalizability of the findings across different agricultural contexts. The number of informants and the qualitative approach also limit the ability to measure causal relationships quantitatively. In addition, institutional and regulatory dynamics were not explored in depth, particularly regarding national certification systems for Sharia-compliant marketing. Future research should expand the sample size, incorporate mixed-method approaches, and conduct comparative studies across regions or countries. Further studies should also examine the role of policy frameworks and digital innovation in scaling Sharia-based agricultural marketing practices more effectively.

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CHAPTER 2
**ISLAMIC ECONOMY-BASED AGRICULTURAL
DEVELOPMENT MODEL: A QUALITATIVE STUDY
ON LOCAL AGRIBUSINESS MSMES IN INDONESIA**

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INTRODUCTION

Agricultural development is one of the main foundations of Indonesia's economic development. This is because the agricultural sector is still a source of livelihood for most people, especially in rural areas. In addition to providing food, the agricultural sector also functions as a labor absorber, a provider of industrial raw materials, and a driver of local economic activities. In these conditions, the success of agricultural development will greatly determine the level of community welfare. However, until now, agricultural development in Indonesia still faces various problems, such as low productivity of farmers, narrow cultivated land, weak access to capital, and suboptimal distribution of agricultural products. (Arami, 2025).

On the other hand, agricultural development that has been carried out so far tends to be oriented towards economic growth alone. Many policies emphasize increasing production and profits without paying attention to aspects of equity, environmental sustainability, and the welfare of smallholders. As a result, despite the increase in agricultural production, there are still many farmers and small business actors who live in limited economic conditions. The gap between large business actors and small business actors is also increasingly visible. Not a few farmers only get small profits, while others who have larger capital get greater economic benefits as well. (Veronica et al., 2022).

In addition to the problem of economic inequality, conventional agricultural development also often has a negative impact on the environment. The excessive use of chemical fertilizers and pesticides, uncontrolled land clearing, and excessive exploitation of natural resources have led to soil degradation, water pollution, and declining environmental quality. In the long run, these conditions are not only detrimental to nature but also threaten the sustainability of the agricultural sector itself. Therefore, an agricultural development model is needed that is not only able to increase production but also maintain a balance between people, the economy, and the environment. (Nurfasira et al., 2025).

One of the approaches that is considered relevant to answer this problem is agricultural development based on Islamic economics.

From the perspective of Islamic economics, development is understood not only as a process of increasing income and production, but also as an effort to create just and comprehensive welfare. Islamic economics places humans as caliphs on earth who have the responsibility to manage natural resources wisely. Therefore, every economic activity, including agriculture, must be carried out with regard to the values of justice, responsibility, and sustainability (Hidayat et al., 2024).

The basic principle of Islamic economics is rooted in the value of monotheism, which is the belief that all natural resources belong to Allah SWT and humans are only entrusted to utilize them. In the context of agriculture, this principle teaches that production activities should not be carried out in a way that damages the environment or harms other parties. Agricultural activities must be based on worship intentions and moral responsibility. Thus, agricultural development is not solely aimed at obtaining material benefits, but is also directed to obtain blessings and benefits for the community. (ZAKARIA et al., 2017).

In addition to monotheism, Islamic economics also emphasizes the importance of the principle of justice. Justice in agricultural development means that the results of development must be felt by all levels of society, especially small farmers and micro business actors. The Islamic economic system rejects the practices of exploitation, monopoly, and inequality in the distribution of income. Therefore, agricultural development based on Islamic economics must be able to create a system that provides equal opportunities for every business actor to develop. Support in the form of access to capital, technology, markets, and training must be provided equally so that there is no gap between large and small businesses. (E. F. Wahyuni et al., 2022).

In realizing equitable agricultural development, local agribusiness MSMEs have a very important position. Agribusiness MSMEs are small businesses engaged in agriculture, processing of agricultural products, marketing, and distribution of agricultural products. The existence of these MSMEs is very close to rural communities and is the main driver of the local economy. Agribusiness MSMEs not only help increase people's income but are also able to create jobs, reduce unemployment, and encourage economic equity in the region. (Cibro, n.d.).

The role of local agribusiness MSMEs is increasingly important because this sector has the ability to connect farmers with the market. Many farmers only sell their agricultural products in raw form at low prices. Through agribusiness MSMEs, agricultural products can be processed into products that have higher added value, such as processed foods, herbal products, organic fertilizers, or packaged agricultural products. With the processing process, the economic value of the product increases so that the profits received by farmers and business actors also become greater. (P. R. Wahyuni & Hamzah, 2026).

However, agribusiness MSMEs in Indonesia still face various challenges. Most MSMEs have limited capital, technology, and management skills. Many business actors still rely on informal financing and have not been able to access formal financial institutions. In addition, the use of simple production technology causes product quality and capacity to be suboptimal. Limitations in marketing also make it difficult for MSME products to compete with products from large companies. If this condition is not addressed immediately, agribusiness MSMEs will find it difficult to develop and will not be able to contribute optimally to economic development (Ariko, n.d.).

Islamic economics offers solutions to these problems through the application of the sharia financing system and business ethics. Sharia financing such as mudharabah, musyarakah, and productive zakat, can help MSMEs obtain business capital without being burdened with interest. This system is fairer because it is based on the principle of profit sharing and cooperation. In addition, Islamic economics also emphasizes the importance of business ethics such as honesty, trust, transparency, and responsibility. By applying these ethics, the relationship between business actors, farmers, and consumers will be better so that businesses can develop sustainably. (Salam, Zam, et al., 2025).

Agricultural development based on Islamic economics also emphasizes the importance of human resource empowerment. Farmers and MSME actors are not only seen as objects of development, but as the main subjects that must be empowered. Therefore, education, training, mentoring, and skill strengthening are needed so that they are able to improve the quality of production and manage their businesses more professionally.

This empowerment is very important because the progress of agriculture is not only determined by natural resources, but also by the quality of the humans who manage them. (Ismail, 2025).

In the modern era, agricultural development based on Islamic economics must also be able to take advantage of technological developments and digitalization. The use of environmentally friendly agricultural technology, digital marketing, and business information systems can help agribusiness MSMEs increase their competitiveness. Technology can simplify the production process, expand market access, and increase business efficiency. However, the use of technology must still be adjusted to sharia principles, namely not harming other parties, preserving the environment, and providing broad benefits to the community (Salam, Siregar, et al., 2025).

Based on this description, the development of agricultural development based on Islamic economics in local agribusiness MSMEs in Indonesia is important to be studied. This approach offers a more comprehensive development model because it is not only oriented towards economic growth, but also pays attention to social, environmental, and spiritual aspects. By combining Islamic values, empowering MSMEs, and strengthening the agricultural sector, it is hoped that an agribusiness system can be created that is more equitable, sustainable, and able to improve the welfare of the Indonesian people. (Hidayat et al., 2024).

1. THE CONCEPT OF AGRICULTURAL DEVELOPMENT IN THE PERSPECTIVE OF ISLAMIC ECONOMICS

Agricultural development from the perspective of Islamic economics is a process of transformation of the agricultural sector that is not only oriented towards increasing production and economic growth, but also towards improving the welfare of the community as a whole. In Islamic economics, development is seen as a multidimensional process that includes structural changes, improvements in the quality of life, and equitable distribution of development outcomes. This shows that development is not only measured by economic indicators such as income or output, but also by social and environmental aspects.

Therefore, agricultural development in Islam must be able to create a balance between economic growth, social justice, and environmental sustainability so that the benefits can be widely felt by the community (Hidayat et al., 2024).

