

Enhancing Farmers' Independence by using the Baitul Maal wat Tamwil Concept

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Abstract

Farming is a profession closely related to consumption, productivity and community food security factors. This study aims to explain how to enhance farmer's independence to the main collector. This study uses qualitative method of descriptive analysis. The process of collecting data is done by observing the problems that the farmer has faced and the relation between a farmer and a main collector. The result indicates that farmers have a patterned dependence on the main collector. This study discusses a solution that can be given by Baitul Maal wat Tamwil to overcome the problems. The limitation of this study is that it only discusses the problems in Sumberjo Village, which are as unique and specific examples. The advantage of this study is to offer Baitul Maal wat Tamwil as a solution for farmers' problems that have not been discussed in previous studies.

Keyword: Farmers, Main Collector, Baitul Maal wat Tamwil

I. INTRODUCTION

Farming is a profession whose benefits are needed and felt by everyone. Farming is closely related to the factors of consumption, productivity and community food security. Based on the number of the given benefits, the farmers should be able to live a prosperous and safe life. But, in this country which is known as an agrarian country, some farmers in Indonesia are often not far from poverty.

This kind of condition raises the question regarding the causes of the farmers in Indonesia who are still not prosperous. One of the regions in Indonesia that will be discussed in this research is Kediri. Kediri, one of the districts located in East Java province.

The most dominant business fields in Kediri are agriculture, mining and

excavation, industry, electricity, gas and water supply, building, trade, hotels, restaurants, transport and communications, finance, leasing, and services. According to Central Bureau of Statistics of Kediri, the area of wetland in Kediri is 47124 Ha and the gross domestic product in the agricultural sector always shows a significant annual increase. The extent of agricultural land and production that continues to increase every year should be able to improve the welfare of farmers in Kediri as well.

There is a common problem faced by the agricultural sector of Kediri in the rapidity of business development in the secondary and tertiary sectors which is included in the government program. The result is that agricultural resources become eroded and the area of agricultural land continuously decreases from year to year. Another problem is the price of agricultural products which are a source of income for most people; however, there is a relatively low exchange rate compared to the exchange rates of secondary and tertiary products.

Besides these common problems, there are other problems that are more specific and should be examined further. Studies regarding farmers' problems have been done by several previous researchers. Mishra, Wilson and Williams (2009) researched the factors affecting the financial performance of new farmers, while Habiba and Shaw (2014) researched the response of farmers to the drought which occurred in Northwest Bangladesh and McElwee and Annibal (2010) researched the business support for farmers on the Cornwall Farm project. These studies were conducted specifically on a particular area and produced different and various findings according to the object of the study.

This research will focus on an area in Kediri that has unique conditions that are not available in the explanation of the Central Bureau of Statistics of Kediri. This research is focused on Sumberjo Village, which is included in the District Grogol Kediri. Most Sumberjo villagers work as farmers from year to year. In the village, there are three main collectors to whom the farmers could sell their crops. This indirectly makes farmers dependent on these three collectors in producing and marketing their products. In addition, there are still other problems that will be discussed further in the next chapter in this study.

In addition to the discussion of the problems faced by the farmers, there are also several studies that discuss some solutions for the problems faced by farmers. Qiu, Zhou and Gong (2016) discussed a new training system for farmers, Obaidullah Mohammed (2015) discussed the improvement of food security with Islamic microfinance and Saqib Lutfullah et al. (2015) discussed the qardul hasan contract as a solution for local agricultural finance issues. This research will discuss a solution offered that could potentially solve the farmers' problems in Sumberjo Village, Grogol District Kediri.

Based on the background above, the statement of the problems in this research are as follows:

1. What is the dependence of Sumberjo Village Farmers on the three main collectors in the village?
2. What should be done to overcome the problem?

This research is expected to help the government provide some solutions to problems faced by farmers. For farmers, this research is expected to provide some solutions for the dependency problem on the main collectors. For academics and further research, this research is expected to be able to improve the knowledge about farmers' problems.

