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AN ISLAMIC CROWDFUNDING MODEL FOR THE AGRICULTURAL SECTOR: A PROPOSAL BASED ON *SALAM* AND *MUZĀRA‘AH*-WAQF SCHEME

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ABSTRACT

Purpose — Agriculture is regarded as one of the most effective areas for alleviating poverty in the Organisation of Islamic Cooperation (OIC) nations. This study's primary purpose is to present a novel integrated social and commercial financing model known as *salam* and *muzāra‘ah* crowdfunding waqf (SMCW) model as a fundraising tool or as an alternative funding source for waqf organisations and agriculturalists.

Design/Methodology/Approach — This qualitative research analysed the relevant literature on crowdfunding, cash waqf and agriculture, and the Islamic contracts of *salam* (forward sale) and *muzāra‘ah* (sharecropping).

Findings — With the synchronisation of all stakeholders in the agricultural sector, this study is projected to address the issue of inadequate land and funding and to foster innovation and inclusivity in Islamic financial products. The study suggests a practical funding alternative model for farmers that uses waqf institutions, crowdfunding and Islamic banks to alleviate poverty in OIC countries.

Originality/Value — The proposed model takes a novel approach to developing a new financing option for farmers by fusing traditional Islamic finance principles with contemporary crowdfunding platforms. It provides an ethical and sustainable financing option based on Islamic values and addresses the issues faced by small farmers in the OIC.



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Research Limitations/Implications — The proposed research has significant implications for stakeholders in the agricultural sector, the Islamic finance industry, crowdfunding platforms, and Muslim-majority and Muslim-minority countries. It offers a new financing option based on ethical and sustainable principles that can support the expansion and development of the agricultural sector. Thus, this study enriches the literature on waqf, crowdfunding and Islamic financing. Future researchers may examine a model integrating waqf, crowdfunding and Islamic contracts that target other sectors.

Practical Implications — The study's practical benefits stem from its potential to address the problems of inadequate land and funding while fostering innovation and inclusivity in Islamic financial products, ultimately assisting in the reduction of poverty in the agricultural sector in OIC countries. It does this by fusing traditional Islamic finance principles with modern crowdfunding platforms.

Keywords — Agriculture, Agriculturalists, Crowdfunding, *Muzāra'ah*, *Salam*, Waqf

Article Classification — Conceptual paper

INTRODUCTION

In many Organisation of Islamic Cooperation (OIC) nations, agriculture continues to be a vital economic sector for the population's subsistence. In OIC countries, the average usage of fertiliser per hectare of productive land increased from 69.7 kilogrammes in 2007 to 85.9 kilogrammes in 2017 (SESRIC, 2020a). Nevertheless, this level of fertiliser usage must be increased, especially when likened to the worldwide and developing country 2017 averages of 141.9 and 164.9 kilogrammes, respectively (SESRIC, 2020a). In addition, with a drop from 11.9 tractors per 1,000 hectares of arable land in 2000–2002 to 8.0 in 2007–2009, the level of agricultural mechanisation in OIC countries has remained low. Consequently, the share of agriculture in OIC countries' total gross domestic product (GDP) decreased from 11.3 per cent in 2000 to 9.9 per cent in 2018 (SESRIC, 2020a). On the other hand, poverty is also an essential concern for many OIC member states. Twenty-one of the 48 Least Developed Countries (LDCs) are OIC members. In addition, 21 per cent of the total OIC population lives on less than USD1.90 a day (SESRIC, 2020a). The socio-economic effects of the COVID-19 pandemic exacerbated the difficulty of the situation. According to the OIC Economic Outlook 2020, the GDP growth rate in OIC economies has slowed to 2.4 per cent in 2019 from 6.0 per cent in 2009 (SESRIC, 2020b). The pandemic has had negative economic impacts because of the human life protection measures adopted by countries, which forced businesses to close, negatively impacting supply chains and the global manufacturing industry. In addition, the services and agricultural industries were disrupted, resulting in a decline in commodity prices and turmoil in the financial markets, primarily caused by the pandemic's uncertainty (SESRIC, 2020b). Although the economies of the majority of OIC member states are gradually recovering, the recovery of LDCs in the OIC needs to be improved with regard to their current limited fiscal space, unequal access to external finance, and rising debt vulnerabilities (KNEKS, 2020). The Ukraine crisis' disruption of global trade flows and commodity markets has added further pressure (Bin-Nashwan *et al.*, 2022). The OIC has to review the transport sector, agroindustry, tourism, labour, employment, social protection, the private sector's role, and entrepreneurship development (SESRIC, 2020a).

Therefore, keeping agriculture productive and sustainable while managing its limited resources is a main impediment to the OIC member states' efforts to progress. Land, labour, financing and other agricultural inputs are the primary resources and services of concern (SESRIC, 2020a). On the condition that the available natural and human resources are being utilised efficiently, agricultural output will depend on the quantity and quality of inputs. Access to and utilisation of modern inputs need to be improved in part by more efficient land markets and more modern financing (SESRIC, 2020a). Even with the effectiveness of traditional tenancy systems, the demand for farmland will increase as urbanisation, population growth, and political unrest in some OIC member nations compound the problem (SESRIC, 2020a). In some OIC nations, the absence of assets that can serve as collateral impedes farmers' ability to make additional investments and modernise agricultural practices (Shuaibu & Nchake, 2021).

