

**DEFAULT IN THE SETTLEMENT OF FARMERS' DEBTS TO PALM OIL
AGENTS AS REVIEWED ACCORDING TO THE BA'I AL-DAYN CONTRACT
(A Study in Kuala Tadu Village, Nagan Raya)**

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Abstract

This study discusses the default practice in settling farmers' debts to palm oil agents in Gampong Kuala Tadu, Nagan Raya Regency, with a review based on the Ba'i al-Dayn contract. The background of this study stems from the limited capital that forces palm oil farmers to borrow funds from agents, with the obligation to sell their entire harvest to the capital-providing agent. This scheme often causes dependence and losses for farmers, because the selling price set by agents tends to be lower than the market price. This study aims to analyze the mechanism of harvest-based debt agreements, assess the fairness of price setting, and evaluate these practices from an Islamic law perspective. This study uses a juridical-sociological approach with data collection techniques through in-depth interviews with farmers and palm oil agents and a literature study of relevant books, journals, theses, and articles. The results show that debt is provided on the condition of the sale of the harvest, where debt payments are deducted directly from the sales proceeds, and farmers only receive the remaining profits after these obligations are fulfilled. However, there are often cases of default by farmers in the form of late or refused payments, which under Islamic law can be categorized as *ghashab* because it harms the agents. Analysis based on the *Ba'i al-Dayn* contract shows that this practice does not fully comply with the principles of justice and maqasid syariah, thus requiring a more transparent and balanced agreement between farmers and agents. This study contributes to developing a fair debt agreement concept in the agricultural sector in accordance with the principles of Islamic muamalah.

Keywords: *Breach of Contract, Debt Contract, Oil Palm Farmers, Agents, Ba'i al-Dayn*

Abstrak

Penelitian ini membahas praktik wanprestasi dalam penyelesaian utang petani terhadap agen sawit di Gampong Kuala Tadu, Kabupaten Nagan Raya, dengan tinjauan berdasarkan akad *Ba'i al-Dayn*. Latar belakang penelitian ini berangkat dari kondisi keterbatasan modal yang memaksa petani kelapa sawit untuk meminjam dana dari agen, dengan kewajiban menjual seluruh hasil panen kepada agen pemberi modal. Skema ini sering kali menimbulkan ketergantungan dan kerugian bagi petani, karena harga jual yang ditetapkan agen cenderung lebih rendah dari harga pasar. Tujuan penelitian adalah untuk menganalisis mekanisme perjanjian utang-piutang berbasis hasil panen, menilai keadilan penetapan harga, serta mengevaluasi praktik tersebut dari perspektif hukum Islam. Penelitian ini menggunakan pendekatan yuridis-sosiologis dengan teknik pengumpulan data melalui wawancara mendalam dengan petani dan agen sawit, serta studi literatur dari buku, jurnal, tesis, dan artikel terkait. Hasil penelitian menunjukkan bahwa utang diberikan dengan syarat jual beli hasil panen, di mana pembayaran utang dipotong langsung dari hasil penjualan, dan petani hanya menerima sisa keuntungan setelah kewajiban tersebut dipenuhi. Namun, sering terjadi wanprestasi dari pihak petani berupa keterlambatan atau penolakan pembayaran, yang secara hukum Islam dapat dikategorikan sebagai *ghashab* karena merugikan pihak agen. Analisis berdasarkan akad *Ba'i al-Dayn* menunjukkan bahwa praktik ini belum sepenuhnya memenuhi prinsip keadilan dan maqasid syariah, sehingga diperlukan perjanjian yang lebih transparan dan seimbang antara pihak petani dan agen. Penelitian ini memberikan kontribusi bagi pengembangan konsep perjanjian utang dalam sektor pertanian yang berkeadilan dan sesuai dengan prinsip muamalah Islam.

