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Islamic Social Finance as Source of Financing Agricultural Sector in Indonesia

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The shrinking of rice fields causes crop yields to decrease. Apart from that, financing in this sector is not attractive to investors because it is high risk. The minimal financing of agricultural sector credit is the reason for the author to discuss the problems faced in agricultural sector credit. The source of agricultural credit capital is the synergy between agricultural zakat and the government budget for food security and is allocated according to needs. So, sharia banking, the government and Baznas collaborate in raising funds for agricultural credit. This paper takes an example of an agricultural sector financing scheme from Japan which has been successfully implemented. However, Japan's credit financing comes from government funds only. This encourages the author to innovate credit financing in the agricultural sector, especially food diversification commodities, namely the synergy between agricultural zakat and the government budget for food security. Agricultural zakat is centralized by Baznas and then handed over to the Indonesian Agricultural Association (API). API determines the budget allocation of these funds and then submits it to Bank Indonesia (BI). BI hands it back to sharia banking to be credited to farmers with a predetermined allocation and the remaining allocated funds are deposited.

Keywords: Islamic Social Finance; Zakat; Agricultural Sector Financing

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INTRODUCTION

Economics is a science that studies human behavior in choosing and creating prosperity. The core of the economic problem is the problem of imbalance between unlimited human needs. Or in other words, the basic problem of economics is how to use all limited resources, so that they can best meet the needs of society. This problem then causes shortages, also causing several behaviors from consumers and producers.

One of the problems experienced by Indonesia is regarding the ability of producers to use existing resources (inputs) to produce or provide products of maximum value for consumers. As the natural conditions and geographical location of Indonesia are known to the people of this country, Indonesia is an agrarian country and is rich in Natural Resources (SDA) and this is supported by the population which continues to increase from year to year, causing demand for food needs. as a basic need for maximizing profits if agricultural productivity problems are optimized.

The important role of agriculture in the middle ages was brought up by Francois Quesnay (1694-1774) who brought the school of Physiocratism (*physis*= nature and*shaking*= master). This sect strongly supports agriculture and praises the natural way, to the point of prohibiting the government from interfering in the wheels of the economy. According to them, only nature has content, so agriculture is considered the main basis of economic life. With this, the agricultural sector brings benefits, especially for Indonesia as an agrarian country and the majority of Indonesian people state that food is a basic need.

Agriculture is a source of real prosperity, so it must be optimized. A country's prosperity is often characterized by indicators of high levels of agricultural effectiveness. In poor countries generally more than 60 percent of the population works to produce food, whereas in relatively rich countries their number only ranges from 12 to 15 percent, and the amount of food production often exceeds domestic needs, so that can be exported to other countries. Because of this, developed countries can free some of their population from the agricultural sector and work in the industrial and tertiary sectors. This shows the ability of farmers to support their nation.

There are five important aspects of agriculture, namely: (1) as the main source of livelihood, (2) as a source of food and land supplies in an economy, (3) as the main market for industry, (4) as a source of income in foreign trade (exports). and, (5) as a source of resource supply for other economic sectors. In developing countries, agriculture is the main source of employment and livelihood opportunities. The more underdeveloped an economy, the more dependent the economy in question is on agriculture. A country with a poor economy cannot support a large population. Therefore, the country in question will remain poor with a small population, only to the extent of its ability to support the population.

Based on the background above, the following are several research questions in this study: (1) What are the obstacles that influence the difficulty of providing credit to the agricultural sector by banks and the government's unwillingness to optimize the agricultural sector? (2) What are the schemes of developed countries in optimizing capital financing for the agricultural sector and can they be realized in Indonesia? (3) What is an efficient and optimal financing solution for distributing credit to the agricultural sector?

LITERATURE REVIEW

Food Diversification

According to Suhardjo (1998), basically food diversification includes three interrelated areas of understanding, namely diversification of food consumption, diversification of food availability, and diversification of food production. Kasryono et al. (1993) views food diversification as an effort that is closely related to improving the quality of human resources, agricultural development in the food sector and improving community nutrition, which includes aspects of production, consumption, marketing and distribution. Pakpahan and Suhartini (1989) established the concept of diversification as limited to staple foods, so that diversification of food consumption is defined as a reduction in rice consumption which is compensated by additional consumption of non-rice food ingredients.

