



Profit-Sharing Mudharabah Transaction in Chicken Farming Businesses: Exploring the Benefits and Challenges in Sharia Village Owned Enterprises-Riau

*Syukri Rosadi^{1,a}, Rozi Andri^{2,b}

¹) Sekolah Tinggi Agama Islam Tuanku Tambusai Pasir Pengaraian, Rokan Hulu, Riau, Indonesia

²) Universitas Islam Negeri Sultan Syarif Kasim, Pekanbaru, Riau, Indonesia

Email: ^asyukrirosadi121@gmail.com; ^brozi.andri@uin-suska.ac.id

DOI:

<https://doi.org/10.46963/jam.v7i2.2375>

Cara Mensitasi Artikel ini:

Rosadi, S., & Andri, R. (2024). Profit-sharing mudharabah transaction in chicken farming businesses: Exploring the benefits and challenges in sharia village-owned enterprises-Riau. *AL-Muqayyad*, 7(2), 195-210. <https://doi.org/10.46963/jam.v7i2.2375>

ABSTRACT

Keywords:

Mudharabah, chicken farming, Sharia Village-Owned Enterprises

Article Information:

Received:

01/12/2024

Revised:

19/12/2024

Accepted:

20/12/2024

Published:

30/12/2024

*Corresponding Author

syukrirosadi121@gmail.com

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The implementation of Mudharabah for chicken farming businesses in Sharia Village-Owned Enterprises (BUMDes Syariah) faces quite big challenges related to understanding concepts and business risk management. The aim is to identify the benefits and challenges of implementing Mudharabah. The method used was a case study approach involving five administrators as informants using qualitative descriptive analysis techniques. The results show that although the implementation of Mudharabah profit sharing has had a positive impact on increasing capital and chicken farming business performance, there are several obstacles such as a lack of understanding of the Mudharabah concept and weak risk management. So intensive training and assistance is needed from sharia financial institutions regarding the proper implementation of Mudharabah. This research has implications for the development of Islamic economic theory and provides practical guidance for managers in optimizing the implementation of Mudharabah. This research underlines the need for more in-depth education and training as well as government policy support for the successful implementation of Mudharabah in the livestock sector and other small and medium enterprises.

INTRODUCTION

The existence of sharia village enterprises is part of the development of the sharia economy. The Islamic economic system is a system that emphasizes justice which is reflected in the profit-sharing system (Purnamasari et al., 2023). The concept of Sharia Village-Owned Enterprises has received considerable attention in recent years, especially in the context of mudharabah transactions. Mudharabah as one of the profit-sharing-based financing systems applied in Islamic financial institutions has the potential to support the sustainability of businesses managed by Village-Owned Enterprises (Nabila, 2023).

In the scope of chicken farming, the application of mudharabah has significant



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urgency including increased business capital, shared business risks, improved production quality, access to wider markets, empowerment of small farmers, innovation and development, food security to the welfare of rural communities (Nuryana, 2020). However, there are several challenges that need to be considered in its implementation including lack of knowledge and understanding, market uncertainty, livestock health risks, limited access to capital, management and management, competition and uncertainty of weather and environmental conditions (Muryanti, 2020).

Mudharabah transactions promote financial inclusion and community development by allowing villagers to invest in ethical and profitable ventures. Profit sharing in chicken farming can help stimulate economic growth and foster a sense of ownership among villagers, thereby increasing accountability and productivity (Harrieti et al., 2024).

Profit sharing can also incentivize villagers to actively participate in the management of the chicken farming business, thus building a stronger sense of community and cooperation. By implementing profit-sharing mudharabah transactions, chicken farming businesses can tap into the potential of Islamic financing to support financial inclusion and sustainable growth in Islamic Village-Owned Enterprises (BUMDs) (Qoriani, 2022).