However, credit and access to capital are still needed by many farmers located in rural areas in OIC countries for developing their farming activities. This impedes the capacity of farmers to increase efficiency, as farmers' primary reason for not modernising their farming practices is their need for more capital (Mahmud *et al.*, 2019). According to Anshari *et al.* (2019), most farmers own land but need more funds to meet operating costs, and they seek funding from banks and other stakeholders to acquire machinery. Farmers may not be incentivised to invest in helpful

technologies that would boost agricultural productivity in areas with weak land tenure and ambiguous property rights, as indicated by the previous research conducted by Jack (2013). Therefore, access to financing is one of the most significant obstacles that farmers face, particularly those who operate small businesses.

Entrepreneurs and researchers worldwide have become increasingly drawn to crowdfunding as a conceivable alternative financial model. Crowdfunding is popular because it enables instant access to funds from a large pool of participants instead of banks or other traditional financing groups (Gerber & Hui, 2013). Crowdfunding is an accepted and effective method of financing in numerous industries, such as real estate, sports, entertainment, arts, healthcare, technology and education (Chang, 2018). It is evident that despite the increasing adoption of crowdfunding in farming, the academic community still needs to accord it the attention it deserves (Chang, 2018; Xue & Li, 2022).

Furthermore, the combination of Islamic financial instruments such as *muzāra'ah* (sharecropping), waqf (Islamic endowment), and *salam* (forward sale) is expected to provide several significant benefits for farmers, contributing to their financial stability, agricultural productivity, and general well-being. Since access to up-front financing is one of the most crucial factors, the *salam* contract enables producers to obtain immediate funds by pre-selling a portion of their anticipated crop. This financing is essential for farmers who frequently encounter financial constraints during the early stages of the farming cycle, allowing them to acquire the seeds, fertiliser, machinery, and other inputs necessary for agricultural activities. By securing financing through the *salam* contract, producers can launch and maintain agricultural operations effectively. In addition, using *muzāra'ah*-waqf founded on the *salam* contract mitigates agricultural production risks. Crop failures, market volatility, and natural calamities are just a few of the uncertainties that farmers face. However, through this combination, farmers can secure a market for their produce in advance by engaging in agreements with buyers. This reduces the risk of price fluctuations and guarantees producers a stable income stream. As a result, they are protected against unforeseen losses, allowing them to plan and carry out their agricultural endeavours confidently.

Therefore, this study aims to propose an integrated model that combines crowdfunding, Islamic commercial financing, and social financing instruments such as waqf as a microfinancing tool to alleviate the financial difficulties of farmers in the OIC. Based on the *salam* and *muzāra'ah*-waqf scheme, the Islamic crowdfunding model for agriculture offers a novel and cutting-edge way to do microfinancing within the context of Islamic finance. This model serves as a microfinancing instrument that connects private investors with agricultural initiatives and ultimately with farmers in need of capital. This platform allows people to effectively contribute money to targeted farming initiatives by merging the concepts of advance purchase of goods (*salam*) and endowment for agricultural purposes (*muzāra'ah*-waqf). This study explores how this model can serve as a microfinancing tool with the goal of empowering farmers, fostering economic growth in the agricultural economy, and allowing investors to back environmentally responsible farming methods. In addition, this model also has the potential to boost agricultural productivity, food security and employment, and reduce poverty in OIC nations.

The rest of this paper is structured as follows. The second section explores the literature on *muzāra'ah*, *salam*, waqf and crowdfunding and their related issues. These include, among others, their roles in financing farmers and the well-being of the *ummah* (Muslim nation). The section that follows discusses the existing models of financing agriculture and their flaws. The following

section concerns the proposed model for financing the agricultural sector. The study then explains the significance of the proposed model. The paper ends with the conclusion and limitations of the study.

LITERATURE REVIEW

Muzāra'ah Financing

Muzāra'ah is a contract between a landowner and a cultivator to use and cultivate farming land, with the output divided according to a predetermined ratio (Al-Nawawi, 1991; Al-Zuhaili, 2004; Saqib *et al.*, 2015; Obaidullah, 2015; Ridwan, 2016). The crop-sharing system of *muzāra'ah* was a longstanding practice in Medina even before the advent of Islam. Its success was evident as Prophet Muhammed (SAW) and his companions embraced and implemented it (Al-Qurafi, 1994).

Muzāra'ah is different from *mushāarakah* (profit-and-loss sharing partnership) in terms of profit sharing because the harvest is not distributed based on net profit (in cash). In addition, the *ujrah* (fee) paid by growers is not based on a fixed amount or nominal value, but rather on a predetermined share (e.g., 25%, 33%, 50%) of the crop yielded (Al-Zuhaili, 2004).