The government's program on food diversification has actually been around since the first president, Ir. Soekarno when inaugurating the first stone of the Bogor Agricultural Institute. Furthermore, in 1969 the government popularized the slogan food not just rice. And at the end of Pelita I (1974), the government explicitly launched a food diversification policy through Presidential Instruction No. 14 of 1974 concerning Improvement of People's Food Menus (UPMMR), and refined through Presidential Instruction No. 20 of 1979. However, this program has not run smoothly.

The initial aim of food diversification is to diversify types of food and improve the nutritional quality of people's food both in quality and quantity as an effort to improve the quality of human resources. However, along the way, food diversification places more emphasis on reducing people's dependence on rice and imported food by increasing consumption of both plant and animal foods by increasing local food production and processed products.

Types of food that can replace rice as staple food are cassava, taro, corn, sweet potatoes, sago, arrowroot, gembili, hanjeli, canna, sorghum and many other plants. With the wealth of types of food substitutes for rice, Indonesian people can choose to consume the food they want as a substitute for rice. However, the wealth of types of rice substitute food is not a benchmark that this food diversification program will be successful. There are several factors that support the success of the program, namely: 1. Product development (*Product Development*) through the role of the processing industry to improve the taste and image of typical Indonesian food products.

2. Increase production and availability of protein food sources such as fish and livestock

3. Increasing the cultivation of various food crops which includes seeding, nursery, plant production, pest eradication, packaging of harvests and distribution.

Potential of Agricultural Zakat

From a linguistic perspective, the word zakat is the basic word (masdar) of zaka which means blessing, growth, clean and good (Mu'jam Wasith, juz 1 p. 398). Zakat in terms of fiqh terms means "a certain amount of property that Allah requires to be handed over to those who are entitled to it" in addition to meaning "to spend a certain amount yourself." "The amount that is spent from wealth is called zakat because what is spent increases the amount, makes it more meaningful and protects the wealth from destruction" (Al Majmu', vol. 5:324).

Zakat Agricultural products are the results of plants or plants that have economic value, such as grains, tubers, vegetables, fruit, perennials, ornamental plants, grasses and leaves, planted using grain seeds where the results are can be eaten by humans and animals.

There are several differences of opinion regarding the types of plants and fruits that must be zakat:

a. Imam Hanafi: believes that all plants that come out of the earth must be zakat, except for wood, Persian sugar cane grass.
b. Imam Maliki and Imam Syafi'I: According to them, what is included in the category of agricultural products is limited to agricultural products that can be used as staple food, such as rice, wheat, soybeans, corn, beans, etc., as well as dates and grapes .
c. Imam Hambali: believes that, All plants and fruits that are weighed and stored must be given zakat

Indonesia's total population of 250 million people is a distinct advantage for this nation. In addition, the majority of Indonesians are Muslim. In Islam there is a pillar that obligates its adherents to pay zakat. Among them is zakat on agricultural products, zakat on business, zakat on animal husbandry, zakat on nature, zakat on gold and silver and zakat on business. This contemporary, the scholars made an attempt to allegorize on the zakat that has been ordered in Islam. One of them is household zakat, the metaphor of household zakat is determined by the inclination of zakat of agriculture or the produce of the land and the rate is in accordance with the rate of zakat of gold and silver. This kind of allegory is called *Qiyas Syabah*.

Research conducted by the National Zakat Amil Agency (BAZNAS) and the Faculty of Economics (FEM) of the Bogor Agricultural Institute (IPB) in 2011, revealed that the overall potential for zakat in Indonesia reached IDR 217 trillion. By classifying the potential zakat into three groups. The first group is potential household zakat. Second, the potential for zakat from national medium and large industries as well as zakat from State-Owned Enterprises (BUMN). Third, the potential for national savings zakat. National household zakat potential reaches IDR 82.7 trillion. This figure is equivalent to 1.30 percent of total GDP. Meanwhile, the potential for industrial zakat reaches IDR 114.89 trillion. In this industrial group, the processing industry contributes zakat potential of IDR 22 trillion, while the rest comes from other industrial groups. The potential for BUMN zakat reaches IDR 2.4 trillion. Meanwhile, the potential for zakat on savings reaches IDR 17 trillion. The following is a table of Indonesia's zakat potential based on its classification.