This can lead to a more equitable distribution of wealth and resources among villagers, encouraging social and economic development in sharia-compliant Village-Owned Enterprises. In conclusion, the application of profit-sharing mudharabah transactions in chicken farming can be a catalyst for economic empowerment and sustainable development in sharia-based Village-Owned Enterprises (Tosida et al., 2022). This can lead to a more equitable distribution of wealth and resources among villagers, encouraging social and economic development in sharia-compliant Village-Owned Enterprises. In conclusion, the application of profit-sharing mudharabah transactions in chicken farming can be a catalyst for economic empowerment and sustainable development in sharia-based Village-Owned Enterprises (Zulgani et al., 2023).

By fostering a sense of ownership and community participation, profit-sharing mudharabah transactions can promote economic prosperity and social cohesion in chicken farming, thereby contributing to the overall well-being of the community. Profit-sharing mudharabah transactions can also attract ethical investors who are interested in supporting sustainable and socially responsible businesses. Shariah-compliant village-owned enterprises can benefit greatly from implementing profit-sharing mudharabah transactions in chicken farming (Boestomy et al., 2021).

This not only leads to economic empowerment but also fosters trust and cooperation among villagers. This can result in a more stable and resilient community that is better prepared to face economic challenges. In addition, profit-sharing mudharabah transactions can help build a more sustainable and inclusive economy in

sharia-based Village-Owned Enterprises. By prioritizing transparency and fairness in financial transactions, profit-sharing mudharabah transactions can help build a more sustainable and inclusive economy in sharia-compliant Village-Owned Enterprises (Badaruddin et al., 2021).

By emphasizing transparency and fairness in financial transactions, profit-sharing mudharabah transactions can increase investor confidence and attract more funding to support the growth of chicken farming businesses. This can further improve the sustainability and resilience of sharia-based Village-Owned Enterprises. In addition, profit-sharing mudharabah transactions can also promote financial inclusion by providing opportunities for the community to participate in business activities and share in the profits. This can lead to greater economic empowerment and social cohesion within the community. It can create a sense of shared responsibility and collective success among villagers, thus leading to a more sustainable and prosperous chicken farming industry. In conclusion, profit-sharing mudharabah transactions have the potential to transform the village economy and increase social cohesion among community members. This can ultimately lead to a more sustainable and prosperous life (Hilmawan et al., 2023).

This can lead to greater economic empowerment and social cohesion within the community. It can create a sense of shared responsibility and collective success among villagers, thus leading to a more sustainable and prosperous chicken farming industry. In conclusion, profit-sharing mudharabah transactions have the potential to transform the village economy and increase social cohesion among community members. This can ultimately lead to a more sustainable and prosperous life (Atmaja et al., 2024).

The purpose of this study is to determine the benefits and challenges of implementing mudharabah transactions in poultry farming in the context of Islamic village-owned enterprises. Existing knowledge shows that mudharabah transactions have been used in other industries, but research on their application in the poultry farming industry is limited, especially in the context of Sharia Village-owned enterprises. This topic is important because it contributes to the understanding of the application of mudharabah transactions in the poultry farming industry, which has the potential to improve the financial performance of Islamic village-owned enterprises.

This study compares the implementation of mudharabah transactions in poultry farming with other financing options available in Sharia Village-owned enterprises. The contradiction of this study is that although mudharabah transactions have the potential to improve the financial performance of poultry farming businesses, there are also challenges related to its implementation that need to be overcome. Supporting data for this study include financial reports of poultry farming businesses that have implemented mudharabah transactions, as well as interviews with parties involved in the implementation of mudharabah transactions in these businesses.

The significance of this study is to provide insight into the benefits and challenges of implementing mudharabah transactions in poultry farming in the context of Sharia Village-Owned Enterprises, which can inform future research and practice in this area. The implication of this study is that the findings can be used to improve the financial performance of poultry farming businesses in Islamic Village-Owned Enterprises by providing insight into the benefits and challenges of implementing mudharabah transactions. The caution of this study is that the findings may not be generalisable to other industries or contexts, and further research is needed to validate the results. The novelty of this study is that it explores the application of mudharabah transactions in the poultry farming industry, which is a relatively unexplored area in the literature. Limitations: The limitation of this study is that it is limited to the context of Sharia Village-owned enterprises and may not be applicable to other types of businesses (Untari & Adillah, 2021).

