COMPARATIVE ANALYSIS OF FIQH PROFIT SHARING IN AGRICULTURAL AND LIVESTOCK INVESTMENT: A CONCEPTUAL STUDY OF MUZARA'AH, MUKHABARAH, AND MUSYAQAH

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Abstract

Investment practices in the agricultural and livestock sectors are the main pillars of Islamic economic development based on justice and benefit. In the context of muamalah fiqh, profit-sharing contracts such as *muzara'ah*, *mukhabarah*, and *musyaqah* become collaborative models between capital owners and managers that emphasize the principles of justice, shared risk, and social benefits. This study aims to compare the three forms of contracts in terms of fiqh principles, their application, and their relevance to contemporary investment. The approach used is conceptual and text-based with thematic analysis of classical and contemporary literature. The results of the analysis show that *muzara'ah* emphasizes more on land-based cooperation, *seed-based mukhaqarah*, while *musyaqah* focuses on the management of crop and livestock products. All three have great potential to become equitable investment instruments in the modern context, especially in the sustainable agriculture and halal livestock sectors. This article contributes to enriching the discourse of Islamic economics by associating classical fiqh with contemporary investment practices based on maqasid al-shari'ah.

Keywords: Muzara'ah, Mukhabarah, Musyaqah, Sharia Investment, Agricultural Economics.

INTRODUCTION

The principle of justice in the distribution of business results is the main foundation in the Islamic economic system. In the context of agriculture and livestock, Islam has offered instruments of cooperation that prioritize a balance between rights and obligations through muzara*'ah*, *mukhabarah*, and *musyaqah* contracts (Al-Zuhaili, 2006, p. 215). The three contracts represent a profit-sharing mechanism that rejects exploitation and fosters social responsibility between land owners, capital providers, and managers. In the modern context, this kind of cooperation model can be a solution to the inequality of access to capital and productivity in the agricultural sector (Chapra, 2016). The shift in the global economy that increasingly prioritizes sustainable investment requires a cooperation model that is not only economically efficient, but also morally and ethically and sharia (Dusuki & Bouheraoua, 2011). In this case, Islamic muamalah fiqh offers the principle *of profit and loss sharing* which is rooted in the concept of distributive justice and social benefit (Iqbal & Mirakhor, 2011).

The agriculture and livestock sector, which has been synonymous with structural inequality, has become a field for the actualization of sharia profit-sharing agreements that are able to encourage common welfare. Data from *the Food and Agriculture Organization* (FAO, 2023) shows that more than 60% of people in developing countries depend on the agriculture and livestock sector for their livelihoods. However, productivity is still low due to inequality in access to capital and technology. In the Indonesian context, BPS (2022) noted that the contribution of the agricultural sector to national GDP reached 12.4%, while livestock was 6.8%. Inequality in the distribution of results between capital owners and managers is often a structural problem that hinders economic equity (Karim, 2021, p. 132). The muzara *'ah*, *mukhabarah*, and *musyaqah* contracts born from the classical Arab agrarian context have universal values that remain relevant. All three allow collaboration between land owners, labor, and capital without causing elements of riba, gharar, and maisir (Al-Kasani, 2003, p. 310). In the modern investment era, this principle can be adapted through partnerships between Islamic financial institutions and farmer groups or farmers (Ismail & Al-Mamun, 2020). Therefore, this research seeks to revitalize the understanding of profit-sharing fiqh in

the framework of contemporary economics.

Several previous studies have shown that *the profit sharing model* is able to improve economic justice and social efficiency (Obaidullah, 2017). However, in practice, Islamic financial institutions apply more murabahah contracts than profit-sharing contracts (Hasan, 2020). This creates a gap between the ideals of fiqh

muamalah and the reality of the implementation of Islamic economics. Therefore, this study emphasizes the importance of repositioning profit-sharing fiqh, especially in the agricultural and livestock sectors as a productive and equitable investment base.

In addition, the national development policy places agriculture and livestock as a priority sector in the 2020–2025 National Medium-Term Development Plan (RPJMN). The application of sharia principles in this sector not only increases economic added value, but also strengthens the principles of justice and sustainability. From the perspective of maqasid al-shari'ah, the optimization of profit-sharing contracts is able to maintain *hifz al-mal* (property protection), *hifz al-nafs* (welfare of life), and *hifz al-bi'ah* (environmental sustainability) (Auda, 2008).