Table 1: Indonesian zakat potential based on classification

Information	Zakat Potential	Percentage of GDP
Potential for household zakat	Rp. 82.7 trillion	1,30 %
Potential of private industry zakat	Rp. 114.89 trillion	1,80 %
Potential of BUMN zakat	Rp. 2.4 trillion	0,04 %
Potential zakat savings	Rp. 17 trillion	0,27 %
Total national zakat potential	**Rp. 217 trillion**	**3,40 %**

Source: BAZNAS and FEM IPB Research (2011)

However, from the classification of zakat there is no classification of potential zakat for charity. If the potential for zakat on agriculture or agricultural products is illustrated according to Ir. Teger Basuki, M.P, from the irrigated rice fields and rice commodities that are taken into account, and that are subject to taxation of only around 15% of the existing area, the zakat obtained is IDR. 2.083 trillion. Funds of this size can help 1,735,847 poor people and receive Rp. 100,000 per person for one year. And according to research conducted by Ir. Siti Yusi Rusimah, MS stated that weak handling of agricultural zakat resulted in low awareness of paying zakat among farmers who had met the nishab. Research that has been conducted shows that there is almost no agricultural zakat income in the Amil Zakat Infaq and Alms Agency (Bazis) of the Special Region of Yogyakarta (DIY) and in several Amil Zakat Institutions (LAZ) operating in this area.

If the requirements have been met, zakat must be paid at harvest time or afterward if there is no irrigation or rain-fed financing, 1/10 or (10%) of the harvest and if there is irrigation financing then 1/20 or 5% of the harvest is charged. This is explained in the words of the Prophet*Shallallahu'alaihi Wasallam* : *In agriculture that is watered by the sky (rain) and springs or irrigation that does not require financing then one tenth (10%) and that watered with irrigation that needs financing then one twentieth (5%).* (HR Al-Bukhari no. 1483).

In 2010, the Ministry of Agriculture of the Republic of Indonesia recorded corn harvests covering an area of 4,131,676.00 ha with a production of 18,327,636.00 tons. If you add up all the potential agricultural zakat for food crops, it is around IDR 871,933,318,633.

Table 2: Estimated zakat calculation for agricultural food crops 2010

Type	Harvested Area (ha)	Total Production (tons)	Zakat	Price per kg	Zakat amount
Corn	4,131,676.00	18,327,636.00	5 Percent	Rp. 5,000	Rp. 122,184,240,000
Paddy	12,147,637.00	66,411,469.00	5 Percent	Rp. 7,000	IDR 619,840,377,300
Green bean	258,157.00	291,705.00	5 Percent	Rp. 10,000	Rp. 3,889,400,000
Groundnut	620,563.00	779,228.00	5 Percent	Rp. 12,000	Rp. 12,467,648,000.
Sweet potato	181,073.00	2,051,046.00	5 Percent	Rp. 3,000	Rp. 8,204,184,000
Cassava	1,183,047.00	23,918,118.00	5 Percent	Rp. 3,000	Rp. 95,672,472,000
Soya bean	660,823.00	907,031.00	5 Percent	Rp. 8,000	Rp. 9,674,997,333
Total Zakat Potential					**IDR 871,933,318,633**

Source: Department of Agriculture, processed

The potential for processing agricultural zakat is still limited using fixed assumptions (all agricultural zakat is 5 percent). And the potential for zakat does not include horticulture and plantation agriculture. In fact, the biggest contributors to agricultural zakat are plantations such as coconut, palm oil, cloves, cotton and others.

Agricultural Sector Capital

As previously discussed, the agricultural sector is a sector that contains high risks. Therefore, the allocation of capital credit financing for the agricultural sector is very minimal. The minimal allocation of financing capital credit for the agricultural sector by banks requires the government to create a policy. As a policy, the budget allocation for agriculture must be increased. In 2011, the revised State Revenue and Expenditure Budget (APBN-P) reached Rp. 53,660.1 billion and in 2012 the budget was around Rp. 53,897.7 billion.

If we look at the high risks faced by the agricultural sector, the budget allocated should not only be for agriculture. The budget for food security can also be used as additional funds for capital credit for the agricultural sector. As stated in the 2013 APBN, it reached Rp. 63.2 trillion. Because food security can be achieved if the agricultural sector is good.

Several studies related to Islamic finance as a source of financing for the agricultural sector, for example found in the studies of Ningrat & Nurzaman (2019), Kaleem & Wajid (2009), Anwar et al., (2019), Saqib et al., (2015, 2014), Shafiai & Moi (2015), and also Elhiraika (1996).