The basic concept of development in Islam is rooted in the principle of monotheism, which emphasizes that all natural resources belong to Allah SWT, while humans only play the role of caliphs who are in charge of managing and utilizing them responsibly. In the context of agriculture, this means that production activities must be carried out with due regard to the values of faith, morality, and responsibility towards nature. Humans are not allowed to exploit resources excessively, because it is contrary to the principle of trust given by Allah. Thus, agricultural development in Islam is not only oriented to material gains, but also to the value of worship and spiritual responsibility. (ZAKARIA et al., 2017).

Furthermore, the principle of balance (*tawazun*) is an important foundation in the development of agriculture based on Islamic economics. This balance includes the relationship between humans and nature, humans with fellow humans, and humans with God. In practice, agricultural activities must maintain environmental sustainability by not damaging the ecosystem, such as excessive use of fertilizers and pesticides or uncontrolled exploitation of land. Islam teaches that the destruction of nature will have an impact on human life itself, so protecting the environment is part of human moral and spiritual responsibility (Veronica et al., 2022).

In addition, agricultural development from an Islamic economic perspective also strongly emphasizes the principle of social justice (*al-'adl*). This justice is realized through an equitable distribution of agricultural products and does not cause economic inequality. In the Islamic economic system, distribution mechanisms such as *zakat*, *infaq*, and *alms* have an important role in helping underprivileged communities, including smallholders. With fair distribution, agricultural development not only benefits large capital owners, but also provides benefits to all levels of society. This aims to create inclusive and sustainable welfare. (Hidayat et al., 2024).

Another important aspect of agricultural development according to Islamic economics is the creation of a fair and efficient distribution system of agricultural products. So far, one of the main problems faced by farmers is the length of the distribution chain, which has led to prices at the consumer level being much higher, while the profits received by farmers are relatively small. From an Islamic perspective, this kind of practice is not in accordance with the principle of justice because the farmer as the main producer, gets the least share. Therefore, agricultural development needs to encourage the creation of shorter and more transparent distribution channels, for example, through sharia cooperatives, farmers' markets, digital marketing, or direct cooperation between farmers and consumers. A fairer distribution system will increase farmers' incomes, reduce dependence on middlemen, and maintain price stability in the market. In addition, distribution efficiency will also help reduce the waste of agricultural products that often occurs due to sales delays and weak storage systems (Hidayat et al., 2024).

Agricultural development in the perspective of Islamic economics also places the agricultural sector as an instrument to realize food security and economic independence of the people. In Islamic teachings, the fulfillment of food needs is part of the sharia maqashid, especially in maintaining life (hifz al-nafs). Therefore, the state and society have a responsibility to ensure that the agricultural sector is able to provide sufficient, safe, and affordable food for all levels of society. Food security is not only understood as the availability of foodstuffs, but also includes equitable access to production resources such as land, water, seeds, technology, and capital. In this context, agricultural development based on Islamic economics encourages the creation of a more equitable distribution of resources so that small farmers are not left out by the dominance of large capital owners. Agrarian reform policies, management of abandoned land, and the provision of land access to the poor are important parts of efforts to realize agrarian justice in an Islamic perspective.

The development of agriculture in Islam is also inseparable from the application of ethical and moral values in economic activities. Every agribusiness actor, both farmers, traders, and business managers, must uphold honesty, fairness, and responsibility in running their business.

Practices that harm others, such as fraud, price manipulation, or labor exploitation, are strictly forbidden in Islam. This Islamic work ethic is the foundation for creating an agricultural system that is not only productive but also fair and has high integrity (E. F. Wahyuni et al., 2022).

Agricultural development in the Islamic economy must also pay attention to the importance of protecting smallholder farmers as the most vulnerable group in the rural economic structure. In many cases, smallholders face a variety of problems, such as limited land, low access to capital, dependence on middlemen, and weak bargaining positions in determining crop prices. Islamic economics rejects all forms of injustice and exploitation of the weak. Therefore, agricultural development needs to be accompanied by policies that protect smallholders, for example, through the setting of minimum prices for agricultural products, subsidies for production facilities, the elimination of ijon practices, and the provision of marketing institutions that favor farmers. In addition, smallholders also need to gain access to education and information in order to increase productivity and understand their rights in economic activities. With this protection, agricultural development not only results in increased production, but also creates social justice and more equitable welfare. (Hidayat et al., 2024).

Agricultural development from the perspective of Islamic economics must also pay attention to the importance of farmer regeneration. Currently, the interest of the younger generation to work in the agricultural sector tends to decline because agriculture is considered less promising than other sectors. As a result, many rural areas experience a shortage of productive labor in agriculture. In the Islamic view, working in the agricultural sector is a noble job because it is directly related to meeting people's living needs. Therefore, agricultural development needs to be directed to create a more modern, productive, and profitable image of agriculture so that it can attract the interest of the younger generation. These efforts can be carried out through agricultural education, entrepreneurship training, the provision of technology access, and the provision of capital assistance for young farmers. With the regeneration of farmers, the sustainability of the agricultural sector will be more guaranteed and rural economic development can take place in a sustainable manner.

On the other hand, agricultural development in the perspective of Islamic economics also has a very strong spiritual dimension. Every economic activity, including agriculture, must be based on the intention of worship to Allah SWT. This means that the main purpose of agricultural activities is not only to gain worldly gains, but also to gain Allah's blessing and pleasure. With this spiritual dimension, agricultural actors will be more careful in running their businesses and avoid practices that are contrary to Islamic teachings. (ZAKARIA et al., 2017).

The concept of Islamic agricultural development also emphasizes the importance of empowering human resources, especially farmers. Farmers are not only seen as producers but also as development subjects that must be empowered through education, training, and skill development. With this empowerment, farmers are expected to be able to increase productivity and quality of agricultural products, as well as have independence in managing their agribusiness business. This is also in line with the goals of Islamic economic development which is oriented towards improving human welfare as a whole. (Hidayat et al., 2024).

In addition, Islamic economics views that agricultural development must be built through collective cooperation and the spirit of helping (ta'awun). The agricultural sector cannot develop optimally if farmers work independently without institutional support. Therefore, Islam encourages the formation of farmer groups, sharia cooperatives, or business partnerships based on the principle of mutual benefit and freedom from exploitation. Through this collaboration, farmers can get easier access to capital, production facilities, training, and marketing of agricultural products. The spirit of ta'awun also encourages the birth of social solidarity among the community, so that agricultural development is not only oriented to individual interests, but also to the common interest. With strong cooperation, the economic resilience of rural communities will increase and the risk of business losses can be reduced.

Within the framework of Islamic economics, agricultural development also includes the concepts of tanmiyyah (growth) and tazkiyyah (purification). Tanmiyyah refers to the increase in production and income, while tazkiyyah is concerned with the improvement of the moral and spiritual qualities of human beings.

These two concepts must run in balance so that the development carried out not only produces economic progress, but also creates a society with noble character. Thus, agricultural development in Islam has a broader purpose than conventional development. (ZAKARIA et al., 2017).

Agricultural development from an Islamic economic perspective must also be directed at the creation of village economic independence through the strengthening of the real sector. Islam views that economic activities based on the production of real goods, including agriculture, have a more important value than speculative activities. Therefore, agricultural development is not enough to only increase crop yields, but also to strengthen the production, processing, distribution, and marketing systems that are managed directly by the village community. When local farmers and agribusiness actors are able to control the entire business chain, dependence on middlemen and outside parties can be reduced. In these conditions, economic benefits will revolve more at the local level so that people's welfare increases. This kind of development is also in line with the goals of Islamic economics, which emphasizes the equitable distribution of wealth and prevent the accumulation of wealth only in certain groups. In addition, strengthening the agriculture-based real sector is able to create village economic resilience because communities do not only depend on one type of work, but also have various productive activities that support each other (Khayuni & Walida, 2025).