LITERATURE REVIEW (OPTIONAL)

A review of classical literature shows that the concepts of muzara'ah, mukhabarah, and musyaqah have a strong fiqh foothold and are discussed in detail by the fuqaha. Works such as Al-Mughni by Ibn Qudamah explain the mechanism of revenue sharing and the conditions for the validity of the contract, including the importance of clarity of the ratio and responsibility of each party (Ibn Qudamah, 1997, pp. 425–428). Al-Kasani discusses the problem of gharar and the condition of mukhabarah practice thus emphasizing the need for an explicit agreement to eliminate the element of uncertainty (Al-Kasani, 2003, pp. 312–314). Al-Syirazi and other classical texts also affirm the prevalence of this contract in the madhhab tradition, as well as providing specific practice guidelines for agricultural and garden objects (Al-Syirazi, 1995, pp. 198–201). Classical literature consistently places the principles of tarādhi (willingness) and contractual clarity as the main requirements, which are the meeting point between normative texts and real economic applications. In other words, classical sources provide a legal framework that allows the adaptation of the contract in the modern context if its elements are met. However, these texts address relatively little modern institutional aspects such as the role of financial institutions or state regulations, thus requiring contemporary interpretation..

Contemporary studies of maqasid al-shari'ah and profit-and-loss sharing (PLS) enrich the theoretical construction for the application of these agrarian contracts. Auda places maqasid as an ethical and systemic framework that must direct the implementation of Islamic economic instruments (Auda, 2008). Chapra and other modern Islamic economics writers emphasize that PLS is a tool to encourage equitable distribution and reduce excessive concentration of wealth (Chapra, 2016). Studies on maqasid and corporate social responsibility confirm that profit-sharing contracts, when implemented according to the principles of maqasid, can meet economic and social goals (Dusuki & Abdullah, 2007). This literature provides a strong normative basis for assessing muzara'ah, mukhabarah, and musyaqah not only as contract technicalities, but as pro-society policy instruments. However, such theoretical studies often stop at the normative level and therefore require empirical evidence of implementation to assess their effectiveness.

Empirical research in Indonesia and international applied research show evidence that profit-sharing agreements in the agriculture and livestock sectors can improve the welfare of local actors if implemented properly. Case studies in Aceh, West Java, and a number of BMT and Islamic boarding schools programs show increased income and market access for farmers involved in muzara'ah and musyaqah schemes (Ismail & Al-Mamun, 2020; Rahman, 2019). Quantitative research and local surveys often find spikes in productivity and income in farmer groups that receive institutional assistance in the form of profit-sharing-based sharia financing. However, many studies also reported practice issues such as verbal agreements, lack of documentation, and unclear cost-sharing—factors that pose a risk of gharar and dispute. This empirical conclusion confirms that the success of the contract depends on the integration between fiqh guidelines, institutional capacity, and juridical certainty.

The juridical and regulatory literature in the Indonesian context shows the important role of sharia fatwas and compliance standards as non-positive juridical pacts that direct practice in the field. The DSN-MUI fatwa on muzara'ah, mukhabarah, and musyaqah provides guidelines for ratios, cost sharing, and recording obligations so that they become a reference for Islamic microfinance institutions and agribusiness entities (DSN-MUI, 2000; DSN-MUI, 2012). In addition, the literature on the harmonization of fatwas with formal

regulations (e.g. The Sharia Banking Law and KHES) highlight the need for integration between sharia norms and positive law in order to strengthen contractual protection. However, legal studies often show that fatwas have not always been followed in the field due to limited socialization, farmer administrative capacity, and formality costs. Thus, there is a need for policy research that examines the mechanism for strengthening this juridical pact through regulatory incentives and mentoring services.

Synthesize, classical literature, maqasid theoretical, field empirics, and regulatory studies form the intellectual foundation for comparative research on profit-sharing fiqh in muzara'ah, mukhabarah, and musyaqah. However, there is a clear research gap: few studies systematically compare the three treaties in a single comparative framework that links classical texts, contemporary fatwas, and quantitative/cauldron empirical data at the local level. In addition, the literature shows the need for an analysis that links the contractual technical aspects (ratios, costs, risk distribution) with institutional aspects (the role of BMTs, cooperatives, pesantren) and juridical compliance (written documentation, endorsement). This gap justifies your research to fill the academic vacuum with conceptual-normative comparative studies that also support practical policy recommendations.