Kata kunci: *Wanprestasi, Utang Piutang, Petani Sawit, Agen Sawit, Ba'i Al-Dayn*

INTRODUCTION

Ba'i al-dayn refers to a type of financing based on a debt system. In this concept, every obligation someone must fulfill is deferred until a specific time due to certain conditions. *Ba'i al-dayn* also describes the concept of buying and selling debt, where the seller wants to release the right to their receivables, and the buyer is willing to purchase the receivables offered by the seller.¹ In *fiqh*, the term *al-dain* has a more specialized meaning. According to the Hanafi school of thought, debt is categorized as *mal hukmi*, a form of property that is not physically visible but still recognized as property because of the role and human need for it in daily muamalah activities. Ibn 'Abidin explains that *al-dayn* is an obligation that must be

¹ Y.Sonafist, Utang Piutang dalam Perspektif Fiqh, *Jurnal Islamika*, Vol. 15. No. 1, 2015, <https://doi.org/10.32939/islamika.v15i1.42>, 115

fulfilled by a person, which arises as a result of a contract, from the use or destruction of someone else's property, or because of receiving a loan.² In the implementation of contract transactions, default is often a significant problem that can result in losses for the parties involved. Default can be identified as breaking a promise or not fulfilling an agreement stipulated in a contract or agreement that binds both parties. In Fiqh Muamalah, default is a harmful act categorized as *fi'l ad-dhar* (harmful act), which harms other parties and is valid to seek compensation. In Islamic law, negligence in fulfilling the rights of others is prohibited. This happens when there has previously been an agreement between two parties, but one of the parties does not keep the promise or renege on the deal that has been agreed upon.

Humans as social creatures are always dependent on one another and cannot live independently, so mutual need and help become an essential part of life. In the context of muamalah, one of the common forms of interaction is debt and credit, which is often a necessary part of meeting the needs of daily life. The community in Kuala Tadu Gampong applies a lot of debt and credit activities to fulfil their daily needs. In practice, farmers are responsible for paying their debts gradually every time the oil palm harvest season arrives. Farmers are required to sell their crops to the agent, which is the party providing the loan. Part of the income from selling the oil palms is used to fulfil their daily needs, while the rest is used to pay the instalments. The amount of the instalments is determined through direct deductions by the agent from the sales proceeds, without any reapproval from the farmer. The deduction amount is adjusted to the volume of the harvest; the larger the harvest, the larger the deduction for instalments, and vice versa. If the harvest is small, the deduction will also be smaller.

This transaction occurs because farmers cannot purchase their needs in cash due to limited capital. Therefore, they rely on palm oil agents who provide these needs on loan. In the agreement made at the beginning of the non-cash sale and purchase transaction, the farmer requires that the debt be repaid through the oil palm harvest. However, the farmer must sell his entire harvest only to the agent, regardless of the loan amount. The sale proceeds will be deducted to repay the debt, and the rest will be returned to the farmer. However, in practice, defaults often occur where the farmer does not deliver the entire harvest to the agent and even sells to another agent. This situation makes it difficult for the agent to deduct the debt payments as agreed, resulting in slow repayment and difficulties for farmers to manage their business capital.

² Dewi Rochatul Mardiyah, *Konsep Dayn Perspektif Al-quran: Studi Komperatif Tafsir Al-Syarawi dan Tafsir Al-Misbah*, Skripsi, Mahasiswi UIN Syarif Hidayatullah, Tahun 2019, hlm. 25

Based on an interview with Junit Aryanto, a palm oil agent in Gampong Kuala Tadu, it is known that farmers generally apply for assistance in the form of loans or capital to the agent. In the agreement, the agent stipulates the condition that after receiving the loan, the farmer is obliged to sell his palm oil harvest to the agent as a form of debt repayment. However, in practice, there are frequent violations of the agreement during the harvest period. This results in a default by one of the parties because the rights and obligations in the agreement are not fulfilled. This discrepancy is often caused by fraudulent actions taken by the farmer during the harvesting process. When the farmer's loan accumulates at the first agent (agent A) but he has not been able to settle his debt because his other life needs constrain him, the farmer wants to take another loan from the same agent. Still, according to his agreement, the agent cannot fulfil the loan before completing the first loan. So the farmer felt that his loan wishes were not fulfilled and chose to look for another loan from the second agent (agent B). So that the agent feels disadvantaged because it does not match the income that they should have.³