Furthermore, Islam also encourages the use of technology and innovation in the agricultural sector as long as it does not conflict with sharia principles. The use of modern technology, such as organic and environmentally friendly agriculture, can increase productivity while preserving nature. This approach is in line with the concept of a green economy that emphasizes a balance between economic growth and environmental conservation. Thus, agricultural development based on Islamic economics can be a solution in facing global challenges such as climate change and environmental degradation. (Nurfasira et al., 2025).

From an Islamic economic perspective, agricultural development must also be directed at the creation of production systems that are resilient to climate change and global uncertainty.

Changing weather patterns, increasing risk of crop failure, and disruption of food distribution have become major challenges for Indonesia's agricultural sector. Islam teaches the importance of effort and careful planning in managing resources. Therefore, agricultural development needs to be supported by commodity diversification, the use of superior seeds, the implementation of efficient irrigation systems, and the development of organic agriculture that is more resistant to environmental changes. In the context of Islamic economics, these measures are part of efforts to maintain the sustainability of people's lives and avoid greater damage. The resilience of the agricultural sector to climate change is also very important, so that people do not experience repeated economic losses and are still able to meet food needs independently. (Nurfasira et al., 2025).

In the Indonesian context, agricultural development has a strategic role because it is supported by abundant natural resources. The agricultural sector is one of the backbones of the national economy that is able to absorb labor and increase people's income. However, the management of these resources must be carried out wisely and sustainably so as not to cause environmental damage. Therefore, the application of Islamic economic principles in agricultural development is very relevant to creating a sustainable and equitable agricultural system. (Veronica et al., 2022).

Agricultural development in Islam also emphasizes the importance of the government's role in creating policies that are fair and in favor of farmers. The government must provide various facilities, such as access to financing, technology, and markets, to support the development of the agricultural sector. In addition, the policies made must pay attention to Sharia principles so as not to harm the community. Collaboration between the government, the community, and business actors is the key to the success of sustainable agricultural development. (ZAKARIA et al., 2017).

Thus, it can be concluded that the concept of agricultural development from the perspective of Islamic economics is a holistic and comprehensive approach. This approach not only focuses on economic aspects, but also includes social, environmental, and spiritual aspects. The application of this concept is expected to create an agricultural system that is not only productive but also fair, sustainable, and full of blessings for the entire community.

Therefore, this concept is very relevant to be applied in the development of local agribusiness MSMEs in Indonesia. (Hidayat et al., 2024).

2. THE ROLE AND CHARACTERISTICS OF LOCAL AGRIBUSINESS MSMEs IN INDONESIA

Local agribusiness MSMEs in Indonesia have a very strategic role in supporting economic development, especially in rural areas. This is because most of the Indonesian people still depend on the agricultural sector and its derivative activities for their livelihoods. The existence of MSMEs in the agribusiness sector not only functions as business actors, but also as the main driver of the local economy that is able to create jobs and improve community welfare (Cibro, n.d.). In general, agribusiness MSMEs play a role in strengthening the agricultural value chain from upstream to downstream. They are involved in providing production inputs, cultivation processes, yield processing, and distribution and marketing of agricultural products. With this involvement, MSMEs are able to increase the added value of products that were previously only sold in raw form into processed products that have higher economic value (Ariko, n.d.).

Local agribusiness MSMEs also have an important role in increasing the added value of agricultural products through post-harvest processing activities. So far, many agricultural products are sold directly in raw form, so that the price received by farmers is relatively low. In fact, if the product is further processed, its value can increase many times. For example, cassava can be processed into chips or flour, fruits into jams and drinks, while herbal products can be processed into health products or natural cosmetics. These processing activities are generally carried out by MSMEs because they are closer to the source of raw materials and the needs of the local market. In addition to increasing revenue, post-harvest processing also helps extend the shelf life of products so that the risk of losses due to spoilage can be reduced. Therefore, the development of agribusiness MSMEs needs to be directed at improving processing skills, packaging quality, and product certification in order to be able to compete in a wider market. (P. R. Wahyuni & Hamzah, 2026).

In addition, agribusiness MSMEs also contribute greatly to labor absorption, especially in rural areas. The labor-intensive nature of the business makes MSMEs a solution in reducing unemployment and poverty. In fact, in various economic crisis conditions, MSMEs have proven to be more resilient than large businesses due to their operational flexibility and dependence on local resources (Ariko, n.d.). Another important role is as a driver of economic inclusion. Agribusiness MSMEs provide opportunities for small communities to be directly involved in productive economic activities. Thus, income distribution becomes more even and economic disparities can be reduced, especially between urban and rural areas (Cibro, n.d.).

Local agribusiness MSMEs also play an important role in maintaining the economic resilience of the community when there is a crisis, such as economic crises, pandemics, and food distribution disruptions. Compared to large companies that rely heavily on a wide distribution network and large capital, MSMEs tend to be more flexible because they utilize local resources, family labor, and raw materials available around the business area. This flexibility makes MSMEs more quickly adapt to market changes and environmental conditions. For example, when the price of certain commodities decreases, agribusiness MSME actors can shift their business to other processed products that have higher added value. This adaptability shows that agribusiness MSMEs are not only ordinary economic actors but also a fortress of economic defense for rural communities.

In addition to having an economic role, local agribusiness MSMEs also function as a means of empowering women and the younger generation in rural areas. Many agricultural product processing businesses, such as processed foods, chips, herbal drinks, and household products made from local raw materials, are run by groups of housewives or village youth. The existence of MSMEs provides space for them to earn income, improve skills, and participate in family economic development. In the long term, the involvement of women and the younger generation is very important because it can encourage business innovation and prevent excessive urbanization from villages to cities. With the opportunity to do business in their home areas, people of productive age do not need to leave the agricultural sector.

Therefore, the development of local agribusiness MSMEs must also be accompanied by entrepreneurship training programs, digital skills development, and inclusive access to capital so that women and the younger generation can develop as independent agribusiness actors (Adinugraha et al., 2024).

In terms of characteristics, agribusiness MSMEs in Indonesia generally have a small business scale with limited capital. Most businesses still rely on informal financing such as personal savings or family loans. This condition makes production capacity and business development limited. (Arami, 2025). Another characteristic is the use of technology that is still simple. Many agribusiness MSME actors still use traditional methods in the production and processing of agricultural products. This has an impact on low productivity and product quality compared to businesses that have applied modern technology. (Ariko, n.d.).

In terms of management, agribusiness MSMEs tend to have a simple organizational structure and are managed in a family-run manner. Decision-making is usually done directly by business owners without a complex management system. Although it is simple, it actually provides flexibility in dealing with market changes (Arami, 2025). Agribusiness MSMEs also have a very strong relationship with local potential. The products produced are usually based on local natural resources, such as agricultural, fishery, or plantation products. This makes MSMEs a representation of the local economy that reflects the peculiarities of certain regions. In practice, agribusiness MSMEs often act as a liaison between farmers and the market. They buy agricultural products from farmers, then process or distribute them to consumers. This role is very important in maintaining price stability and ensuring that agricultural products can be optimally absorbed by the market (Cibro, n.d.).

Another characteristic of local agribusiness MSMEs in Indonesia is their proximity to cultural values and local wisdom. Many agribusiness products produced by MSMEs come from local traditions, such as processed regional foods, herbal products, organic fertilizers, or handicrafts made from agricultural raw materials. The existence of this local value is a distinct advantage because it is able to create a product identity that is different from large industrial products.

In addition to having economic value, products based on local culture also have the potential to be a means of preserving traditions and community identity. Therefore, the development of agribusiness MSMEs not only has an impact on increasing income but also contributes to maintaining cultural heritage and strengthening the creative economy in rural areas.