Larbani *et al.* (2011) define *muzāra'ah* as a partnership between the landlord and the agricultural labourer in which the productive outcomes are shared according to predetermined terms. For instance, the bank offers a lease-based financing contract to the farmer, providing him with land and equipment, and the farmer cultivates the land. The bank and the farmer divide the cultivation yield following a predetermined ratio (Mohsin, 2005). Thus, under this method of financing, the issues of poverty and bankability will be resolved.

Khaleefa (1993) investigated the role of Islamic banks in Sudan's rural economy and stated that the Sudan Islamic Bank (SIB) uses three types of *muzāra'ah* financing schemes. In the first scheme, the SIB provides the capital and farmers manage their land through labour. The second is a scheme involving a third party, in which the SIB hires a specialist to oversee farming operations on privately-owned lands. In the third scheme, farmers (as landowners) supply essentials such as water, labour, power, and so on. The SIB provides vehicle motors, pumping stations, and other production components through *shirkah* (joint ownership) to farmers.

In addition, Moh'd *et al.* (2017) indicated that *muzāra'ah* recreated a crucial role in the modern banking system's financing of the agricultural sector. Since 1983, Islamic banks in Sudan have employed *muzāra'ah* in a profit-and-loss sharing structure that allocates 75 per cent to farmers and 25 per cent to banks. The success of *muzāra'ah* in modern finance in Sudan proves its adaptability.

Salam Financing

Salam is a forward sale contract and is an arrangement used for the acquisition of commodities (typically agricultural crops) in which payment is completed beforehand and delivery occurs in the future (Usmani, 2002; Al-Zuhaili, 2004; Kaleem & Wajid, 2009; Iqbal & Mirakhor, 2013; Obaidullah, 2015). Typically, *salam* is a method of pre-production financing for small farmers. The seller is not required to own the land in a *salam* contract, but the provenance of the commodity to be delivered must be explicitly specified (Wahyudi *et al.*, 2015). This contract's structure is

highly advantageous for the sake of both parties. Sellers (farmers) receive payment before harvest, which can be utilised to cover production and living costs (Kaleem & Wajid, 2009; Muneeza *et al.*, 2011). Meanwhile, buyers (Islamic financial institutions) get price discounts (Kaleem & Wajid, 2009; Muneeza *et al.*, 2011; Obaidullah, 2015). Farmers may avoid interest-based transactions and intermediaries thanks to the Shari'ah-compliant contract that directly links them with their customers so they can concentrate on delivering the desired product (Ahmed *et al.*, 2018).

The *salam* contract has been broken down into four components by Muslim scholars: the product details, including the quality of the supplied goods, price, delivery schedule, and delivery address. When entering into a *salam* contract, one can choose between standard *salam* or parallel *salam*. The standard form of *salam* is an agreement between two parties to buy things for advance cash payment and delayed delivery. The parallel *salam* involves two separate *salam* agreements. In the first agreement, the commodity seller and the bank buyer operate as counterparties; in the second agreement, the bank sells the described commodity to some other buyer (Anwer, 2020). When an Islamic financial institution implements such a scheme, the two *salam* contracts must be distinct (independent) and unrelated (Izhar & Hassan, 2013; AAOIFI, 2017).

In Pakistan, Islamic banks have taken a step towards supporting local businesses by introducing *salam* on a small scale. This move has increased cooperation with sugar factories, poultry feed producers and other industries. The Wasil Foundation has been implementing a *salam* contract in the third sector. Wasil assumes full responsibility for the risk of storage, price, and crop loss (El-Zoghbi & Alvarez, 2015). Ahmed *et al.* (2018) state that Wasil's *salam* model adheres to Shari'ah principles. Wasil maintains its storage house to optimise profits through efficient inventory management and transactions.

Waqf

Following the policies and standards of the waqf donors, Lahsasna (2010) defined cash waqf as an ongoing mobilisation of funds to be invested in productive assets that generate revenues or usufruct for future consumption. A cash waqf, a gift to be invested and overseen by a waqf manager, is one of the most common types of waqf. According to Cizakca (1995), monetary waqf was widely used during the Ottoman era and considerably contributed to social progress by fully funding education, healthcare and community welfare. He said that cash waqf was a redistribution of capital rather than an institution for new wealth creation.

From the Prophet's (SAW) time till the current day, waqf has been an integral part of Islamic history. This generous deed helped advance human civilisation by bolstering learning institutions, commerce and people's faith. According to statistics retrieved by Kahf (2015) from *awqāf* (plural of waqf) registrations in several countries, most waqf lands are in the form of farmlands. The study mentions Turkey as an example where waqf lands make up one-third of the total agricultural area. Most countries' waqf funds went for teacher and imam salaries and mosque education.

Waqf authorities have reaped considerable financial benefits from the agricultural sector due to their investments in waqf lands. Sadique (2010) agrees, arguing that investment in waqf properties through different forms of financing can yield significant results for the society. This paves the way for waqf institutions to supply essential services and goods to their final beneficiaries.

Instead of investment through banks, Shafiai *et al.* (2015) advocated investment in waqf for funding agriculture. It is unique in that it provides monetary services tailored specifically to farmers. Establishing a waqf trust could be an alternate way to trigger idle agricultural properties. The authors recommend the solution for two reasons. The first is establishing a waqf trust to address unproductive lands, and the second is ensuring that a waqf management promotes agricultural development.