Based on the results of interviews with Raden as an oil palm farmer, they borrow from agents with several primary objectives, first, as additional capital for the plantation business, which includes the need to maintain the oil palm plantation, such as purchasing fertilisers, pesticides, and other maintenance activities. Secondly, debts are used to meet consumptive needs, namely basic daily needs such as clothing, food, shelter, and children's education costs. Therefore, it can be concluded that farmers conduct debt transactions to fulfil both productive and consumptive needs. Specifically, for productive needs, farmers borrow funds to support the management of oil palm plantations, including the purchase of fertilisers, spraying pesticides, fertilising crops, and hiring labour for plantation maintenance and cleaning. The first agent cannot meet these needs, so farmers are forced to apply for additional loans from other agents to make ends meet. This situation resulted in a default, where the farmer failed to fulfil the obligation to pay the debt to the first agent in accordance with the terms agreed upon in the initial agreement.⁴

Problems arising in the implementation of the agreement generally come from the farmers, who do not fulfil their commitments in accordance with the agreement due to urgent needs. In contrast, the potential for violation on the part of the agent is relatively small. This situation causes losses, especially to the

³ Results of an interview with Junit Aryanto, Palm Oil Agent, on June 19, 2024, in Nagan Raya, Gp. Kuala Tadu

⁴ The following report presents the results of an interview conducted on June 19, 2024, with Raden, a palm oil farmer, in Nagan Raya, Gp. The city of Kuala Tadu is the subject of this study.

agents, because the rights and obligations that the farmers should fulfil are not carried out as they should, resulting in default. This situation is inconsistent with Islamic sale and purchase contracts principles, which emphasise fairness and should not harm either party.

METHODS

In this article, the author uses qualitative research with a juridical sociological approach that focuses on examining normative and empirical legal aspects regarding the enactment or implementation of the legal provisions of defaults that occur in the agreement contract between the parties involved. To achieve a goal and solve a problem by searching, writing, formulating, and analyzing data found in the field.⁵ In this research, the author reviews the settlement efforts and the consequences of the debt agreement after the default that occurred between the farmers and the palm oil agent in Gampong Kuala Tadu, Nagan Raya Regency, and reviews the contract used, namely *ba'i al-dayn* on the palm oil exchange rate, which is not in accordance with the contents of the agreed-upon agreement. This research is based on primary data from in-depth interviews with relevant parties. Information was collected from resource persons consisting of palm oil farmers and palm oil agents in Gampong Kuala Tadu, Nagan Raya. The secondary data in this research includes literature such as books, theses, journals, and articles supporting the study topic.

RESULTS AND DISCUSSIONS

Theory of Default

Achievement, which in English is called "*performance*", in the context of agreement law means the implementation of obligations by parties who have promised to carry out these responsibilities. This implementation must be carried out per the terms and conditions agreed upon in the agreement. Suppose an agreement is made in accordance with the provisions of Article 1320 of the Civil Code (KUHPperdata). In that case, the agreement is binding on both parties and the law, as stipulated in Article 1338 paragraph (1) of the KUHPperdata. If one of the parties does not fulfill its obligations stated in the agreement, this is called default. Default is a situation when the implementation of an agreement is late, not in accordance with what has been agreed, or not implemented at all. In general, default can be interpreted as the failure of the debtor to fulfill the obligations or achievements stipulated in the agreement. Default occurs when one

⁵ Abdulkadir Muhammad, *Hukum dan Penelitian Hukum*, (Bandung: Citra Aditya Bakti, 2004), hlm.134.

of the parties to an obligation, whether derived from an agreement or statutory provisions, does not carry out its obligations as it should. This violation can occur intentionally or unintentionally. In an unintentional default situation, the debtor's failure to fulfill obligations may occur due to his inability or certain conditions that make him unable to carry out these obligations. However, if the debtor does not meet his obligations due to *force majeure*, then he can be held liable in the form of compensation. The default elements include a valid agreement per Article 1320 of the Civil Code, the aspect of fault (either due to negligence or intent), the incurrance of losses, and the imposition of sanctions. Sanctions for default can include the obligation to pay compensation, cancel the agreement, transfer risks, and pay court costs if the dispute is brought to court. The term default refers to the debtor's inability to fulfill the obligations agreed upon in the agreement. This failure can be caused by negligence, intentionality, or due to *force majeure* (*overmacht*) that is beyond the debtor's control. Thus, default itself has several types, namely as regulated in Book III of the Civil Code, consisting of:

- a. Not performing the performance at all. In this situation, the debtor fails to fulfill his obligations, which then causes losses to the creditor or other interested parties. In the face of such failure, the debtor must provide evidence explaining the cause of his inability, whether due to *force majeure*, due to default on the creditor's part, or because the creditor has waived his rights.
- b. Incomplete performance. In this condition, the debtor carries out its obligations, but not entirely or not in accordance with the agreement that has been made. As in the previous case, the debtor must still prove the reason behind the imperfect performance, whether caused by *force majeure* or because the creditor also defaulted.
- c. Late in fulfilling the performance. In this situation, the debtor is obliged to provide an explanation and evidence regarding the delay, whether due to *force majeure* or a violation of the agreement committed by the creditor (default).
- d. Performing actions prohibited in the agreement. In this condition, the debtor violates the deal by doing things contrary to the restrictions agreed upon by both parties.

There are four consequences of default, namely:

- a. The party bound by the agreement remains bound to the agreed engagement.
- b. The debtor is obligated to pay compensation to the creditor per the provisions of Article 1243 of the Civil Code.

- c. The risk of loss will be the responsibility of the debtor if the obstacle that causes the loss occurs after the debtor has defaulted, unless the loss is caused by negligence or gross error on the creditor's part. Thus, the debtor may not use the reason of *force majeure* as a defence.
- d. Suppose the obligation is derived from a reciprocal agreement. In that case, the creditor has the right to exempt itself from its commitment to provide a counterparty based on Article 1266 of the Civil Code. When a default occurs, the non-defaulting party will be harmed. Therefore, the party in default is obliged to bear the loss and accept the legal consequences which can be: cancellation of the agreement only; cancellation of the agreement accompanied by a claim for compensation including costs, losses, and interest; performance of obligations without a compensation claim; performance of obligations accompanied by a claim for compensation; or only claiming compensation without asking for fulfillment of performance. This provision is regulated in Article 1267 of the Civil Code.

All of the previously discussed issues will result in legal consequences, where the party in default must bear the consequences or sanctions in the form of an obligation to pay compensation, which includes costs, losses, and interest due to non-compliance with the contents of the agreement, cancellation or termination of the agreement, and transfer of responsibility for risks.

Theory of Ba'i Al-Dayn and its Legal Basis

Linguistically, the term *al-dayn* comes from the word (دَيْن) which means to submit (عَضَخ), obey (لَذ), and obey (عَاط). This term refers to property given by one person to another, with the expectation that the property will be returned to the giver at a predetermined time.⁶ The Arabic term commonly used to refer to debt is *al-dayn*, with its plural form *al-duyun*. Generally, the practice of debts and receivables includes sale and purchase transactions and leases not made in cash. In fiqh, this type of transaction is known as *mudayanah* or *tadayun*.⁷ Based on this understanding, it can be concluded that *ba'i al-dayn* is a sale and purchase transaction with a payment system on a deferred or owed basis, where the buyer pays off the price of the goods through installments or instalments.⁸

⁶ Abdul Rahim, A.K., Mohamed Naim, A., & Zainol, Z., 'Aplikasi Bay' Al-Dayn Dalam Produk-Produk Pembiayaan Perdagangan Antarabangsa Islam, *Jurnal Syariah*, 21.3, (2013): 292.

⁷ Rahmat Syafi'i, *Fiqh Mu'amalah* (Bandung:Pustaka Setia, 2004)

⁸ Wahbah Al-Zuhaili, *al-Fiqh al-Islam wa Adillatuhu* (Damsyiq: Dar al-Fikr, 1996), Jilid 4, pp. 433-435.