Another important characteristic of local agribusiness MSMEs is the high business relationship with the social network of the surrounding community. Many MSMEs develop through family relationships, mutual cooperation, and trust between business actors in the village. Social capital is the main strength because it allows business actors to obtain labor assistance, market information, and capital support from the surrounding environment. In practice, many agribusiness MSMEs are built jointly by family members or community groups, so that relationships between individuals are an important part of business sustainability. However, dependence on social relationships alone is not enough if it is not balanced with managerial skills and business professionalism. Therefore, strengthening agribusiness MSMEs needs to be carried out while still utilizing existing social capital, but accompanied by improving administrative, marketing, and business management capabilities, so that MSMEs are able to develop further.

In the digital era, the characteristics of agribusiness MSMEs are starting to change with the increasing use of social media and electronic commerce platforms. Many MSME players now not only sell products through traditional markets, but also utilize marketplaces, short messaging applications, and social media to expand market reach. The digital transformation provides opportunities for agribusiness MSMEs to reach consumers outside the region and even to the national market. However, not all business actors have the same ability to utilize technology. There are still many MSMEs that experience limitations in digital literacy, internet access, and promotional capabilities. Therefore, training and mentoring are needed so that digital transformation can really be used to increase the competitiveness of local agribusiness MSMEs.

Local agribusiness MSMEs currently also have an increasingly important role in accelerating the transformation of the digital economy in rural areas.

The presence of social media, marketplaces, digital payment applications, and instant messaging services has opened up new opportunities for MSME players to expand the market without having to rely entirely on traditional markets. Through digitalization, local agricultural products that were previously only known in certain regions can now be marketed to a wider range of consumers, even up to the national level. For agribusiness MSMEs, the use of digital technology not only serves as a means of promotion, but also helps with financial recording, stock management, customer service, and a more efficient payment system. From an Islamic economic perspective, digitalization must still be carried out based on the principles of honesty, transparency, and responsibility so as not to cause fraud, information manipulation, and business practices that harm consumers. Thus, digitalization is not only a tool for modernization, but also a means to strengthen the competitiveness of local agribusiness MSMEs in a more ethical and sustainable manner (Mariam et al., n.d.).

However, agribusiness MSMEs also have a number of challenges. Limited access to formal financing, low financial literacy, and limited marketing networks are the main obstacles in business development. In addition, dependence on seasons and fluctuations in commodity prices also affect business stability. In the context of Islamic economic development, agribusiness MSMEs have strategic value because they are in line with the principles of justice, equity, and community empowerment. The Islamic economic system encourages economic activities based on real sectors such as agriculture and small businesses, so that agribusiness MSMEs can become an important instrument in realizing sustainable welfare.

Another prominent characteristic of local agribusiness MSMEs in Indonesia is the high dependence of businesses on seasonal conditions and the availability of raw materials. Most MSMEs engaged in agricultural product processing are greatly influenced by the success of the harvest and the continuity of supply from farmers. When there is a long dry season, floods, or pest attacks, the production of raw materials will decrease so that business activities are disrupted. This condition causes agribusiness MSMEs to have a relatively higher level of risk than other business sectors.

Therefore, MSME actors need to implement adaptation strategies, such as product diversification, storage of raw material stocks, cooperation with more than one farmer group, and the use of processing technology that is able to extend the shelf life of products. These steps are important so that businesses continue to run despite fluctuations in agricultural production. In the long term, the ability to adapt to changing seasons will determine the sustainability of local agribusiness MSMEs (Arami, 2025).

The role and characteristics of local agribusiness MSMEs in Indonesia show that this sector is an important pillar in national economic development. With the strengthening of financing, technology, and human resource capacity, agribusiness MSMEs have the potential to be the main motor in encouraging inclusive and sustainable economic growth (Arami, 2025).

3. ISLAMIC ECONOMY-BASED AGRICULTURAL DEVELOPMENT MODEL ON AGRIBUSINESS MSMEs

Agricultural development based on Islamic economics is an approach that places the agricultural sector not only as an economic activity, but also as a means to realize the social and spiritual welfare of the community. In the context of agribusiness MSMEs in Indonesia, this approach is important because most of the business actors are in rural areas that have a strong connection with local religious and cultural values. Therefore, the integration of Islamic economic principles such as justice, sustainability, and balance is the foundation for designing an inclusive and benefit-oriented agricultural development model.

The agricultural development model based on Islamic economics in agribusiness MSMEs needs to begin with mapping the potential of the region and the needs of the community as a whole. Each region has different characteristics of natural resources, types of commodities, culture, and community capabilities. Therefore, the development model cannot be applied uniformly. The appropriate approach is development based on local potential, namely developing the type of agribusiness business that is most suitable for the local area's conditions. In mountainous areas, for example, MSMEs can be focused on horticulture and processed vegetable products, while in coastal areas, fisheries agribusiness and seafood processing can be developed.

From an Islamic economic perspective, the utilization of local potential must be carried out by considering the benefits of the community and environmental sustainability so that the results of development really provide long-term benefits.

Agribusiness MSMEs have a strategic role in agricultural development because they function as a link between the production sector and the market. In the agribusiness system, MSMEs not only play a role as producers, but also as processors, distributors, and marketers of agricultural products. This is in line with the concept of agribusiness which covers the entire value chain from upstream to downstream. However, in practice, many MSMEs still face limitations in increasing the added value of agricultural products, especially due to weak business management and innovation (P. R. Wahyuni & Hamzah, 2026).

The Islamic economic approach provides solutions to these problems through the application of sharia principles in business activities. Principles such as honesty (shiddiq), trust, justice ('adl), and transparency are the foundation in building trust between business actors and consumers. Research shows that the integration of these values in the production and marketing processes is able to increase customer loyalty and the competitiveness of agribusiness MSME products (Salam, Siregar, et al., 2025).

In addition to the economic aspect, the Islamic economy-based agricultural development model also needs to pay attention to strengthening the character and spirituality of agribusiness MSME actors. The success of a business is not only determined by capital and technology, but also by the moral quality of business actors. Education about Islamic business ethics, social responsibility, a disciplined work culture, and awareness to avoid practices that harm others must be part of the MSME mentoring process. Business actors who have an honest, trustworthy, and responsible character will find it easier to gain the trust of consumers and business partners. In the long term, this trust will be a very important social capital in strengthening the sustainability of agribusiness businesses.

In addition, the Islamic economy-based agricultural development model also emphasizes the importance of sustainability. In Islam, humans are seen as caliphs on earth who are responsible for maintaining environmental balance.

Therefore, environmentally friendly farming practices, efficient use of resources, and good waste management are integral parts of this model. This approach not only provides economic benefits, but also preserves nature for future generations.

In the context of agribusiness MSMEs, this model can be implemented through strengthening community-based institutions. For example, sharia cooperatives, farmer groups, or Islamic boarding schools can be centers for integrated agribusiness development. Islamic boarding schools, as socio-religious institutions, have great potential in developing agribusiness based on Islamic values and community empowerment (Ismail, 2025). This role includes skill building, morale strengthening, and business network development.

The agricultural development model based on Islamic economics in agribusiness MSMEs also needs to include a strategy to strengthen networks between business actors. So far, many agribusiness MSMEs have run alone, making it difficult to obtain stable raw materials, expand the market, or increase production scale. In the Islamic economy-based model, relationships between business actors should be built through partnership networks, sharia cooperatives, producer associations, and business cluster systems. Through this network, MSME actors can share information about prices, technology, markets, and access to financing. This cooperation also allows for production and distribution cost efficiency because several needs can be met together. This principle is in accordance with Islamic teachings regarding *ukhuwah* and *ta'awun*, namely the spirit of brotherhood and mutual help in economic activities. With the formation of a strong business network, agribusiness MSMEs will have a higher bargaining position in front of the market and be able to compete with larger companies.