II. LITERATURE REVIEW

Sumberejo is Grogol Kediri and consists of two villages, Sumberejo Village and Gejek Village. The Sumberjo Village residents work in the agricultural sector for living. The statement of the problem in this research is about the problems and solutions that can be offered to farmers. There are several studies about farmers.

Howley and Dillon (2012) researched the effect of farming attitudes on the use of agricultural credit. The study has found that the personal characteristics of farmers, such as age and education, and agricultural structural variables, such as land size and agricultural systems, greatly influence the use of agricultural credit.

McElwee and Annibal (2010) researched on business support for farmers on the Cornwall Farm project. The research focused on the Cornwall Farm project and the business supports in terms of specialist advisers, training support facilities with major grant applications, and social capital development to help farmers access social support sources.

Some researchers also seek to offer solutions to the problems faced by farmers in various research objects. Rahman (2010) described Islamic microfinance as an alternative ethic to overcome poverty. Obaidullah Mohammed (2015) discussed the improvement of food security with Islamic microfinance.

Lutfullah et al. (2015) discussed the qardul hasan contract for the solution of local agricultural financial problems. Muneeza, Yusuf and Hassan (2011) stated the possibility of applying greetings application in the Islamic banking system in Malaysia. This research will use Islamic solutions that are in accordance with the problems on the object of this research.

C. Baitul Maal Wat Tamwil

Baitul maal wat tamwil (BMT) consists of two terms, namely baitul maal and baitul tamwil. Baitul maal is more directed to the efforts of collection and distribution of non-profit funds, such as zakat, infaq and shodakoh, while baitul tamwil is as a business collection and distribution of commercial funds (Sudarsono, 2003).

According to Sudarsono (2003), the existence of BMT has at least some roles that are to keep people away from non-Islamic economic practice, to actively socialize in the society about the importance of Islamic economic system, to develop and finance small business, to release the dependence on moneylenders, and to maintain economic justice of society with an equitable distribution.

In this research, there will be further discussion is the musharaka contract and mudharabah contract on Baitul Maal wat

tamwil. Musharaka is a cooperation between two or more parties for a particular business in which each party contributes funds with profit and risk that will be borne and shared together in accordance with the agreement (Sudarsono, 2003: 67). The legal foundation of the musyarakah contract is QS. Shaad (38): 24.

In contrast, a Mudharabah contract is a business cooperation agreement between two parties whereby the first party (shahibul maal) provides all capital while the other party becomes the manager (Sudarsono, 2003: 69). The legal foundation of this contract is QS. Al-Jumuah (62): 10.

III. RESEARCH METHOD

This research uses qualitative method. The research focuses on the dependence of Sumberjo Village farmers on three main collectors and what can be done to overcome the problems in the village. The process of collecting data is done by observation, documentation and interview with informants who have been selected. The process of data analysis in this research is done after all data collected. The method used is descriptive analysis method.

IV. RESULT

A. Condition of Farmers

The rice fields in the entire Sumberjo Village do not all belong to the farmers who work on it. So, the farmers who work on the rice fields are mostly workers or farm laborers. The farm laborers earn their income from the job they do, so that the increase in sales proceeds has no significant effect on them.

Harvest also often experiences sales constraints due to a quality that is below the standard of the collector, so that the farmers' selling power of the product is very low. Farmers are not free to sell their own products, so they are forced to sell it to the collectors at a price that cannot provide many advantages. Farmers save some of their crops of rice to be consumed by themselves because the market price of rice is not proportional to the sold harvest. If the previous harvest is not sufficient, then the farmers and farm workers

are forced to be in debt in order to have the capital to undertake the farming again.