METHOD

The method used in this research is a qualitative research method. Qualitative research method is a research method based on postpositivist philosophy used to research the conditions of natural objects, (as opposed to experiments) where the researcher is the key instrument, data collection techniques are carried out triangulation (combined), data analysis is inductive/qualitative, and the results of qualitative research emphasize meaning rather than generalization (Sugiyono, 2008).

Qualitative research is descriptive. The data analyzed is not to accept or reject the hypothesis (if any). The results of the analysis are in the form of a description of the observed symptoms and do not have to be in the form of numbers or coefficients between variables. However, it is not impossible for qualitative research to have quantitative data (Subana & Sudrajat, 2005).

The type of data used in this research is secondary data. Secondary data is primary data that has been further processed and presented either by the primary data collector or by another party, for example in the form of tables or diagrams. This research took

secondary data in the form of: (1) Theories that researchers took from various literature; (2) Other literature such as books, articles, journals, magazines, internet and others.

Qualitative research is a research procedure that produces descriptive data in the form of written or spoken words from the people and circumstances observed. This research uses data analysis techniques that rely on continuous complementary roles between data collection and analysis through asking questions and theoretical comparisons (Efferin et al., 2004). The data obtained by the researcher from the results of data collection was compared with the indicators resulting from the literature study.

In order to obtain scientific truth, this research was carried out by paying attention to several stages, namely the stage of presenting evidence or facts (skeptical), paying attention to relevant problems (analytical), and the stage of weighing objectively for logical thinking (criticism).

ANALYSIS

Obstacles to Agricultural Credit Financing

The agricultural sector is a source of food supplies and raw materials needed in the modernization process of a country. Food such as rice, corn, yams, fish, meat and others are all produced by the agricultural sector. Agriculture is also a source of raw materials for industries that are directly or indirectly used by the food industry such as food crops, commercial crops such as sugar cane and fruits and materials used in other industrial sectors.

As we know, Indonesia is an agrarian country where the majority of people make their living through the agricultural sector. The potential of the agricultural sector is supported by Indonesia's population which increases from year to year and is followed by community demand for food needs. The need for food is the basic capital of the Indonesian population in sustaining life, so system management is needed to increase Indonesia's food productivity.

The irony in this case is that the agricultural sector is less attractive to the government and financial institutions, so it seems that they do not support programs to improve the agricultural sector through agricultural credit financing. Things that influence the lack of interest or attention from the government and financial institutions such as banking are (1) the agricultural sector is a characteristic of the real sector which is difficult to estimate the break event point (BEP) because the minimum time for harvest is 3 months, (2) has a high risk, (3) risk of crop failure, (4) expensive agricultural inputs, (5) fluctuating commodity prices and requiring storage handling to maintain stocks, (6) weather factors, especially the occurrence of a prolonged dry season (famine), (7) speculation from speculators, (8) banks do not have enough money in the bank for long-term financing, (9) Inadequate access makes it difficult to finance the agricultural sector because the majority of agricultural fields are in rural areas while banks are in urban areas . (Sindo Daily, Wednesday, 14 April 2010, Deputy Governor of Bank Indonesia (BI) Halim Alamsyah).

Agricultural development which is directed at increasing farmers' income through increasing the productivity of farming businesses and adding value to products as well as the distribution of agricultural products, really requires capital support, especially capital in the form of finance. However, the problem is that financial capital is often the main obstacle in business in the agricultural sector. Meanwhile Therefore, banks have not provided optimal support in increasing the amount of credit disbursement and ease of obtaining capital loans to the agricultural sector, especially small farmers.

Farmers find it difficult to get access to capital from banks or various other official financial sources because of banking "bureaucracy" and other financial sources which are often not farmer friendly. This unfriendliness is partly because operationally in rural areas banks are unable to pay information costs to obtain information from prospective customers from the farmer group who are banking trustworthy. The high cost of information and monitoring costs that need to be incurred by banks means that banks are unable to reach small farmers in rural areas. With unsupportive banking conditions, it is difficult for the agricultural sector to develop well, even though this sector has a very strategic position.