Majid (2021) proposed a comprehensive Shari'ah-compliant financing scheme for Indonesia's agricultural sector, specifically targeting microfinance, notably the *salam muzāra'ah*-linked waqf (SMW) model. This model combines Islamic commercial and social finance through *salam* and *muzāra'ah* contracts, cash waqf funds, and idle waqf lands for agriculture managed by Baitul Maal wa Tamwil (BMT), one of the Islamic microfinance institutions in Indonesia. BMT appoints intermediaries as agents/representatives from the beginning. It orders commodities, which they monitor, evaluate and receive to sell. BMT then uses parallel *salam* to sell those products to supermarkets/markets.

Islamic Crowdfunding

According to the Oxford English Dictionary's website, crowdfunding is 'the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet' (Oxford University Press, 2023). The World Bank (2013) defines crowdfunding as a digital platform that enables businesses and non-profits to seek finance from many small contributors. Similarly, IOSCO (2015) asserted that it raises funding for the many initiatives posted on an online platform by soliciting monetary contributions of a modest sum from many individuals or organisations.

Azganin (2019) investigated how the suggested crowdfunding waqf models may provide alternate financing sources for waqf organisations and agriculturalists. The study concluded that integrating crowdfunding with waqf can enormously benefit the agriculture industry and farmers. This strategy can help poor farmers meet their basic needs and contribute to their country's economic growth.

Huang *et al.* (2018) discovered that crowdfunding platforms could be crucial in financing micro, small and medium-sized enterprises (MSMEs). Most firms in China that receive financing through crowdfunding platforms are MSMEs. The research conducted by Lee and Chiravuri (2019) revealed that entrepreneurs explore various projects in different industries to attract more investors. Consequently, crowdfunding opportunities give successful businesses greater confidence to raise extra cash. This can be noticed from a benevolent perspective (donation-based crowdfunding/reward-based crowdfunding) and a risk-sharing standpoint (equity-based crowdfunding/debt-based crowdfunding).

Agropay is a practical example of a crowdfunding project that allows all actors involved in the agroindustry to communicate with one another on a single platform. Investors can choose from a variety of agricultural projects that can be accessed via smartphones while investing online through this platform. This platform fosters keenness among the actors and improves price rivalry and agricultural products' long-term viability. Anshari *et al.* (2019) presented a proposal for a digital marketplace that was very similar to this one. The centralised crowdfunding and payment-based platform links all stakeholders together, encouraging openness between entrepreneurs and

potential investors, and promoting autonomy, resourcefulness, and community involvement in agricultural endeavours.

In order to develop waqf lands in Malaysia, Thaker and Pitchay (2018) developed a waqf crowdfunding model. The research indicates that this concept could help waqf institutions deal with cash flow problems and identify other funding avenues through an online crowdfunding platform. Waqf land projects would be funded with these funds. The proposed model is innovative in integrating the concept of cash waqf into the system's core. This model calls for the waqf funds to be invested in immovable assets such as schools and hospitals.

Nasution and Medias (2020) also discussed and analysed another platform that adopts the waqf crowdfunding idea called the 'Hasanah Crowdfunding Model'. It is impossible to overstate the importance of the Wakaf Hasanah project to the financing and development of other waqf initiatives in Indonesia. This website has been used to fund 53 different waqf projects, bringing the total amount of money raised to well over three billion rupiahs. According to the information available on this platform, the participating individuals include the platform operator, the project manager, and the founders of the waqf.

Therefore, implementing crowdfunding in the agricultural sector is crucial for developing economies that rely heavily on agriculture. The OIC member states comprise mostly agriculturally dependent nations. Over a quarter of the world's farmland was in OIC countries, making up 1.38 billion hectares in 2019 (SESRIC, 2020a). Compared to the global average of 44.4 per cent and 48.8 per cent in developing nations that were not OIC members, 49.5 per cent of the people in OIC countries in 2018 lived in rural regions (SESRIC, 2020a). More people in the labour force than the global average is in agriculture in 32 OIC member states. Twelve OIC nations, the majority of which are in Sub-Saharan Africa, had more than 50 per cent of their working population employed in agriculture in 2019; the highest rates were in Chad (75%) and Niger (75%). In addition to agricultural labour, agricultural land's practical and productive use is crucial to agricultural development and poverty reduction efforts. However, when looking at the cultivated region, the totality of arable land and perpetual cropland, the percentage of cultivated land area in OIC countries (27.67%) is still meaningfully lower than the global average of over 30 per cent (SESRIC, 2020a). Permanent cropland in OIC nations (67 million hectares) represented only 4.88 per cent of their total agrarian land area (SESRIC, 2020a). In contrast, most agricultural land in OIC nations (72.34% or 995 million hectares) consists of enduring pastures and meadows primarily used for livestock grazing (SESRIC, 2020a). Therefore, the advancement of agriculture and food security in the OIC is crucial to these nations' economic and social growth. The low proportion of cultivated land to total agricultural land in OIC countries highlights the need to boost the land's productivity and implement appropriate initiatives to ensure food security and high job opportunities for people experiencing poverty in these nations. These initiatives should concentrate on enhancing farmers' accessibility to resources such as land, water, seeds and technology, and offering training and support. Hence, the use of crowdfunding platforms for the growth of the agricultural sector in OIC nations is crucial, as it can help to alleviate the financial constraints experienced by farmers in these countries.