B. Dependency on the Collector

In the initial process of land cultivation, a farmer needs capital to buy seeds, fertilizers, irrigators, workers and other needs. This capital can be obtained from the allowance for the previous harvest. If the previous harvest loses or it is insufficient, the farmers are forced to borrow money hoping they could pay off the next harvest. Farmers usually are indebted to the main collectors in Sumberjo Village as well. During the harvest season, the farmer sells the grain or rice to the collectors whereby the collectors specify the price of rice or grain that the farmer sells to them. From the sales proceeds, some are deducted for debt repayment on the planting dates.

If such a process continues, meaning farmers never get more abundant crops, then they will not be able to optimize their income. With the debt, the risk of crop failure and lack of the ability to sell the crops, farmers will keep depending on the collectors. This condition causes the collector, intentionally or unintentionally, to be seen as a middleman. The motive of the collectors in Sumberjo Village is to gain benefit for their own business.

C. How to Cope

Farmers need an institution that can help them solve the problems encountered and enabling farmers to avoid repeating the same problem. The institution proposed in this research is Baitul Maal wat Tamwil. The condition of Sumberjo Village, which is 100% Muslim and obedient to the ulama in the village, is a good potential to establish BMT and help farmers solve their problems.

In capital issues, BMT can help farmers solve their problems by providing financing for farmers' capital. Thus, little by little, the farmer will become less dependent on the middlemen on his agricultural capital. The financing provided can use an al mudharabah or al musyarakah contract.

Mudharabah is a business cooperation agreement between two parties, which, in this case, are the BMT and farmer, where the first party is BMT as (shahibul maal) and provides all capital and the second party is farmer as manager. Mudharabah business profit is divided according to the agreement signed in

the contract, and the loss will be borne by BMT as long as the loss is not due to the negligence of farmers. Farmers will be free from debt to the collectors and the risk of loss will be minimized by collaborating with BMT.

BMT, as a business partner and associate of farmers, the farmers should have the skills in the field of agriculture for the sustainability of BMT and the improvement of farmers' welfare.

Musharaka is a cooperation between two parties, the farmer and BMT, for farmers' agricultural enterprises whereby BMT and farmers both contribute funds with the benefits and risks that will be borne together in accordance with the agreement, for example, according to the portion of funds. This contract can occur if the farmer still has some capital and wants to cooperate with the other farmers. Profits that can be obtained by farmers are additional capital, risk sharing, and assistance provided by BMT, which is expected to optimize the harvest.

After the planting dates, during the development of rice, BMT continues to provide its assistance related to fertilization, irrigation and other necessary things for more optimal harvest. At harvest dates, in cooperation with BMT, it is no longer necessary for the farmers to sell to the collectors. BMT must have a business entity to buy the rice or grain from the farmers and market it. As such, BMT can be an alternative way for farmers to sell their products.

Therefore, the BMT acts as a collector as well as a rice or grain agent who does a favor for the farmers and acts for their welfare. BMT must have its own specifications in order to accommodate all the farmers' crops in the village and categorize the crops to determine the price.

Good harvests can be marketed by added sale value, such as certain packaging and branding. The addition of the sale value of crops like this cannot be done by the farmers. BMT should be the pilot project and teach farmers alternative ways to market their products. The cooperation between farmers and BMT in the village will help farmers solve their problems. The villagers and the farmers themselves must clearly support the harvest products from their own villages so that the sale of crops of any quality can be

done and the villagers, at varying levels of purchasing power, can adjust the price of their basic needs.

V. CONCLUSION

The problems which are faced by farmers are not limited to data submitted by the Central Bureau of Statistics Kediri. If there is a further research, the farmers actually have problems that have been patterned and continuously experienced by them. The problems which are faced by these farmers could be different in each region. Farmers in Sumberjo Village Grogol District Kediri have capital problems in production, lack of distribution capability and the existence of the main collectors, which causes the farmers to be dependents on them. Through Baitul maal wat tamwil, these problems can be overcome and solved by Islamic contracts or agreements, such as mudharabah and musyarakah, which aim to the common good of the farmers, BMT and villagers in general.

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