

# **Islamic Financing for Agricultural Development: Theoretical and Practical Considerations, with a Special Reference to the Activation of Idle Land in Malaysia**

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Fieldwork Location: Malaysia

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## **1. Research Background**

It goes without saying that the development of agriculture necessitates a huge capital influx that usually exceeds farmers' incomes. These funds are crucial for financing the agricultural infrastructure, including the purchase of seeds, pesticides, machinery, irrigation equipment and fertilizers. In Malaysia, where Islamic financing is encouraged by the government, it is important to draw attention to its application in agricultural land development. In addition, the use of Islamic agricultural financing in order to reactivate idle agricultural land in Malaysia is both important and necessary.

## **2. Research Purpose and Aims**

Objectives: 1) to determine how Islamic principles for the agricultural sector may lead to the development of an alternative source of Islamic agricultural financing; 2) to study in depth the farmers' lives in Malaysia and their problems in developing idle agricultural land; 3) to study the suitability of Islamic agricultural financing based on the principles of *al-muzara'a* and *al-musaqa* in reactivating idle agricultural land.

## **3. Results and Achievements through Fieldwork**

In order to get clearer pictures of farmers' lives in Malaysia, a questionnaire was distributed to 138 farmers in 6 states of Malaysia from 1 November to 9 December 2010. The agricultural idle land project in these states was developed with the full support and one-off subsidies from the Malaysian Department of Agricultural (DOA), one of the principal agricultural government agencies.

**Table 1: Fieldwork Schedule in Malaysia in 2010**

No.	Date of Fieldwork	State	Number of Farmers Involved	Types of Crops
1.	1-5 November 2010	Kelantan (Northeast Peninsular Malaysia)	27	Banana and watermelon
2.	8-11 November 2010	Sarawak (East Malaysia)	23	Pumpkin, banana, pepper and watermelon
3.	22-24 November 2010	Johor (South Peninsular Malaysia)	25	Banana, pineapple and vegetable
4.	25-26 November 2010	Negeri Sembilan (Western Coast of Peninsular Malaysia)	15	Coconut and guava
5.	29 November-5 December 2010	Sabah (East Malaysia)	23	Paddy
6.	7-9 December 2010	Perak (North Peninsular Malaysia)	25	Banana

In short, one of the major findings from the fieldwork in Malaysia was that the farmers in the survey areas faced problems in financing their land, and therefore financial institutions which offer Islamic financial principles could play a key role in assisting these farmers.

#### **4. Implications and Impact on Future Research**

From this fieldwork, it was discovered that the landlords and farmers in Malaysia are currently facing several problems in developing their land. One of the major problems is related to insufficient funds for reactivating idle land. Therefore, the application of Islamic agricultural financing could play a significant role in this area. For that reason, there is an imperative need to develop a sound agricultural financial system in Malaysia to increase and sustain the incomes of landlords and farmers and to reduce poverty.

**Selected Pictures:**

1. Interview with a farmer at his farm in Sarawak.



Date Taken: 9 November 2010  
Location: Sarawak, Malaysia  
Taken by: Hakimi

2. Interview with a group of farmers at the Department of Agriculture office in Perak.



Date Taken: 8 November 2010  
Location: Perak, Malaysia  
Taken by: Hakimi

3. One of the surveyed agricultural areas in Tanah Merah, Kelantan.



Date Taken: 2 November 2010  
Location: Kelantan, Malaysia  
Taken by: Hakimi