Apart from that, it also often encourages farmers to ensnare themselves in the trap of loan sharks who provide capital quickly, without any complications, even though they risk paying very high interest. This means that Indonesia continues to use the option of importing basic needs from other countries, in other words the government does not think long about the consequences of imports being too dominant. It would be good to strive for optimal management of the agricultural sector system by providing farming credit to farmers through cooperation between banks, the government and also BAZNAS. With this, we provide suggestions in distributing credit to farmers in the form of funds

generated from*zakat*especially special*agricultural zakat*. This solution as a substitute for ongoing credit distribution is still less effective because there are factors to obtain profit or BEP (*Break Event Point)* Meanwhile, zakat funds that have been distributed do not need to be returned (voluntarily).

Currently, banking credit allocated to the agricultural sector is very small (less than 15 percent of total credit disbursed). However, according to data published by Bank Indonesia, specifically sharia bank financing to the agricultural sector continues to increase from year to year, namely recorded financing in 2006 of IDR 701 billion, then IDR 837 billion in 2007, and increasing to IDR 1,177 trillion in 2008, but the proportion of financing for the agricultural sector is still not as large as financing for the services sector, trade, construction, industry and so on. Even though the agricultural sector, which is not yet running optimally, has become the third largest contributor to Indonesia's GDP, what is more, it has been optimized to achieve a country's goal, namely the realization of social welfare.

Another reason why agricultural credit is difficult, especially for rice fields, is that there is quite a high risk. According to the Governor of Bank Indonesia (BI), Darmin Nasution, until February 2013, credit disbursed to the agricultural sector was only IDR 149.7 trillion out of total banking credit of IDR 2,721.9 trillion or only 5.5% of total credit. Around IDR 95 trillion (63.5 percent) of which was distributed to oil palm plantations and only IDR 6.18 trillion (4.1 percent) for rice commodities, IDR 3.07 trillion (2.1 percent) for breeding and cultivating beef cattle, as well as IDR 843 billion (0.56 percent) provided for horticultural commodities. Meanwhile, for sharia banking, the data we obtained on the agricultural and agricultural facilities sector from 2007 to 2012 was smaller than the business services sector in the same year. If we look at the data, it shows that sharia banking has not yet made the agricultural sector the main sector for sharia banking income. Even though public consumption in the agricultural sector, especially rice, is very high.

Financing provided by all banks in Indonesia for the rice commodity sector is still below 5 percent. In fact, the main food need of Indonesian people is rice. Data from the Ministry of Trade states that Indonesia's rice consumption is 140 kg per person per year. This is far above the figure for rice consumption in Vietnam, Thailand and Malaysia, which is only 65-70 kg per person per year. This data proves that Indonesian people still depend on rice consumption. However, this is not supported by the government, because over the years the rice fields are shrinking, causing crop yields to decrease. On the other hand, farmers are not supported in capital, so farmers change professions to become laborers or sell their rice fields to build industrial factories.

If we look at previous data, it can be concluded that the Indonesian government has not made policies that are profitable for farmers, especially in financing this sector. If the agricultural or rice field sector is classified as an investment that contains a lot of risk, the government should divert investment funds to the agricultural sector which is more resistant to risk and has nutritious and nutritious content such as rice. Such as: corn, sweet potato, sago, taro, breadfruit and others. In other words, the government is investing in food diversification.

The shrinking of rice fields in Indonesia means that rice yields are decreasing, while Indonesian people's consumption of rice is very high. This condition causes Indonesia, which has fertile rice fields, to have to import rice from other countries in large quantities. Apart from these problems, the problem of funding for this sector is also low due to factors*high risk*. So if banks do not want to invest in this sector, the government must determine banks to invest in other agricultural sectors for diversification.

Developed Country Credit Scheme in the Agricultural Sector

When compared with Thailand, the financing sector in Indonesia is still inferior to Thailand. Thailand applies credit to the agricultural sector without interest and collateral. Apart from that, Thailand created a special agricultural bank so that the agricultural sector can easily obtain financing. The financing carried out by Thai agricultural banks includes: Tractors, seeds, nurseries and Thailand has also established market share segmentation, so that when the harvest arrives, farmers can easily sell and distribute their crops.

Thailand also has an integrated, comprehensive standardization program that assembles products from the most upstream to the most downstream products in a continuous and coordinated manner in detail to form "*total food chain network*". In addition, the high ability to shorten the commodity marketing chain means that marketing margins are relatively low. In other words, the difference between the price paid by consumers and the price received by farmers (producer price) is relatively small, so that vertical integration of the commodity system operates efficiently. In addition, government intervention in market regulation is relatively small,

which allows market mechanisms to operate and marketing system efficiency to be created. The Thai government plays more of a role as a facilitator and controller than as a regulator of the marketing system.