Existing Models for Financing the Agricultural Sector

The OIC member countries have developed varying models, policies, loan programmes and plans for financing agriculture. Among these are the Community Direct Loan Assistance scheme in

Indonesia (Kutsiyah, 2020), the People's Business Credit scheme in Indonesia (Wahyuni & Sara, 2020), and the Rural Agribusiness Development programme in 17 selected member countries of the OIC (Rashid & Razak, 2016; Shaikh, 2016). There are also some common trends and practices in financing agriculture in OIC countries. One of the standard models is subsidised credit to farmers such that governments offer low-interest loans, loan guarantees, or other financial assistance to support agriculture. Islamic banks and other financial institutions also provide Shari'ah-compliant financing options for agricultural projects.

Another model is public-private partnerships, where the government and private sector collaborate to finance and support agricultural development. This approach can involve joint ventures, investment funds or other forms of cooperation. In some countries, microfinance has also supported smallholder farmers and rural entrepreneurs. Microfinance institutions provide small loans and other financial services to help farmers and others start and grow their businesses.

However, empirical evidence demonstrates persistent flaws and inefficient procedures throughout existing government programmes. Several features of the current agricultural financing/credit paradigm contribute to its inefficiency. The weaknesses in the current models of financing agriculture in OIC member countries can vary depending on the specific country and context, but some common challenges include:

1. Limited access to financing, particularly in remote areas. This may be due to lack of infrastructure, limited financial literacy, and other challenges.
2. Limited coordination between OIC/national governments and other stakeholders in the agricultural sector, which could impact on the effectiveness of financing and development efforts.
3. Lack of transparency in existing models of financing and decision-making processes.
4. Inadequate infrastructure such as roads, electricity and irrigation systems can limit the productivity of the agricultural sector. This can lead to higher production costs, lower yields and limited market access.
5. Insufficient focus on sustainability and environmental protection can lead to the overuse of natural resources, degradation of land and water resources, and negative impacts on the environment.
6. Lack of financial technology that could have facilitated access to financing for small and medium-sized farmers by providing real-time access to information about financial transactions and financing options. Such technology could also improve transparency in the financing process.

Therefore, addressing these challenges will require a coordinated effort between governments, financial institutions, and other stakeholders to improve access to finance, invest in infrastructure, promote sustainability, and address climate change challenges in agriculture.

METHODOLOGY

This study employs the qualitative research methodology, with document analysis as the principal means of examining relevant papers, journal articles and other published sources. This strategy scrutinises the theoretical information obtained from primary and secondary sources. The research encompasses modern and classical viewpoints on Islamic contracts in Islamic law, aiming to identify and analyse the key themes associated with the models utilised to develop the conceptual

framework of the new model. This study uses a literature review approach to examine and identify the critical elements of *muzāra'ah*, *salam* and waqf and their potential incorporation with Islamic crowdfunding technology. The data analysis is conducted by modifying and assessing existing models, which are deficient in crucial attributes required for effective execution, thus rendering them more workable.

RESULTS AND DISCUSSION

Proposed Model

This paper proposes the *salam muzāra'ah* crowdfunding waqf (SMCW) model, which combines the potential and benefits of Islamic commercial and social finance contracts. The objective of SMCW is to solve the most fundamental issues farmers encounter, namely limited access to capital and land tenure. The *muzāra'ah* contract is a commercial financial instrument used by a bank to solve idle agricultural cultivation. Then, producers will enter into a *salam* contract with supermarkets based on a payment in advance. Waqf institutions will provide land and cash waqf.

In this case, the waqf land given by the waqf institution must be defined in the initial pledge of waqf that the land is intended for agriculture/plantations and no other purposes. Donors can donate cash waqf online via the crowdfunding platform and choose which initiatives they want to fund. In addition, the platform enables users from anywhere in the world to participate without geographical and time zone restrictions.

Stakeholders

The stakeholders in the model comprise the following:

1. **Donors:** The individuals who donate in the form of agricultural assets and cash waqf which are earmarked for farming activities based on the waqf contract.
2. **Waqf institution:** This institution provides farmlands left idle and unproductive due to the high cost of using these lands (e.g., tax and maintenance costs). These farmlands are provided based on the *muzāra'ah* contract, whereby the waqf institution will act as the owner.
3. **Farmers:** The farmers who collaborate on the growing and distribution of crops. Growing, weeding, watering, conserving, maintaining and managing their farms and crops are also the responsibilities of the farmers. In the *muzāra'ah* contract, farmers will act as workers.
4. **Islamic bank:** In this case, an Islamic bank can finance farmers through a predetermined agreement based on the *muzāra'ah* contract. In the *muzāra'ah* contract, the Islamic bank will act as a financial intermediary in financing.
5. **Private institutions:** In this scenario, supermarkets engage in *salam* contracts with farmers. The two parties in *salam* are the seller (a farmer in the proposed model) and the buyer (primarily a merchant).