This development model also integrates sharia financing schemes such as *mudharabah*, *musyarakah*, and productive *zakat*. This scheme allows MSME actors to get access to capital without being burdened with interest, so that it is fairer and in accordance with sharia principles. Studies show that the implementation of a profit-sharing system in agribusiness is able to improve the welfare of business actors while strengthening partnership relationships between the parties involved (Salam, Zam, et al., 2025).

The Islamic economy-based agricultural development model also needs to be equipped with sharia financial literacy programs for agribusiness MSME actors. Many business actors still have limitations in managing finances, compiling business reports, and understanding the difference between sharia financing and conventional financing. As a result, they often experience difficulties when they want to access capital from Islamic financial institutions. Through the financial literacy program, MSME actors can understand how to manage cash flow, calculate profits, develop business plans, and use sharia financing products appropriately. In addition, they also need to be equipped with an understanding of sharia contracts such as mudharabah, musyarakah, murabahah, and ijarah so that they can choose the form of financing that best suits their business needs. Increasing Islamic financial literacy will help MSMEs become more independent, professional, and able to develop their businesses in a sustainable manner without relying on interest-bearing lending practices (Khayuni & Walida, 2025).

In addition to financing, product innovation is an important element in the Islamic economy-based agricultural development model. MSMEs are required to develop products that are not only of high quality, but also have added value and differentiation in the market. Innovations based on Islamic values, such as the use of halal materials, educational packaging, and religious narratives, can be an effective strategy in attracting consumer interest while increasing competitiveness (Salam, Siregar, et al., 2025).

Marketing is also a crucial aspect in this model. With the development of digital technology, agribusiness MSMEs have a great opportunity to expand the market through online platforms. An Islamic marketing approach that prioritizes honesty, transparency, and business ethics can increase consumer trust and strengthen product brands. This is important in the face of increasingly fierce market competition.

One of the important elements in the Islamic economy-based agricultural development model for agribusiness MSMEs is the development of a sharia digital marketing system. This system emphasizes that the entire marketing process must be carried out openly, honestly, and does not contain elements of gharar, usury, or fraud.

Agribusiness MSME actors need to be provided with assistance to utilize digital platforms, such as marketplaces and social media, but still understand Islamic business ethics in conveying product information. Information about quality, price, weight, materials, and production processes must be clearly conveyed so that consumers get the right information. In addition, the sharia digital marketing model can also be strengthened through the use of halal certification, local product labels, and a QRIS-based sharia payment system or sharia digital wallet. With this strategy, agribusiness MSME products not only have higher competitiveness, but also gain consumer trust because they are considered in accordance with Islamic principles. In the long term, the sharia digital marketing system will help expand the market for local agricultural products while strengthening the identity of agribusiness MSMEs based on Islamic economics (Fauziah & Ardiansyah, 2025).

The Islamic economy-based agricultural development model also emphasizes collaboration between various parties, including the government, Islamic financial institutions, academics, and the community. This collaboration is needed to create a conducive and sustainable agribusiness ecosystem. Policy support, training, and market access are important factors in increasing the capacity of agribusiness MSMEs.

In the model of agricultural development based on Islamic economics, universities and research institutions also have a very important role as a source of innovation and assistance for agribusiness MSMEs. So far, many research results on agricultural technology, product processing, digital marketing, and sharia financing have not been fully utilized by business actors in the field. Therefore, closer cooperation is needed between campuses, the government, and MSMEs so that the results of research can be applied in real terms. Universities can contribute through training programs, community service, business incubation, and assistance in developing business strategies. From an Islamic economic perspective, this role is part of a social responsibility to spread knowledge and help society gain benefits. With the support of educational and research institutions, agribusiness MSMEs will find it easier to develop innovations, improve product quality, and expand their competitiveness in the market (Ismail, 2025).

The agricultural development model based on Islamic economics in agribusiness MSMEs also needs to encourage the establishment of training and business incubation centers at the regional level. The existence of the training center is important to help MSME actors gain practical knowledge about cultivation techniques, product processing, marketing, packaging, and Islamic financial management. So far, many MSMEs have great business potential, but it is difficult to develop because they lack sustainable assistance. Through business incubation, MSME actors not only receive training, but also opportunities to consult, build networks, and access financing. From an Islamic economic perspective, coaching like this is part of an effort to empower the community to be able to be independent and improve welfare. Business training and incubation centers can also be a means to bring together the government, universities, Islamic financial institutions, and business actors in one integrated development system.

In order for this development model to run effectively, a continuous monitoring and evaluation system is needed. The government, Islamic financial institutions, universities, and community organizations need to work together in supervising the implementation of agricultural development programs based on Islamic economics. The evaluation is not only carried out on increasing production and profits, but also on its impact on farmers' welfare, income equity, environmental conservation, and the application of sharia values. With regular monitoring, various obstacles that arise can be overcome immediately and development programs can be adjusted to the needs of the community. This evaluation system is also important to ensure that the development model really runs in accordance with the main goal of the Islamic economy, which is to create benefits and justice for all people.

However, the implementation of this model still faces various challenges, such as low sharia economic literacy, technological limitations, and uneven access to markets. Therefore, systematic and sustained efforts are needed to overcome these obstacles. Education and mentoring are the key to improving the understanding and ability of MSME actors in applying Islamic economic principles.

The agricultural development model based on Islamic economics in agribusiness MSMEs offers a holistic and sustainable approach.

This model is oriented not only to economic gain, but also to social welfare and environmental sustainability. By integrating Islamic values in every aspect of business, agribusiness MSMEs can become the driving force for equitable economic development.

Thus, the development of this model in Indonesia has very great prospects, considering the potential of abundant natural resources and the religious character of the community. If implemented optimally, this model can be a solution in increasing the added value of agricultural products, strengthening the local economy, and realizing sustainable and equitable development in accordance with Islamic economic principles.

CONCLUSION

Agricultural development based on Islamic economics is a very relevant approach to be applied in the development of local agribusiness MSMEs in Indonesia. This approach not only places agriculture as an economic activity to earn profits, but also as a means to create social welfare, justice, and environmental sustainability. Islamic economic principles such as monotheism, trust, justice, balance, and responsibility provide a strong foundation in managing the agricultural sector in a more humane and benefit-oriented manner. Through the application of these values, agricultural development no longer focuses on economic growth alone, but also on the equitable distribution of development results and protection of small community groups, especially farmers and MSME actors.

Local agribusiness MSMEs have a very strategic role because they are a link between farmers, processing processes, and markets. The existence of MSMEs is able to increase the added value of agricultural products, create jobs, and strengthen the rural economy. However, in order for MSMEs to develop optimally, support is needed in the form of sharia financing, training, technology, mentoring, and government policies that favor small businesses. Collaboration between the government, Islamic financial institutions, the community, and business actors is an important factor in realizing an inclusive and sustainable agricultural development model.

Thus, agricultural development based on Islamic economics can be a solution in increasing the competitiveness of agribusiness MSMEs, strengthening the economic resilience of the community, and realizing more equitable welfare in Indonesia.

The Islamic economy-based agricultural development model for agribusiness MSMEs can be realized through the strengthening of sharia cooperatives, the implementation of mudharabah and musharakah financing, the development of sharia digital marketing, coaching through Islamic boarding schools and farmer groups, and increasing financial and technological literacy. The combination of these various elements is an important foundation in creating an independent, competitive, and sustainable local agribusiness.