In contrast to Thailand, Japan, a country that looks advanced in technology, is also advanced in the agricultural sector. Japan considers the agricultural sector to be the most important sector in the state, because agriculture is included in food production and food is needed by humans to live. In addition, the agricultural sector will generate external profits along with the production of these commodities. For example, the profits generated by Japan's agricultural sector are more than 8 trillion yen (66 billion dollars).

Japan also has policies related to agricultural mechanisms (rice fields) even though there is relatively little rice field there. But the Japanese government has a policy of providing assistance for agricultural equipment such as tractors. Farmers who want to rejuvenate/replace tractors can apply for a loan/credit from the bank. Of the total credit amount for purchasing the tractor, only 50 percent must be repaid by the farmer. Meanwhile, the remaining 50 percent is included in the loan interest borne by the government.

Another factor that must be considered in agriculture is land as a production factor. Japan has special financial institutions that handle capital and financing for small and medium businesses and agriculture. These institutions are*Japan Financial Corporation (JFC)*. Apart from JFC, Japan also has Japanese agricultural cooperatives (*Japan Agriculture Cooperation*). This cooperative is only intended to provide capital to the agricultural sector. On the other hand, the government budgets 20.1 trillion yen per year for financing the agricultural sector. And these funds are divided back into several credits. About 17.9 trillion yen for credit funds for management, breeding and agricultural machinery. About 1.5 trillion yen was provided for agricultural services transportation funds. Around 600 billion yen was deposited in banks so that agricultural funds would not run out. And around 100 billion yen was distributed by the government to sub-regions to be managed in the agricultural sector.

Financing Solutions

The financing provided by the Japanese government to the agricultural sector can be imitated and modified by the Indonesian government. So, the author puts forward a financing idea for the agricultural sector. The funds used to finance agricultural capital are agricultural zakat and the government budget. The synergy between agricultural zakat and government budget funds can provide sufficient capital in the agricultural sector. The estimated potential for agricultural zakat in Indonesia reached 8.72 billion rupiah and this was only in the agricultural food crop sector in 2010. In 2013, the government budgeted 63.2 trillion rupiah to strengthen food security. So, the total agricultural zakat funds and the government budget are IDR. 63,208,270,000,000. This zakat will be collected by the National Zakat Amil Agency (Baznas), then the funds collected at Baznas will be given to the Indonesian Agricultural Association. After that, it was given to Bank Indonesia (BI) to then be given to Sharia Banking. From this financial institution, farmers can apply for agricultural credit. And agricultural credit for rice farming is around 3 trillion rupiah, 1 trillion rupiah for deposits, around 34 trillion rupiah to finance agricultural capital specifically for food diversification commodities and finally the remaining 25 trillion is for research and technology costs.

From the description of the potential of Indonesian agricultural zakat which has quite large potential to be used as capital financing for credit in the agricultural sector as well. The agricultural potential for food crops, which is calculated manually by looking at annual harvest results, shows that Indonesia's agricultural potential reaches IDR. 8.72 billion. And agricultural zakat is not included in horticultural commodities such as: potatoes, taro, breadfruit and others. Furthermore, the calculated agricultural zakat does not include plantation farming such as cloves, cotton, oil palm and so on. The potential of agriculture in providing agricultural capital credit is very potential. However, this is unfortunate because there is no institution that calculates the potential for agricultural zakat. The data we got from BAZNAS shows that Indonesia's zakat potential reaches IDR. 217 trillion does not include potential agricultural zakat. The zakat potential is only taken from four sources, namely: household zakat potential, private industry zakat potential, BUMN zakat potential and savings zakat potential.

The government's program for food security and food diversification is budgeted at Rp. 63.2 trillion, can be synergized with potential agricultural zakat funds. So, with the synergy between the potential of agricultural zakat and the government, funds will be generated to finance agricultural capital credit. Capital funds for agricultural credit from agricultural zakat funds are collected and centralized at BAZNAS so that all zakat fund income can be well controlled. Farms that have

reached the zakat nishab can pay their agricultural zakat to the nearest Regional Zakat Amil Agency (BAZDA) or the nearest Zakat and Alms Amil Institution (LAZIS). Next, BAZDA or LAZIS deposits the agricultural zakat funds to BAZNAS with proof of transaction.