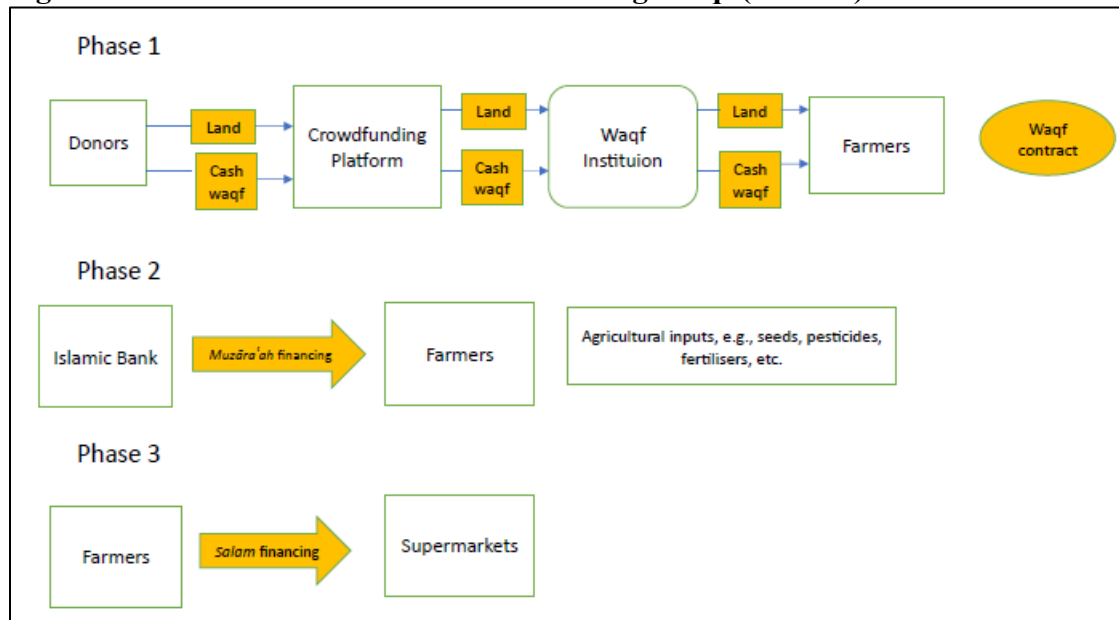
The Components Incorporated in the Proposed Model

The waqf institution appoints a *nāzīr* (manager) to manage the immovable assets (lands) and movable assets (cash waqf) received from contributors, as shown in **Figure 1**. The waqf institution will launch a crowdfunding platform for donations. The waqf institution will provide farmers with immovable assets, i.e., land, based on a waqf contract. Cash waqf funds will be used for infrastructure, including water, labour and electricity.

There are various ways to implement the *muzāra'ah* contract. The proposed model involves the land being owned by one party (a waqf institution), the work being done by another party (farmers), and the remaining farming necessities (e.g., agricultural inputs such as seeds, pesticides, fertilisers) being provided by a third party (an Islamic bank). The distribution of profit (money) is according to an agreed percentage. This form of *muzāra'ah* contract implementation is confirmed by the majority of contemporary scholars.

The model also proposes that the agricultural produce to be sold to supermarkets through the *salam* contract.

Figure 1: *Salam* and *Muzāra'ah* Crowdfunding Waqf (SMCW) Model



Source: Authors' own

The diagram flow is explained below:

Phase 1:

1. The waqf institution establishes and oversees the Islamic crowdfunding platform to receive immovable (land) and movable (cash waqf) assets from donors.
2. The waqf institution prepares the land infrastructure, including water and electricity.
3. The waqf institution and farmers will engage in a waqf contract to use the prepared land.

Phase 2:

1. The Islamic bank goes into a partnership agreement with the farmers through a *muzāra'ah* contract for funding agriculture. Both partners' contribution percentages are determined before signing the contract, which also determines the share of profits (money) of the parties.
2. The Islamic bank provides agricultural inputs, e.g., seeds, pesticides, fertilisers, machinery, transportation, etc.

Phase 3:

Farmers enter into a *salam* contract with the supermarkets. Product specifications, including category, colour, shape and size must be identified.

Significance and Impact of the Model

Enhancing agricultural output is essential for the countries comprising the OIC to combat poverty and end hunger. As a result, member countries are responsible for considering environmentally friendly farming practices to boost production despite the limited resources that are available and the rising demand for food.

The proposed model activates agricultural production, one of the most potent sectors in poverty alleviation. This model can significantly improve communication and cooperation by different segments involved in the contemporary Islamic financial ecosystem, notably:

1. The Islamic crowdfunding platform which facilitates the collection of waqf donations,
2. Waqf institutions involved in Islamic social finance,
3. Islamic banks which endorse the *muzāra'ah* contract, addressing criticisms levelled against them that they have been ignoring many Islamic contracts,
4. Farmers, who represent a significant segment of the ecosystem and help in increasing agricultural production, and
5. Supermarkets, which will offer good quality commodities to customers.