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CHAPTER 3
IMPLEMENTATION OF ISLAMIC ECONOMIC
PRINCIPLES IN THE AGRICULTURAL SECTOR: A
QUALITATIVE ANALYSIS OF THE AGRARIAN
COMMUNITY OF CENTRAL JAVA

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INTRODUCTION

The agricultural sector has a very strategic position in the structure of the Indonesian economy, especially in areas with an agrarian pattern such as Central Java. The role of this sector is not only limited to providing food needs, but it is also a major source of livelihood for most rural communities. In the context of economic development, the agricultural sector functions as a support for social stability as well as a driver of the local economy that is able to absorb a large number of workers. Previous research has shown that the agricultural sector continues to make a significant contribution to economic growth, especially in developing countries, and even tends to be more resilient to crisis shocks than other sectors (Munajahro & Setyanto, 2024; Putri et al., 2024). However, the dynamics of modernization, limited access to capital, and inequality in the distribution of resources are real challenges faced by agrarian communities. Therefore, an approach is needed that not only emphasizes the productivity aspect but also pays attention to the dimensions of justice, sustainability, and welfare as a whole. In this case, Islamic economics exists as a conceptual framework that offers integration between spiritual values and economic activities, so as to be able to provide alternative solutions to various structural problems in the agricultural sector.

From an Islamic economic perspective, agricultural activities are not solely seen as economic activities oriented towards material gains, but also as part of the implementation of the values of worship and human responsibility as caliphs on earth. This concept places the management of agrarian resources as a mandate that must be carried out fairly, wisely, and oriented towards the common good. Basic principles such as monotheism, justice ('adl), balance (tawazun), and benefit (maslahah) are the main foundations in every economic activity, including in the agricultural sector. Research Astuti (2024) shows that the application of Islamic economic values in the agricultural sector is able to improve the welfare of rural communities through a more equitable distribution of resources. In addition, the concept of ownership in Islam is relatively encouraging of productive land use and prohibits the practice of excessive exploitation and abandonment of resources. This is in line with the concept of *ihya' al-mawat*, which encourages land optimization for the benefit of the *ummah*.

Thus, the Islamic economic approach not only focuses on production results but also ensures that the processes carried out remain within the corridor of ethics and environmental sustainability.

The implementation of Islamic economic principles in agricultural practices in the agrarian community of Central Java has, in fact, been going on for generations, although it is not always realized as part of a formal sharia economic system. The pattern of cooperation between land owners and cultivators, for example, reflects the essence of the muzara'ah and mukhabarah contracts, where there is a division of proceeds based on mutual agreement. Research by Zainollah & Ghufroon (2024) and Stuart (2024) shows that this kind of profit-sharing system is able to create fairer economic relations while increasing agricultural productivity. In addition, the practice of cooperation that is still strong in the community also represents the value of ta'awun (help-help), which is one of the main principles in Islamic economics. On the other hand, the development of sharia-based financing, such as salam and multi-contract contracts, has begun to provide alternative solutions to capital constraints that have been the main obstacles for farmers (Sholihatussifa & Utami, 2024); (D.Setiawan et al., 2024). However, various studies have also revealed that the implementation of these principles has not been fully optimal because there are still obstacles in the form of low Sharia economic literacy, lack of transparency in contracts, and limited institutional support (Rusanti et al., 2023). This condition shows that there is a gap between the normative concept of Islamic economics and empirical practice in the field that needs to be studied more deeply.

Based on the description above, the study of the implementation of Islamic economic principles in the agricultural sector is very important, especially in the context of agrarian communities in Central Java, which have distinctive social and cultural characteristics. This study aims to qualitatively analyze how Islamic economic values and principles are implemented in agricultural practices, as well as identify various factors that affect the success and obstacles in their implementation. This study is also expected to be able to make a theoretical contribution to the development of Islamic economic literature, as well as provide practical recommendations for strengthening the sharia-based agricultural sector.

In line with previous findings, the integration of spiritual values, institutional systems, and economic innovation is believed to be able to encourage the creation of a more equitable, inclusive, and sustainable agricultural system (Indah et al., 2025). Thus, this research is not only academically relevant but also has strategic implications in supporting the economic development of agrarian societies that are oriented towards the welfare of the world and the hereafter (falah).

1. THE CONCEPT OF AGRARIAN AGRICULTURE SECTOR POLICY IN THE ISLAMIC ECONOMIC PERSPECTIVE

The agricultural sector is the main foundation in the economic structure of an agrarian country like Indonesia because this sector directly plays a role in providing food needs, creating jobs, and maintaining the social and economic stability of the community. From an Islamic economic perspective, the agricultural sector is not only seen as a material economic activity, but also as part of the worship and implementation of monotheistic values in human life. Humans as caliphs on earth have the responsibility to manage agrarian resources wisely, fairly, and sustainably in order to achieve overall welfare (falah). Research shows that the agricultural sector remains a strategic sector that contributes significantly to regional and national economic growth, especially in the context of developing countries (Munajahro & Setyanto, 2024; Putri et al., 2024). In fact, in the conditions of a global economic crisis, this sector tends to be more resilient than other sectors because it is directly related to basic human needs. In Islamic economics, the fulfillment of basic needs such as food is included in the category of sharia maqashid, especially hifz al-nafs (safeguarding the soul), so that the development of the agricultural sector becomes a shared obligation (fardhu kifayah) for the community and the state. Therefore, the management of the agrarian sector must not only be oriented towards economic profits, but must also consider moral, social, and environmental aspects as an integral unit.

The basic concept of the agricultural sector in Islamic economics emphasizes the integration between spiritual values and productive economic activities, where land, as the main factor of production, is seen as a mandate from Allah SWT that must be used optimally for the benefit of the ummah. Ownership in Islam is relative, so the use of agrarian resources must avoid the practice of monopoly, excessive exploitation, and land neglect. The concept of *ihya' al-mawat* (reviving dead land) is one of the important principles that encourages productive and sustainable land use. Recent research shows that the optimization of the agricultural sector based on sharia principles is able to improve the welfare of rural communities through a more equitable and equitable distribution of resources (Astuti, 2024). In addition, the agricultural sector also has an important role in absorbing large numbers of workers, especially in rural areas, thus contributing to reducing unemployment and poverty rates. From the perspective of Islamic economics, production activities in the agricultural sector must meet the principles of *halal*, *thayyib*, and not damage the environment, to produce output that is not only economically quality but also worth blessings. Thus, the agricultural sector in Islam is an important instrument in realizing a balance between economic growth and social justice.

Islamic economics, in its implementation, provides various institutional and contractual instruments (*akad*) that support the development of the agricultural sector fairly and efficiently. Contracts such as *muzara'ah*, *musaqah*, and *mukhabarah* are mechanisms for cooperation between land owners and cultivators based on the principles of profit sharing and distributive justice. This system provides an alternative to the capitalistic system that tends to be exploitative and the conventional system that is based on interest (*riba*). The implementation of sharia contracts in the agricultural sector is able to increase productivity while creating more harmonious economic relations between business actors (Zainollah & Ghufron, 2024). In addition, the role of Islamic financial institutions is also very important in providing access to financing for farmers through more inclusive and usury-free schemes, such as *murabahah*, *salam*, and *istishna'* (Sholihatussifa & Utami, 2024). In fact, the development of Islamic finance shows the integration between the social and commercial sectors in supporting sustainable agricultural financing.

This is reinforced by the finding that sharia financing is more adaptive to the needs of smallholders compared to conventional systems. Thus, Islamic economic instruments provide comprehensive solutions in overcoming classic problems in the agricultural sector, such as limited capital and inequality of access to resources.