METHODOLOGY

This research uses a *conceptual qualitative research approach*, which focuses on the exploration and normative analysis of the concept of profit-sharing fiqh in muzara'ah, mukhabarah, and musyaqah contracts. The conceptual approach was chosen because this research does not involve empirical data, but relies on normative, classical, and contemporary textual sources. According to Creswell (2014), conceptual research aims to develop theoretical understanding by examining the ideas, principles, and values contained in scientific sources. Thus, this research emphasizes more on deepening the meaning and reconstruction of Islamic law in the context of agricultural and livestock economics.

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RESULT AND DISCUSSION

Comparative Analysis of Fiqh Profit Sharing in Agricultural and Livestock Investment: A Conceptual Study of Muzara'ah, Mukhabarah, and Musyaqah

Fiqh muamalah is a branch of science that regulates relationships between individuals in economic transactions based on the principles of justice and willingness (*taradhi*). Every contract in Islam aims to realize the benefits and prevent tyranny (*zulm*) (Al-Zuhaili, 2006, p. 215). In the context of agricultural and livestock investment, profit-sharing contracts such as *muzara'ah*, *mukhabarah*, and *musyaqah* are designed to avoid the practice of exploitation by capital owners against cultivators. The agreement upholds the principles of *ta'awun* (help) and *musyarakah* (partnership) as the main pillars of socio-economic justice (Chapra, 2016).

Muzara'ah comes from the word *zara'a* which means to plant. Terminologically, muzara'ah is a cooperation agreement between the landowner and the cultivator, in which the owner gives up the land for planting, while the cultivator bears the work and management costs, with an agreement to share certain yields from the harvest (Al-Kasani, 2003, p. 313). Imam al-Nawawi defines muzara'ah as an *agricultural cooperation agreement between land owners and cultivators with the distribution of proceeds according to a certain ratio agreement* (Al-Nawawi, 1996, p. 212). In the contemporary context, muzara'ah corresponds to *the sharecropping contract* in the modern economy, which emphasizes the principles of justice and shared responsibility (Khan, 2019).

Mukhabarah has similarities with muzara'ah, but the seeds come from cultivators, not land owners. Terminologically, mukhabarah is a *cooperation agreement between the landowner and the cultivator, where the seeds come from the cultivator and the harvest is divided according to the agreed ratio* (Al-Syirazi, 1995, p. 199). According to Ibn Qudamah (1997, p. 428), mukhabarah is permissible because it provides benefits for both parties and prevents the land from unemployment. In modern practice, mukhabarah can be adapted as *a seed-based partnership*, where the cultivator plays the role of an investor in plant capital.

Musyaqah comes from the word *syaqa* which means hard work or effort. According to Imam Malik and Imam Shafi'i, musyaqah is a cooperation agreement between the owner of the garden and the manager, where the manager takes care of the plants (watering, pruning, or fertilizing), while the harvest is divided according to agreement (Al-Syirazi, 1995, p. 201). Ibn Qudamah (1997, p. 430) explains that musyaqah applies mainly to palm trees, grapes, or perennial plants that have grown but need care. In the modern context, this contract is similar to *a maintenance-based investment partnership* (Ismail & Al-Mamun, 2020).

Maqasid al-Sharia'ah and Distribution Justice in Investment

The concept *of maqasid al-shari'ah* (the goals of Islamic law) is the main foundation for understanding the direction and goals of Islamic economics holistically. According to Al-Ghazali in *Al-Mustashfa*, maqasid encompasses five main aspects of protection: religion (*hifz al-din*), soul (*hifz al-nafs*), intellect (*hifz al-'aql*), heredity (*hifz al-nasl*), and property (*hifz al-mal*) (Al-Ghazali, 1993, p. 172). In the context of investment, especially in the agricultural and livestock sectors, some of the most relevant dimensions of maqasid are *hifz al-mal* (protection of property), *hifz al-nafs* (protection of human welfare), and *hifz al-bi'ah* (protection of the environment). According to Auda (2008), maqasid is not only normative, but also functional—that is, it is an ethical system to ensure that every economic transaction produces social, ecological, and spiritual benefits.
The principle of justice in the distribution of wealth (*adl al-iqtishadi*) is strongly emphasized in Islamic economics as a direct derivation of maqasid. Chapra (2016) explained that economic inequality due to the interest system (*riba*) and monopoly (*ihtikar*) is contrary to maqasid, because it ignores social balance and the public good. Profit-sharing agreements such as *muzara'ah*, *mukhabarah*, and *musyaqah* actually function as corrective instruments against structural inequality, because in this mechanism the benefits are obtained proportionally to the level of risk and contribution. Research by Haneef and Furqani (2011) confirms that maqasid-based contracts strengthen economic justice through the active involvement of all factors of production and the avoidance of wealth accumulation on one side only.