Debt sale and purchase is one type of business transaction that is still a matter of discussion among scholars regarding its legal status. Some scholars allow the sale and purchase of debts made directly to the debtor (*al-dain*). That way, debt sale and purchase transactions can be made directly to the debtor or a third party other than the debtor. Various scholars have different views on the legal status of this sale and purchase of debt, namely:

a. Sale and Purchase of Debt in Cash

1. Selling debts to the debtor himself

Most scholars believe that debts that are already fixed (*mustaqir*) may be sold or even given to the debtor, either with payment or without payment. This practice is known as *istibdal*. However, it is not permissible to sell a debt that is not yet fixed (*ghairu mustaqir*) before it is handed over, as this risks causing the contract to be cancelled before the ordered goods are actually received.

2. The sale of debt to someone other than the debtor

Most scholars think that selling a debt to a third party is not permissible. This opinion is based on the principle that the right of debt belongs to the debtor and should not be transferred to another person without the debtor's consent, as this could lead to uncertainty and is against the Shariah. However, the Shafi'i school of thought provides relief under certain conditions, namely allowing the sale of debt to a third party if the debt is fixed (there is no dispute about the amount and terms of the debt) and the transaction is carried out with the delivery of goods in cash (*ba'i al-salam*). This opinion is based on the proposition that buying and selling in Islam is permissible as long as it does not contain elements of *gharar* (uncertainty) and usury (interest), and as long as the contract meets the terms and conditions.

b. Buying and selling debts on an overdue basis

The fiqh experts agree that *ba'i al-dayn bi al-dayn*, or buying and selling debt for debt, is not allowed, whether done to the debtor or someone else. The Prophet SAW also prohibited the practice with his sabdanya, which emphasized the prohibition of buying and selling debt with debt.⁹

The legal basis regarding debt (*al-dayn*) is explained in the Qur'an, especially in Surah Al-Baqarah, verse 282:

يَا أَيُّهَا الَّذِينَ آمَنُوا إِذَا تَدَايَيْتُمْ بِدَيْنٍ إِلَى أَجَلٍ مُّسَمًّى فَاكْتُبُوهُ ۚ وَلْيَكْتُب بَيْنَكُمْ كَاتِبٌ بِالْعَدْلِ ۚ

⁹ Mardani, *Fiqh Ekonomi Syariah: fiqh muamalah...*, pp. 19

“O you who have believed, when you enter into transactions of debt and credit for a certain period of time, you should record them in writing, and let a writer among you write them down with justice and accuracy...”

One of the longest verses in the Qur'an that discusses *dayn* or debt is Surah Al-Baqarah, verse 282, which consists of 128 words and 504 letters. This verse is an important point and indicates that wealth is not something that Allah Subhanahu Wa Ta'ala hates. In addition, this verse shows that Islam recommends trying and working hard and seeking wealth in the right and halal way. In addition, *dayn* or debt is also a long-term problem until the hereafter. In a hadith narrated by Imam Muslim, the Prophet once said that in the afterlife, there will be people who are bankrupt because they have to pay off the debt of sins committed in the world with their deeds. If the deeds are exhausted but there is still an unpaid debt of sin, the sin will be transferred to him. This illustrates how long the debt problem is, until someone has to pay off his debts and sins before he can enter heaven. From this, it can be concluded, according to Wahbah az-Zuhaili in his interpretation of Surah Al-Baqarah verse 282, that *dayn* is property that has not been fully handed over to the rightful party, such as in buying and selling, salam, or debt and credit, where the transaction is not carried out in cash.

The majority of scholars state that there are four pillars in buying and selling, namely: a) The existence of the parties to the contract (seller and buyer), b) There is a *shighat* (ijab and kabul), c) There is an item that is the object of sale and purchase, d) There is an exchange value as a substitute for the goods.