The agricultural sector in the framework of Islamic economics plays a very strategic role, especially in efforts to equitably distribute wealth and reduce poverty. This can be done through instruments such as zakat, infaq, and alms. One of the relevant forms is agricultural zakat (*zakat al-zuru'*), which functions as an income redistribution mechanism to reduce social inequality and improve the living standards of the underprivileged, especially in rural areas. Several studies show that increasing agricultural productivity, accompanied by a fair distribution system, can have a positive impact on the welfare of farmers (Ariyanti et al., 2024). On the other hand, the agricultural sector also has an important role as a support for economic stability, especially when there is global economic turmoil. Its characteristics that are directly related to basic human needs make the sector relatively more resistant to crises (Solekhan, 2024). From an Islamic economic perspective, justice in the distribution of production is a key principle, including protection for vulnerable groups such as smallholders and farm laborers. In addition, the application of sharia principles in the marketing process of agricultural products also contributes to increasing the added value of products while strengthening competitiveness in the market. This approach also ensures that business practices continue to run ethically and fairly (Rozy & Albar, 2025). Thus, the agricultural sector not only plays a role as a commodity producer, but also as a means of economic equity based on Islamic values.

The agricultural sector, from the perspective of Islamic economics, is basically seen as the main foundation in encouraging sustainable, inclusive, and equitable economic development. The transformation of the agricultural sector in the modern era faces various challenges, such as low productivity, limited access to technology, climate change, and inequality in land and capital distribution (Juliansyah et al., 2024).

Nevertheless, the integration of Islamic economic principles and technological innovations, such as the digitalization of agriculture and smart farming, can be a strategic solution in increasing the efficiency and productivity of this sector. In addition, solid cooperation between the government, sharia-based financial institutions, and the community has an important role in building an agricultural ecosystem that is sustainable and in line with Islamic values. Through this approach, the agricultural sector not only contributes to economic growth but is also able to create an equitable distribution of welfare in a sustainable manner. This is in line with the main goal of Islamic economics, which is to achieve *falāh*, which is welfare that includes the life of this world and the hereafter. Therefore, strengthening the agricultural sector based on Islamic economics is a strategic step in realizing a more equitable, humane, and sustainability-oriented economic system.

2. IMPLEMENTATION OF THE CONTRACT AND BASIC VALUES OF ISLAMIC ECONOMICS IN THE AGRICULTURAL PRACTICES OF THE AGRARIAN COMMUNITY OF CENTRAL JAVA

The implementation of the contract and basic values of Islamic economics in agricultural practices in the agrarian community of Central Java can be understood as the result of a combination of sharia normative teachings with the reality of rural life that has been going on for generations. In this context, agricultural activities are not only seen as economic activities for profit, but also as part of social practices that contain moral and spiritual values. The main principles in Islamic economics, such as monotheism, justice (*'adl*), balance (*tawazun*), and benefit (*maslahah*), are important bases in shaping economic relations in agrarian societies. This is reflected in the way farmers manage land, build cooperation, and distribute crops by considering aspects of justice and blessings. The Islamic economic approach in the real sector, including agriculture, is increasingly relevant because it is able to answer the need for an economic system that is not only efficient but also upholds ethics and sustainability (Khoirul Afidati, Nurwinda Apriyani, 2023). Therefore, the integration between Islamic values and local agricultural practices is not only conceptual but has also become a real part of people's daily lives.

The implementation of sharia contracts in daily life in the agricultural sector, especially in Central Java, is generally seen in the form of cooperation between land owners and cultivating farmers. Although it is not always directly referred to as *fiqh*, such as *muzara'ah* or *mukhabarah*, the essence of the cooperation still reflects the same principles. For example, landowners provide land, sometimes even seeds, while cultivators are responsible for the entire cultivation process until harvest. The harvest is then divided based on a predetermined mutual agreement. A pattern like this shows that there is a fairly balanced distribution of risks and profits, so that it does not burden one party. Recent studies have also shown that this kind of profit-sharing system has great potential in improving the welfare of smallholders, as they do not have to bear the entire costs and risks of production independently. In addition, the cooperative relationships that are built are usually family, thus strengthening social relationships in the local community (Murniati, 2024). Thus, contracts in the agricultural sector not only act as economic agreements, but also become a medium to foster mutual trust and strengthen social solidarity among actors.

In addition to profit-sharing-based contracts, financing practices in the agricultural sector are now starting to apply sharia principles, one of which is through the *salam* contract. Through this scheme, farmers get advance payments for crops that will be handed over at a later date according to mutually agreed criteria. For farmers who often experience limited capital, this mechanism is an effective solution because it can meet the needs of production costs without having to rely on interest-bearing loans. *Akad salam* has an important role in expanding access to financing for farmers, especially in rural areas that have not been fully reached by formal financial institutions. In addition, the implementation of this contract also provides market certainty for crop yields, so that it is able to reduce the risk of losses due to price fluctuations (Hendro & Risviyaldi, 2025). However, the implementation of the *Salam* agreement in the agricultural sector still faces various obstacles. Among them are the limited understanding of farmers of the contract mechanism and the lack of maximum support from Islamic financial institutions in optimizing their role for this sector.

On the other hand, conditions in the field show that the implementation of sharia contracts in agricultural practice is often not fully aligned with the ideal concept described in Islamic economic literature. In some cases, there are still inconsistencies in the sharing of results, a lack of transparency, and the absence of a clear agreement from the beginning of the cooperation. This situation is generally influenced by the low level of public literacy towards the concept of *fiqh muamalah*, so that the practice that runs is more based on habits than comprehensive understanding. The lack of education related to sharia contracts has the potential to trigger conflict and dissatisfaction among the parties involved (Ruliniati et al., 2024). For this reason, more structured steps are needed to increase public understanding of Islamic economic principles both through formal education channels and through direct assistance in the field. This increased understanding is expected to be able to encourage the practice of contracts in the agricultural sector to run more transparently, fairly, and in accordance with Sharia values.

The basic values of Islamic economics have, in fact, long grown and developed in the social life of the agrarian community in Central Java, although they are not always realized as part of the teachings of Islam. The tradition of cooperation, for example, reflects the principle of help-help (*ta'awun*) that is highly upheld in Islam. In agricultural activities, cooperation is seen in the process of planting, harvesting, and land care, where people help each other without expecting material rewards. In addition, there is also the habit of sharing crops with neighbors or the surrounding community as a form of gratitude. Values such as honesty, trust, and responsibility also play an important role in maintaining the sustainability of economic relations at the local level. Thus, the combination of local wisdom and Islamic economic values can be a solid foundation in building a sustainable agricultural system (Rusanti & Sofyan, 2023). This is because the approach not only pays attention to economic aspects, but also to the social and cultural dimensions inherent in people's lives.

The rapid development of the sharia economy has also encouraged the emergence of innovations in financing the agricultural sector, one of which is through the implementation of the multi-contract concept.

In this scheme, several types of contracts are combined to meet more complex needs, such as capital financing, procurement of agricultural equipment, and distribution of crops. For example, the *musharakah* contract can be used for capital cooperation, while *murabahah* is used for the purchase of production facilities, and *ijarah* for the rental of agricultural equipment. This approach provides greater flexibility for farmers to access a wide range of financial services in accordance with Sharia principles. Recent research shows that the implementation of multi-contract in the agricultural sector can increase efficiency and productivity, as it is able to accommodate various needs in one integrated system (D. Setiawan et al., 2024). However, the implementation of this concept still requires support from various parties, such as Islamic financial institutions, the government, and accompanying institutions, so that it can run optimally and on target.

The implementation of the contract and basic values of Islamic economics in agricultural practices in the agrarian community of Central Java, in general, shows great potential in building a more just and sustainable economic system. Although they are still faced with several obstacles, such as the low level of Sharia economic literacy, limited access to financing, and the lack of maximum institutional support, the current developments lead to a positive trend. Through continuous efforts to increase public understanding, strengthen the role of Islamic financial institutions, and integrate local values with sharia principles, the agricultural sector has the opportunity to become one of the main pillars in the development of the Islamic economy in Indonesia. Therefore, synergistic cooperation between various parties is needed so that the implementation of the contract and basic values of Islamic economics does not only stop at the conceptual level, but is actually realized in practices that provide real benefits for the welfare of agrarian communities.