The zakat funds that have been centralized by BAZNAS are handed over to the Indonesian Agricultural Association (API). The API's task is to receive agricultural zakat funds from BAZNAS and give them to Bank Indonesia (BI) to be used as agricultural credit capital funds. Apart from that, API is tasked with determining the amount of credit fund allocation for three things: rice commodities, food diversification commodities and research. Determining the allocation of agricultural credit to encourage government food diversification programs and food security programs. The decline in rice yields is the reason that the allocation of funds for food diversification commodities is being prioritized.

Furthermore, after the funds were collected at BI, Bank Indonesia distributed the agricultural zakat funds to sharia banking. The deposit of funds from BI to sharia banking is intended so that agricultural capital credit can be easily accessed by farmers, especially poor farmers. The contract used in this capital credit is*qardh hasan*without any guarantee. Because these credit funds are agricultural zakat funds themselves. So, so that farmers can produce good quality harvests, supervision and control is carried out for every farmer who has used zakat funds. Control can be done weekly, monthly or quarterly. And after the agricultural zakat funds have been distributed to farmers, an evaluation of agricultural activities must be carried out. Supervision, control and evaluation are carried out by API.

The potential amount of Indonesian agricultural zakat in food crops is calculated at IDR. 8.72 billion and the total government budget for food security reached Rp. 63.2 trillion. So the amount of funds that can be used for agricultural activities is IDR 63,208,270,000,000. Not all of these funds are allocated for rice farming alone. However, to support the government's food diversification program, allocations are prioritized for food diversification commodities. The allocation of credit capital funds for rice commodities from agricultural zakat funds and the government budget is budgeted at Rp. 3,208,270,000,000. Allocation of around Rp. The 3 trillion is intended for the public's habituation stage towards consuming paddy or rice. And over time, the credit fund budget for rice will be reduced slowly in line with changes in people's consumption levels of rice.

The budgeted funds for food diversification commodities are IDR. 34 trillion. The budget amount allocated for this commodity is prioritized. This is done to encourage harvest levels and public consumption of main food ingredients other than rice. And Rp. 25 trillion allocated for research and technology. The research and technology budget is quite large. This is intended to support the agricultural sector to produce good quality results, so good technology is also needed. Apart from that, the agricultural sector, which is a high-risk industry, requires special attention. So it is necessary to allocate quite large funds for research and technology.

However, the unpredictable agricultural sector makes this industry at high risk. Erratic weather will result in a domino effect, namely: erratic weather causes crop failure, crop failure causes farmers to not get anything from their farms. Farmers fail to harvest, then zakat funds will become increasingly depleted. So, to reduce risks like this, the last remaining funds are allocated for deposit. So that when an unexpected event occurs, the deposit funds can be utilized.

CONCLUSION

There are several obstacles that influence the difficulty of providing credit to the agricultural sector by banks and the government's unwillingness to optimize the agricultural sector. This obstacle is that the agricultural sector is a real sector characteristic that is difficult to estimate*break event point* (BEP) because the minimum time to harvest is 3 months. Apart from that, the agricultural sector has high risks, is at risk of crop failure, and commodity prices fluctuate and require handling of storage to maintain stock.

Other obstacles are weather factors, especially the prolonged dry season (famine), and speculation from speculators. In addition, banks do not have enough cash deposits in the bank for long-term financing. Another obstacle is inadequate access, making it difficult to finance the agricultural sector because the majority of agricultural fields are in rural areas while banks are in urban areas.

The agricultural sector financing scheme in Thailand which provides credit with low interest and without collateral could be an example for financing the agricultural sector in Indonesia. However, agricultural sector financing in Japan is better to apply and serve as an example of agricultural sector financing in Indonesia. By synergizing the optimization of agricultural zakat with the government budget.

Synergy in optimizing agricultural zakat with the government budget to encourage food diversification.

The concept created: Agricultural zakat is centralized by Baznas and then handed over to the Indonesian Agricultural Association (API). API determines the budget allocation of these funds and then submits it to Bank Indonesia (BI). BI hands it back to sharia banking to be credited to farmers with a predetermined allocation and the remaining allocated funds are deposited.

Realizing that the agricultural sector is one of the largest contributors to Indonesia's GDP revenue, banks and the government must be more motivated to provide cash injections into the agricultural sector through credit financing with alternative methods for the proceeds of agricultural zakat instruments, therefore, the banks and government are working together with BAZNAS to optimize fund collection.

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