The conditions of sale and purchase in accordance with the pillars put forward by the majority of scholars are as follows:

- a. The requirements for the person who makes the contract *al-muta'qidain* (seller and buyer) are that they must have a mind, which means that they can distinguish between good and evil and have a minimum age of around 7 years. In addition, the contract must be made voluntarily without coercion, and the people doing the contract must be two different parties, meaning that a person cannot act as a seller and buyer simultaneously.
- b. The conditions related to *shighat* (Ijab and Kabul) include the willingness of both parties as the main element in buying and selling. This willingness is shown through the process of ijab and kabul. Therefore, the fiqh scholars state that the conditions for ijab and kabul include that the parties who say it must be of age and reason, the acceptance (kabul) must be in accordance with the offer (ijab), and ijab and kabul must be made in the same assembly or meeting.
- c. The conditions of the goods being traded (*ma'qud 'alaih*) are that the goods must be the seller's own property; the goods being traded must actually

exist with clear characteristics, sizes, and types; the goods can be handed over either directly or indirectly at the time of the contract; and the goods being traded must be objects that are allowed to be used according to Sharia.

- d. The conditions of the exchange rate are that the price agreed upon by both parties must be clear in amount; payment can be made directly during the contract, but if the payment is made later, the repayment time must be clearly determined; and if the sale and purchase transaction is carried out with an exchange system (barter), then the goods used as an exchange rate must be goods that are permitted according to Sharia, not prohibited goods.¹⁰

Debt Settlement from the Perspective of Ba'i Al-Dayn Akad

Gampong Kuala Tadu is an area where most of the population works as oil palm farmers, where several palm oil agents act as intermediaries in marketing the harvest. The average income of oil palm farmers reaches more than one ton every two weeks. Still, it is not uncommon to experience a decrease in production due to the trek period, which is a period when oil palm trees produce relatively small amounts of fruit. The selling price of oil palm is in the range of IDR 2,700 to IDR 2,810 per kilogram. The decrease in the quantity of oil palm yields directly impacts the reduction of farmers' income, resulting in limited capital to fulfill their daily needs.

Limited capital is the main factor that encourages oil palm farmers to apply for loans or debts to palm oil agents. However, the loans are usually accompanied by special conditions in the form of a sale and purchase agreement, where farmers are obliged to sell all their harvest to the agent who provided the loan capital. This system causes farmers to become dependent on palm oil agents, because although the capital received can be used for production costs and daily needs, farmers lose the freedom to choose buyers for their crops. This condition can also affect the farmer's selling price and overall income, given that the agent with a dominant position in the agreement determines the price.

Based on information obtained from oil palm farmers, they borrow from palm oil agents for several reasons. The first reason is to increase their plantation business capital needed to support their productive activities. This capital is used to meet essential needs in maintaining oil palm plantations, such as purchasing

¹⁰ Sukma Klara Prihatini, *Transaksi Jual Beli Non Tunai Antara Petani Tambak dan Pedagang*, Skripsi, Mahasiswi Fakultas Syariah dan Hukum UIN Ar-Raniry tahun 2018.

fertilisers and pesticides, and implementing comprehensive plantation care and maintenance to maintain plant productivity and maximise yields.

In addition, loans are also used to meet the consumptive needs of farming families. These needs include the fulfilment of basic daily needs such as clothing, food, shelter, and children's education costs, which are essential investments for improving the quality of human resources in the future. Thus, debt transactions undertaken by oil palm smallholders not only act as a means of increasing business capital but also as a way to fulfil various urgent household needs. This suggests that the pattern of borrowing reflects farmers' adaptive strategies in managing their family finances to ensure business continuity and family welfare.

In meeting the cost of productive needs, oil palm farmers generally take loans to finance various plantation management activities. These activities include the purchase of fertilisers, spraying pesticides, fertilising palm trees, and paying for rental services for harvesting and cleaning palm oil plantations, among other needs. At first glance, this practice seems similar to a cooperation contract (*shirkah*), because the palm oil agent provides additional funds as capital for plantation management. In the concept of a *shirkah* contract, each party involved jointly contributes capital, works together, and collectively bears the risks and losses that may occur.¹¹ However, in actual practice, the funds channelled by agents to farmers are actually loans (debts) that farmers are obliged to repay. In this debt-to-debt relationship, there is a lender and a receiver, where the receiver is obliged to return the funds in accordance with the amount that has been borrowed without sharing business risks. Thus, it can be concluded that the relationship between agents and smallholders is based on a debt agreement, which in fiqh muamalah is known as *bai' al-dayn*, which is a sale and purchase of debt or a sale and purchase transaction with payment on a deferred basis. Therefore, it is clear that the contract that applies in this practice is a *bai' al-dayn* contract, not a *shirkah* contract.¹² This difference is essential to understand, because a *shirkah* contract requires the participation of capital and risk together. In contrast, a *Bai' al-dayn* contract focuses more on the obligation to return the debt according to the nominal amount without sharing profits or losses.