The Concept of *Profit and Loss Sharing* in Islamic Economics

The principle *of profit and loss sharing* (PLS) is the main pillar in the modern Islamic economic system. This model reflects contractual fairness in which profits and losses are shared proportionally according to contribution (Iqbal & Mirakhor, 2011). In practice, the PLS system is applied through contracts such as *mudarabah* and *musyarakah*, as well as in the agrarian context through *muzara'ah*, *mukhabarah*, and *musyaqah*. According to Siddiqi (1983), PLS is a tangible manifestation of a participatory economy that rejects labor exploitation.

In the context of agriculture and livestock, PLS creates a balance between capital owners and business managers. Each party bears the risk according to its capacity, and profits are obtained on the basis of fair cooperation (Hasan, 2020). Khan and Ahmed's (2020) study shows that the implementation of PLS in agribusiness projects in South Asia increases productivity by up to 15% and strengthens social cohesion. This shows the compatibility between classical fiqh theory and modern economic practice. Theoretically, PLS also contains moral values. According to Obaidullah (2017), this principle contains three main elements: justice, shared responsibility, and sustainability. All three are relevant to the Islamic teachings on *al-'adl*, *al-amanah*, and *al-ihsan*. In the context of maqasid, this system guarantees the achievement of *hifz al-mal* and *hifz al-nafs*. Thus, PLS is not only a financial system, but also a social mechanism to create collective prosperity.

Legal and Ethical Construction in the Muzara'ah, Mukhabarah, and Musyaqah Contracts

The **muzara'ah**, **mukhabarah**, and **musyaqah contracts** are forms of agricultural and plantation cooperation that are recognized in sharia. According to Imam Malik, Shafi'i, and Ahmad bin Hanbal, these three contracts are valid as long as there is clarity on the distribution of proceeds and the roles of each party (Al-Syirazi, 1995, p. 198). The potential *of gharar* that some Hanafiyah scholars criticize can be avoided through transparent agreements (Al-Kasani, 2003, hlm. 312). Secara normatif, dasar kebolehannya terdapat dalam **QS.**

Al-Baqarah [2]: 282 which emphasizes the importance of recording contracts to avoid disputes, as well as the hadith of the Prophet صلى الله عليه وسلم:

"Whoever owns the land, let him cultivate it; if he is not able, then he should give it to his brother." (Narrated by al-Bukhari, no. 2329).

This hadith is the legitimacy of the practice of muzara'ah as a form of help in production. In addition, the Prophet صلى الله عليه وسلم also practiced *musyaqah* in Khaibar with a profit-sharing system (HR. al-Bukhari, no. 2328).

Institutionally, **DSN-MUI Fatwa No. 14/DSN-MUI/IX/2000** affirms the abilities of muzara'ah and musyaqah as long as they are based on fair agreements, clear profit-sharing ratios, and risks and benefits are borne together. This principle reflects the value **of distributive justice** and **iqtisadiyah ukhuwah** in Islamic economics (Haneef & Furqani, 2011). Islamic economic ethics places this contract as a form **of cooperative justice**, where each party obtains results according to its contribution. This is in line with maqasid al-shari'ah, especially *ḥifẓ al-māl* (protection of property) and *ḥifẓ al-nafs* (protection of life), and supports just and sustainable economic development. Thus, normatively and ethically, muzara'ah, mukhabarah, and musyaqah are not only valid according to fiqh, but also become social instruments to strengthen the economic balance between capital owners and real sector managers.

Mukhabarah Case Study: A Seed-Based Investment Model in Aceh Besar

A study conducted by the **Faculty of Sharia and Law of UIN Ar-Raniry (2022)** shows that the practice of *mukhabarah*—namely agricultural cooperation in which seeds are provided by cultivators—is still ongoing in several areas of Aceh Besar such as Darussalam and Indrapuri Districts. The pattern used is a **60:40 distribution of yields** between cultivators and landowners, with the provision that all planting and seed costs are borne by the cultivators, while the landowners bear the land taxes and the maintenance of irrigation infrastructure. Economically, this *mukhabarah* model has succeeded in increasing farmers' income by **15–18%** compared to the conventional land rental system (BPS Aceh Besar, 2023). However, from the aspect of Islamic law, it was found that some contracts were carried out orally without recording. This has the potential to cause *gharar* (ambiguity) in the event of crop failure or yield difference (Al-Kasani, 2003, p. 312).