Moreover, this model enables waqf institutions to revive their idle lands. It also allows donors to donate for causes beyond traditional charitable projects. Consequently, the proposed model in this study is an integrated and innovative model that waqf institutions could introduce to the public. Additionally, this model implements three types of Islamic contracts, notably *tabarru'āt* between donors, waqf institutions and farmers, the *muzāra'ah* financing contract between an Islamic bank and farmers, and the *salam* contract between farmers and supermarkets.

From a *maqāsid al-Sharī'ah* (objectives of Islamic law) perspective, this model fulfils the Sharī'ah objectives of eradicating poverty and boosting food security through social and economic projects like agriculture. In addition to its positive effects on donors and waqf institutions, the SMCW model is anticipated to lessen the agricultural sector's reliance on government support and enable governments to redirect those funds to satisfy other vital needs of the society. The SMCW model is also anticipated to contribute significantly to the society as it promotes money circulation among the populace instead of solely benefiting the wealthy. The collaboration of Muslims in financing waqf projects will promote economic growth and sustainable development. This model will minimise development projects' reliance on interest-based financing and external borrowings. The model could also address challenges such as the need for more inputs, unproductive land markets, and the absence of modern financing.

However, there are a few concerns with the proposed model that should be considered in the implementation process, for example, administrative issues, the process in the market, extortion cases, and Sharī'ah issues. Contracts (*muzāra'ah* and *salam*) should include the pillars that must be fulfilled to make the contract valid in Sharī'ah. In addition, some conditions should be considered; for example, the seeds to be planted should be of good quality, the land should be arable, good for cultivation, and the time frame must be evident in the contract. From an Islamic perspective, these conditions should be clear to avoid harm or uncertainty (*gharar*).

Thus, the transactions should have detailed provisions regarding the commodities ordered and what is to be done in case the contract is breached, e.g. in the event of default or a delay in the commodity delivery. Moreover, the model should be under a Shari'ah supervisory body to ensure all the processes follow Shari'ah rules.

This study is significant due to its prospective implications for OIC stakeholders and waqf institutions. First, it facilitates the economic independence of producers. It is also important to note that the proposed crowdfunding model is gender dynamic as it empowers farmers of both genders to undertake agricultural initiatives, increase productivity, and generate a sustainable income by granting them access to much-needed financing. This contributes to poverty reduction, rural development, and economic expansion in OIC member states. Moreover, the study has substantial implications for the OIC as a whole. It promotes financial inclusion by providing a platform for individuals, including those with limited financial means, to support agricultural initiatives. This increases community engagement, fosters a sense of shared responsibility, and promotes the pooling of resources to address shared challenges. In addition, the model's emphasis on sustainable agricultural development is consistent with the OIC's objectives of promoting food security, environmental conservation, and resource management in its member states. The study provides waqf institutions with practical implications that can strengthen their function and influence. Waqf institutions can diversify their investment portfolio and generate sustainable revenue streams by employing the *muzāra'ah*-waqf concept to support agricultural initiatives. This will enable them to fulfil their obligation to serve the community through the establishment of productive endowments. The proposed model provides waqf institutions the opportunity to integrate their activities with the agricultural sector, promote social and economic development, and effect positive change within their respective communities. The following are the implications of this model for the development of Islamic finance:

1. **Impact on the agricultural sector:** The scheme is expected to help farmers financially, boost agricultural output, and advance the industry as a whole. Furthermore, these schemes and ethical and sustainable agricultural practices may promote Islamic economic justice and social welfare concepts.
2. **Impact on waqf institutions:** As this model incorporates the use of crowdfunding for developing waqf lands, it brings benefits to waqf institutions. For instance, integrating crowdfunding into the model will help achieve a higher profile for waqf institutions and promote their projects further. Thanks to the high transparency of crowdfunding, many donors or investors will be interested to invest their money in projects offered by waqf institutions. Thus, waqf institutions can meet their liquidity needs in developing waqf lands without relying much on government allocations.
3. **Impact on Islamic banks:** This model empowers Islamic banks to actively engage in social and economic initiatives that align with the tenets of Islamic finance. Islamic banks need to promote philanthropy and economic and social responsibility. When individuals seek financial aid to fund activities such as manufacturing or farming, they must share the risks and potential profits with the investors who provide the funds. Applying Islamic principles in economic markets can benefit people from all socio-economic backgrounds.
4. **Impact on the society and economy:** The model is also anticipated to bring benefits to the society and economy. As this model emphasises on developing waqf lands, it creates an environment of stimulating socio-economic development. The projects could bring an

opportunity for employment, income generation, poverty alleviation, empowerment of women, and so on. Indeed, this model helps the society to become altruistic by donating their money for good causes. Meanwhile, crowdfunding is considered as one of the redistribution schemes in an economic system; it helps to increase wealth, consumption and investment that can boost the economy. It helps to achieve efficiency in the allocation of economic resources. Financing farmers through these schemes can have a positive social and economic impact. It can enhance agricultural productivity, contribute to food security, and provide income stability for farmers. This can, in turn, lead to broader economic development and poverty alleviation in rural areas.