The debt and credit mechanism that is usually carried out by the Kuala Tadu Gampong community between farmers and palm oil agents is that farmers borrow a certain amount of money from the agent, and the debt is used as a binder, so that palm oil farmers do not sell their palms to other agents. The phenomenon currently carried out by the Tadu Raya community, the agent will provide a loan

¹¹ Tim laskar pelangi, *Metodologi Fiqih Muamalah*, Lirboy press: kediri, 2021, pp.194

¹² *Ibid*, pp.196

by attaching a requirement that the farmer must sell his crop when the palm harvest period arrives. For example, a farmer owes an agent the amount of Rp. 25,000,000, - for the capital of the oil palm plantation, but the agent said: "I give you a loan of Rp. 25,000,000 on the condition that you sell your harvest to me". Next, the agent will draft a Letter of Agreement that contains the terms of the agreement, including the amount of the loan given and the consequences that will be accepted in the event of default. Both parties must sign the Letter of Agreement as a form of agreement to the contents of the agreement. Thus, this transaction signifies that the farmer accepts and agrees to the loan terms proposed by the agent, which is realized by selling agricultural products to the agent. This agreement shows the farmer's awareness and acceptance of the deal that has been made. On the farmer's side, this scheme makes it easier to repay the loan, as payments are made during the palm oil harvest, when the farmer is expected to have earned sufficient income to fulfil the loan instalment obligations. Meanwhile, the agent benefits from the certainty of the availability of goods, namely, the oil palm harvest from the farmers. Thus, this debt agreement mechanism provides balanced benefits and convenience for both parties, both farmers and agents.

If the farmer defaults during the harvest period, such as not delivering the crop as agreed in the agreement, the initial settlement is carried out through a family approach per the principle of deliberation in Sharia economic law. As a form of prudence (*hiṭāṭ*), the agent has the right to request collateral in the form of legal ownership documents, such as Land Certificates or Plantation Ownership Certificates, which will be temporarily held until the farmer pays off his obligations. If the family mechanism does not result in a settlement and the farmer still does not show good faith, the agent will send a letter of reprimand in stages up to three times. If, after that, the farmer still fails to fulfill the obligation, then the settlement can be transferred to formal legal channels through the court, in accordance with the principles of *tahkīm* and *iqāmah al-ḥujjah* in dispute resolution in Islamic economic law. This approach still considers the principles of justice (*'adālah*) and benefit (*maṣlahah*) for both parties.

Default in Settlement of Farmer's Debt in Kuala Tadu Gampong, Tadu Raya Subdistrict, According to Ba'i Al-Dayn Akad

Gampong Kuala Tadu, a village in Nagan Raya District, is a smallholder oil palm production centre that implements an economic system based on direct relationships between farmers and collecting agents. In practice, agents often provide loans to farmers as a form of initial funding before the harvest season. In return, farmers are required to sell their crops to the agent at a predetermined price. This relationship resembles a bonded system that essentially creates high

economic dependency, especially when farmers experience crop failure or a drastic drop in palm oil prices¹³.

Problems arise when farmers cannot repay their debts per the agreement, resulting in default. Default or breach of promise in civil law refers to a situation where one of the parties to an agreement fails to carry out agreed obligations, either due to negligence or inability to fulfil these obligations.¹⁴ In the context of the *Ba'i al-Dayn* contract, which is the sale and purchase of receivables, default by the debtor (in this case, the farmer) can disrupt the continuity of the contract, especially when the receivables have been transferred from the agent to a third party, such as an Islamic financial institution. *Ba'i al-Dayn* in Islamic economics requires several main elements for the contract to be valid, namely: the existence of a clear object of receivables (*dayn qathi'*), agreement between the two parties (*taraqiy*), and the ability of the debtor to fulfil his obligation.¹⁵ When the farmer, as the debtor, defaults, the third party that has purchased the receivables from the agent is at financial risk. This raises new issues, namely how to balance the principle of profitability of financial institutions with the values of justice and protection of small communities as taught in *maqashid Sharia*.