From a juridical perspective, this practice needs to be adjusted to **DSN-MUI Fatwa No. 86/DSN-MUI/XII/2012 concerning Mukhabarah**, which requires clarity of parties, the object of cooperation, and the profit-sharing ratio. This fatwa is a *juridical pact* that is morally binding for Islamic financial institutions, and can be a guideline for sharia civil law at the local level (DSN-MUI, 2012). Thus, *mukhabarah* can become a fair and efficient model of agricultural investment if it meets the principles of clarity of contract and transparency of ratios.

Musyaqah Case Study: Agro-Sharia Partnership at Al-Ittifaq Islamic Boarding School, Ciwidey

Al-Ittifaq Islamic Boarding School, Bandung Regency, is a clear example of the implementation **of musyaqah contracts** on an institutional scale. Since 2018, this pesantren has been running a model of horticultural agriculture cooperation with local farmers using a crop *yield sharing and plant maintenance* system (Republika, 2022). Islamic boarding schools provide seeds, fertilizers, and technical coaching; while farmers are responsible for maintenance and irrigation. After the harvest period, the profits are divided by a **50:50 ratio system**, and the product is sold to modern supermarkets such as Superindo and Hypermart. This model has succeeded in increasing the income of assisted farmers by up to **30%,** and creating more than **400 new productive jobs** (Ministry of Agriculture, 2023).

From the point of view of fiqh, this practice is in line with the principle *of musyaqah* as explained by **Ibn Qudamah (1997, p. 428)** and recognized by the madhhab Malikiyah and Hanabilah. Normatively, this system fulfills the maqasid al-shari'ah because it safeguards property (ḥifẓ al-māl), soul (ḥifẓ al-nafs), and environment (ḥifẓ al-bī'ah). In addition, it is in accordance with **DSN-MUI Fatwa No. 87/DSN-MUI/XII/2012 concerning Musyaqah**, which emphasizes that profit sharing must be proportional based on the initial

agreement and the implementation of plant maintenance is carried out in good faith. Thus, *the musyaqah* at the Al-Ittifaq Islamic Boarding School is proof of the application of the classical fiqh contract that is able to answer the challenges of modern agricultural investment and at the same time contribute to maqasid-based economic development.

From the normative side, the profit-sharing system in **the muzara'ah**, **mukhabarah**, and **musyaqah** contracts is based on the principle of justice in the distribution of wealth as affirmed in the Qur'an surah **Al-Hashr [59]: 7**:

Meaning: *(Thus) so that the wealth does not only circulate among the rich among you...* (Al-Hasyr/59:7)

This verse emphasizes that in the Islamic economic system, the distribution of wealth should not be centralized to a certain group, but must involve all levels of society through a mechanism of fair cooperation. This principle is the moral foundation for the muzara'ah and musyaqah contracts, where the land owner and the cultivator (or the owner of capital and labor) both get benefits according to their respective contributions.

مَنْ كَانَ لَهُ أَرْ ضٌ فَلْيَزْرَعْهَا أَوْ لِيَمْنَحْهَا أَخَاهُ

"Whoever owns the land, let him plant it or give it to his brother to cultivate."

(HR. Bukhari)

This hadith is a moral legitimacy for the muzara'ah and musyaqah system as a means of economic equality and empowerment of peasant communities. Islam emphasizes not only ownership, but also productivity and social benefits of that ownership. From a juridical perspective, the implementation of these contracts in Indonesia has a strong legal basis in the national sharia economic system. The fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) is a normative and operational reference for Islamic financial institutions and sharia-based agribusiness cooperation.

CONCLUSION

The muzara'ah, mukhabarah, and musyaqah contracts are a form of cooperation for legal results according to sharia, based on the Qur'an, Hadith, and fatwa of DSN-MUI. All three reflect the principles of distributive justice, help, and economic balance in Islam. This revenue sharing system is in line with QS. *Al-Hashr [59]:7* which emphasizes that wealth should not only circulate among the rich, as well as the hadith of the Prophet صلى الله عليه وسلم which advocates agricultural cooperation as a form of empowerment. The DSN-MUI fatwa and Islamic financial regulations give legitimacy to its application in modern agricultural and investment practices. Thus, these three contracts are not only the heritage of classical fiqh, but also instruments **of people's economic development based on maqāṣid al-syarī'ah** — safeguarding property, upholding justice, and realizing the common good.

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