5. **Impact on academia and theory building:** For academia and theory development, the proposed model adds to the existing literature in the areas of crowdfunding and waqf. This study provides new literature for an effective utilisation of crowdfunding for waqf development, particularly among OIC members. This is because waqf has played a significant role in the socio-economic development of Muslims in history. This model is expected to positively change the perceptions of stakeholders about the dynamics and potentials of this voluntary sector.

CONCLUSION

As in many other developing countries, agricultural activities are essential in OIC economies to boost employment, production and promote development. However, a primary challenge that farmers face is the need for more financial resources, which can be overcome with an alternate funding strategy. The *salam-muzāra'ah*-waqf-based crowdfunding model for farmers is a Shari'ah-compliant financing model incorporating social and commercial finance to address the issue of financial constraints in the agricultural sector. Land and cash waqf are given by waqf institutions to farmers as a means to reduce risk during planting seasons. The commercial contracts involved in the model are the *muzāra'ah* contract between the Islamic bank and farmers to provide agricultural inputs and the *salam* contract between farmers and supermarkets to sell the commodities in the market.

By proposing an Islamic crowdfunding model for the agricultural sector that is founded on the *salam* and *muzāra'ah* waqf schemes, the study makes a significant theoretical and knowledge contribution. This model blends Islamic finance, crowdfunding and waqf to address financing difficulties confronting farmers. By integrating these concepts, the study offers a novel Islamic approach to agricultural financing. The proposal enhances knowledge of how Islamic finance principles can be utilised to promote agricultural development and financial inclusion. It contributes to the existing corpus of knowledge in Islamic finance, crowdfunding and agricultural finance by laying the theoretical groundwork for future research and investigation in this field.

Numerous stakeholders, including farmers, financial institutions, policymakers and waqf institutions, will find the study's practical, social and managerial ramifications extremely valuable. The proposed Islamic crowdfunding model offers farmers access to advanced financing through the *salam* contract, which has practical implications for farmers. This allows farmers to overcome financial obstacles, acquire essential resources, and invest in their agricultural initiatives. The model improves the socio-economic well-being of producers by enhancing their productivity, income generation and overall livelihoods. Additionally, the study has practical ramifications for financial institutions, especially those operating in Islamic finance. It emphasises the

microfinancing potential of Islamic crowdfunding for the agricultural sector. Financial institutions can investigate the implementation of this model to diversify their product offerings, reach underserved producers, and capitalise on the rising demand for Shari'ah-compliant financing alternatives. The study offers insights into the design and operation of an agricultural-specific Islamic crowdfunding platform.

The proposal of this study has substantial implications for policymakers in devising agricultural policies and promoting financial inclusion. To promote sustainable agricultural development, rural economic expansion, and poverty reduction, policymakers can consider adopting and supporting Islamic crowdfunding models such as the one proposed. The study provides insight into the regulatory frameworks and policy measures that can facilitate the implementation of such models, ensuring their efficacy and alignment with socio-economic objectives. Incorporating the *muzāra'ah*-waqf scheme into the proposed model has practical implications for waqf institutions. It presents an opportunity for waqf institutions to effectively utilise their endowments for agricultural purposes. By allocating funds from waqf endowments to support agricultural initiatives via the *salam* contract, waqf institutions can achieve their charitable goals and contribute to the well-being of the community. The study illuminates the operational aspects and prospective impact of utilising waqf in agricultural financing, thereby guiding the strategic decisions of waqf institutions.

One of the limitations of this study is that it is a conceptual paper without empirical investigation. Secondly, the paper only used *muzāra'ah* and *salam* financing contracts. In addition, the reports revealed that only 40 per cent of crowdfunding campaigns on popular platforms such as Kickstarter achieved their goals. Hence, extensive marketing campaigns are required to ensure a high success rate for the proposed model. By doing so, projects can reach their target audience and raise awareness about their benefits and importance. Lastly, the financing of agricultural projects is the main topic of this analysis. So, more study is needed to learn whether or not individuals will adopt this proposed concept. To expand the ideas presented in this study, similar models should incorporate other Islamic contracts such as *musāqāh* and/or *istiṣnā'*. In addition, future studies are expected to explore the implementation of integrated models in different sectors to boost the financial inclusion of Islamic finance.

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DECLARATION

Credit Authorship Contribution Statement

- Meshari Al-Daihani is primarily responsible for writing the manuscript, developing and interpreting the model, and formatting the article to meet the Journal's requirements.
- Khadar Ahmed Dirie coordinated the introduction, edited the language, and assisted in the conclusion section.
- Md. Mahmudul Alam contributed to the methodology, edited, evaluated and provided manuscript recommendations.
- Ahmad Sufian Bin Che Abdullah reviewed and revised the manuscript based on the reviewers' feedback.
- The final manuscript was reviewed and endorsed by all the authors.

Declaration of Competing Interest

The authors declare that they have no known competing financial interest or personal relationships that could have influenced the research work.

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The authors declare that they understand the Ethical Guidelines and have adhered to all the statements regarding ethics in publishing. They also confirm that this paper is original and has not been published in any other journal nor is under consideration by another publication.

Data Availability

None

Disclaimer

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the official policy or position of any affiliated agency of the authors.

Appendix

None