3. STRATEGIES TO INCREASE AGRICULTURAL PRODUCTS BASED ON ISLAMIC ECONOMICS IN THE AGRARIAN COMMUNITY OF CENTRAL JAVA

Increasing agricultural yields in agrarian communities in Central Java is a need that cannot be ignored. The agricultural sector has a very important role in people's lives.

This role is not only related to food supply. Another role can be seen in its contribution to the income of the village community. Many families depend on rice fields and fields for their livelihoods. This condition makes agriculture the backbone of the local economy. Therefore, efforts to increase agricultural products must be carried out seriously and in a targeted manner. The strategy used is not enough to focus only on the technical aspects of cultivation. This approach also needs to touch on the social and spiritual values of the community. Islamic economics is present as an approach that is able to answer these needs. This concept emphasizes the balance between economic gain and moral value. Agricultural activities are seen as part of worship. The end goal is not just material gain. Another goal is blessing and mutual well-being. The results of the study show that the application of Islamic economic principles is able to have a positive impact on agricultural productivity. This impact can also be seen in the creation of a fairer and more sustainable system. Thus, this approach is worthy of being used as a basis for designing agricultural strategies in agricultural areas (Syukron & Adinugrah, 2024)

Strengthening divine values is an important initial strategy to be implemented. This value shapes the way farmers view their work. Farmers do not see farming activities as ordinary jobs. They interpret it as a form of devotion to Allah SWT. This awareness encourages the emergence of a more responsible attitude. Farmers have become more meticulous in their work. They are also more patient in dealing with various risks. Religious practices such as joint prayer and tahlil activities are often carried out as a form of spiritual endeavor. These activities are not just traditions. This activity is a means to strengthen mentality and belief. The positive impact can be seen in the increase in work morale. Farmers work with better intentions. They also have stronger expectations of crop yields. Research shows that a spiritual approach can increase farmers' work motivation. This condition has a direct effect on the productivity of agricultural land. Therefore, the integration of divine values must not be separated from the strategy of increasing agricultural yields.

The application of the principle of justice is also an important part of the Islamic or Sharia-based agricultural system. Justice must be present in every aspect of resource management. Irrigation water distribution needs to be carried out evenly.

The distribution of fertilizer must also pay attention to the needs of all farmers. Distribution inequality often causes problems. These problems can be in the form of social conflicts or reduced crop yields. A fair system will create a sense of community. Farmers can work more calmly. They also have the same opportunity to develop. The principle of justice does not only apply to the production process. This principle must also be applied in the marketing process of agricultural products. Farmers need to get prices that match the quality of their products. Harmful practices should be avoided. Islamic economics rejects the existence of usury and ambiguity in transactions. Every buying and selling process must be done openly. The results of the study show that fair distribution of resources is able to increase production yields. These conditions can also reduce the potential for conflicts between farmers. Thus, justice is an important foundation in creating a healthy agricultural system (Syukron & Adinugrah, 2024).

Strengthening farmer institutions is the next strategic step. Institutions can be formed in the form of farmer groups. This group functions as a forum for cooperation. Farmers can share knowledge and experience. They can also take part in a variety of helpful trainings. The training includes cultivation techniques and farm business management. In addition, farmers can also learn about the concept of Islamic economics. This knowledge is important to improve the quality of business management. A strong institution is able to increase the bargaining position of farmers. They no longer move individually. They have a common strength in facing the market. Access to capital has also become easier. The Islamic-based financing system can be used to develop businesses. Research shows that capacity building through training can increase farmers' incomes. The added value of the product also becomes higher. Therefore, institutional strengthening needs to be a priority in the agricultural development strategy (Cahyani et al., 2023).

The development of a marketing system is the last strategy that is no less important. Many farmers face obstacles in selling their crops. Limited market access is one of the causes. This condition makes farmers dependent on middlemen. The price received is often unfavorable. Sharia-based marketing systems offer a fairer solution.

The principle of transparency is the main thing in every transaction. Farmers need to understand the mechanism of buying and selling in accordance with Islam. Education about contracts is very important. In addition, the utilization of technology can help expand the market reach. Digital platforms can be used to market products directly. This method can increase the selling value of agricultural products. Assistance to farmers also needs to be carried out on an ongoing basis. Research shows that a transparent marketing system can increase farmers' incomes. The system also creates a fairer relationship between producers and consumers. Thus, the right marketing strategy will support the overall improvement of agricultural yields (Hendrawan et al., 2025)

CONCLUSION

The results of the qualitative analysis show that the agricultural sector has a very important role in supporting the economic life of the agrarian community in Central Java, as well as being a real space in the application of Islamic economic values. This sector not only functions as a provider of food needs and a main source of income, but also as a medium for strengthening social and spiritual values that develop in society. The implementation of Islamic economic principles in agricultural practices has proven to have taken place naturally through local customs and traditions, although it has not been fully packaged in a formal sharia-based framework. This condition confirms that agrarian societies have great potential to develop a more equitable and sustainable economic system based on Islamic principles. Thus, agriculture is not only seen as a purely economic activity, but also as part of the moral responsibility to manage resources wisely.

The implementation of Islamic economic values in the agricultural sector can be seen from various practices that reflect justice and cooperation. The profit-sharing system between landowners and cultivators shows that it is compatible with the concept of contract in Islamic economics, which emphasizes the balance between rights and obligations. Revenue sharing based on mutual agreement reflects efforts to avoid exploitation and inequality. In addition, the culture of cooperation that is still strong in society is a tangible form of the principle of helping in the Islamic economy.

The values of honesty, trust, and responsibility also play an important role in maintaining harmonious and sustainable economic relations. The existence of these values is a valuable social capital in building a more directed and structured Sharia-based agricultural system in the future.

Nevertheless, various challenges are still found in efforts to optimize the application of Islamic economic principles in the agricultural sector. The level of public understanding of the concept of Sharia economics is still relatively low, so the practice carried out is more based on habits than a comprehensive understanding. Limited access to Islamic financial institutions is also an obstacle to the development of more productive agricultural businesses. In addition, there are still practices that do not fully reflect the principles of fairness, such as imbalances in the sharing of results and a lack of transparency in cooperation agreements. This condition shows that more intensive education and mentoring efforts are needed so that the community can understand and apply Islamic economic principles more appropriately. Institutional strengthening and policy support are also important factors in encouraging the implementation of a broader Islamic economic system in the agricultural sector.

Opportunities for Islamic economic development in the agricultural sector remain wide open if supported by the right and integrated strategy. The implementation of various Sharia financing schemes can be a solution in overcoming capital limitations that farmers often face. Innovation in marketing and distribution systems can also increase the added value of agricultural products while maintaining the principle of fairness for all parties involved. The role of the government, financial institutions, and educational institutions is very important in providing sustainable facilities, regulations, and empowerment programs. The integration of spiritual values and modern economic approaches is believed to be able to create a more productive and inclusive agricultural system. With strong synergy, the agricultural sector based on Islamic economics can develop into an economic development model that is not only profit-oriented, but also on common welfare.

This research as a whole confirms that the implementation of Islamic economic principles in the agricultural sector in the agrarian community of Central Java has high relevance in answering various economic challenges faced by rural communities.

The Islamic economic approach that emphasizes justice, balance, and benefits has proven to be an alternative solution in creating a more inclusive and sustainable economic system. However, more structured and systematic efforts are needed to optimize its implementation, both through increasing public understanding and strengthening institutional support. Therefore, synergy between various parties is the main key in encouraging the development of the agricultural sector based on Islamic economics, which is not only oriented towards increasing productivity but also towards achieving holistic welfare, covering economic, social, and spiritual aspects. Thus, the agricultural sector based on Islamic economic principles is expected to become a model of equitable and sustainable economic development in the future.

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