In the case of default in Gampong Kuala Tadu, there are two dominant factors: first, low productivity and fluctuations in the price of fresh fruit bunches (FFB), which cause farmers' income to be insufficient to pay debt instalments; second, weak debt administration records and a lack of understanding of the legal consequences of the contracts they enter into. This situation indicates that the application of *Ba'i al-Dayn* in the area needs to be accompanied by risk mitigation measures that follow Sharia principles. For example, through the implementation of a debt restructuring scheme based on a *qardh hasan* contract for farmers who are genuinely unable, or *rescheduling* and partial debt reduction for specific cases that meet the conditions of calamity or *force majeure*.¹⁶

Furthermore, within the framework of Islamic economic law, scholars emphasize the importance of tolerance towards parties with difficulty paying debts. This is in accordance with the words of Allah SWT in QS. Al-Baqarah verse 280 states, "If the debtor has difficulty, then give a grace period until he can pay. However, if you give in charity (by writing off some or all of the debt), that is better for you, if you know it." This verse serves as a normative basis that, in cases of default

¹³ Rahmad Hidayat, *Sistem Ijon dan Ketergantungan Ekonomi Petani di Aceh Barat*, Jurnal Ekonomi Pertanian, Vol. 5, No. 2 (2020), pp. 45.

¹⁴ Subekti, *Hukum Perjanjian*, (Jakarta: Intermasa, 2001), pp. 67.

¹⁵ Mardani, *Fikih Ekonomi Syariah*, (Jakarta: Kencana, 2018), pp. 139.

¹⁶ DSN-MUI, *Fatwa No. 47/DSN-MUI/II/2005 tentang Penyelesaian Piutang bagi Nasabah Tidak Mampu Membayar*, (Jakarta: DSN-MUI).

caused by absolute incapacity, humane and fair settlement options are favoured over burdensome legal action. Thus, default in settling farmers' debts in Kuala Tadu Gampong requires the application of the *prudential* principle in implementing the *Ba'i al-Dayn* contract. In addition to assessing economic feasibility before the contract, legal assistance, transparent debt recording, and settlement policies based on social justice and Sharia values are needed. This step is essential to maintain public trust in the Islamic financing system and prevent future social and economic conflicts.

CONCLUSION

Based on the research, it can be concluded that the study of debt repayment disputes between palm oil farmers and agents in Gampong Kuala Tadu through the lens of the *ba'i al-dayn* contract found that if farmers consciously fail to repay their debts even though they are economically capable of doing so, this constitutes a breach of contract and a violation of the sharia contract. In Islamic muamalah, delaying or refusing repayment without a sharia reason is a form of *ghashab*, which withholds creditors' rights without a clear legal basis, which contradicts the contract's principles of justice and honour. Fatwa DSN MUI No. 17/DSN-MUI/IX/2000 allows the application of *ta'wīdh* sanctions if the debtor deliberately delays payment even though they can pay it off. However, these sanctions are limited to the actual costs incurred due to the delay, such as administrative costs, collection costs, warning letters, and transportation costs, with the sole purpose of *ta'zir* for discipline, not to seek additional profits.

The affirmation of the principle of reimbursement of actual costs is also stated in Fatwa No. 129/DSN-MUI/VII/2019, which states that compensation is only permitted if it reflects the actual losses incurred and may not contain elements of interest or additional profits that exceed the actual losses suffered by the creditor. Based on field practice, if farmers violate the repayment agreement without a valid reason, agents are entitled to demand *ta'wīdh* per the provisions. However, agents must uphold the principle of sharia justice by limiting compensation costs to only those real costs that can be accounted for. Resolving default must be done through deliberation, warning letters, and negotiations without pressure or additional fees outside Sharia principles.

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