METHOD

The existence of sharia village enterprises is part of the development of the sharia economy. The Islamic economic system is a system that emphasizes justice which is reflected in the profit-sharing system (Purnamasari et al., 2023). The concept of Sharia Village-Owned Enterprises has received considerable attention in recent years, especially in the context of mudharabah transactions. Mudharabah as one of the profit-sharing-based financing systems applied in Islamic financial institutions has the potential to support the sustainability of businesses managed by Village-Owned Enterprises (Nabila, 2023).

In the scope of chicken farming, the implementation of mudharabah can be a solution to improve the productivity and welfare of rural communities. However, there are several challenges that need to be considered in its implementation (Muryanti, 2020).

Mudharabah transactions promote financial inclusion and community development by allowing villagers to invest in ethical and profitable ventures. Profit sharing in chicken farming can help stimulate economic growth and foster a sense of ownership among villagers, thereby increasing accountability and productivity (Harrieti et al., 2024).

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The significance of this study is to provide insight into the benefits and challenges of implementing mudharabah transactions in poultry farming in the context of Sharia Village-Owned Enterprises, which can inform future research and practice in this area. The implication of this study is that the findings can be used to improve the financial performance of poultry farming businesses in Islamic Village-Owned Enterprises by providing insight into the benefits and challenges of implementing mudharabah transactions. The caution of this study is that the findings may not be generalisable to other industries or contexts, and further research is needed to validate the results. The novelty of this study is that it explores the application of mudharabah transactions in the poultry farming industry, which is a relatively unexplored area in the literature. Limitations: The limitation of this study is that it is limited to the context of Sharia Village-owned enterprises and may not be applicable to other types of businesses (Untari & Adillah, 2021).

RESULT AND DISCUSSION

Application of Mudharabah profit-sharing transactions in chicken farming businesses in the context of BUMDes Syariah Rokan Hulu Regency Riau

BUMDESa Syariah Kembang Setanjung Persada uses a mudharabah contract to provide financing to members. BUMDESa Syariah Kembang Setanjung provides trust in the form of business capital to members for investment in the

business being managed. For the application of financing with a mudharabah contract at BUMDESa Kembang Setanjung, the principle is for results within a certain period of time, namely a maximum of one month and a maximum of one year (Toyyibi et al., 2021).

Services Offered by BUMDESa Syariah Kembang Setanjung: Savings is called Simpanan Syariah, storage is called Wadiah, yield is called Mudharabah, financing is called Pembiayaan Syariah, rental is called Ijarah, trade financing is called Murabahah, collateralised borrowing or pawnshop is called Rahn, and joint venture or partnership.

The following are the types of bank services offered by BUMDESa Syariah Kembang Setanjung:

Table 1
Types of bank services offered by BUMDESa Syariah Kembang Setanjung

| No | Type of Service | Description |
|----|--------------------------------|------------------|
| 1 | Saving | Shariah savings |
| 2 | Storage | Wadiah |
| 3 | Profit Sharing | Mudharabah |
| 4 | Financing | Sharia financing |
| 5 | Lease | Ijarah |
| 6 | Trade Financing | Murabahah |
| 7 | Borrowing/ Pawn with Guarantee | Rahn |
| 8 | Cooperation/ joint venture | Musyarakah |

Source: BUMDESa Syariah Kembang Setanjung, 2023

This research reveals that the implementation of profit-sharing Mudharabah transactions in chicken farming businesses in the context of BUMDes Syariah provides significant benefits in improving the performance of chicken farming businesses, but at the same time faces several challenges. From interviews with the chairman, secretary, and three members of BUMDes Syariah, it was found that Mudharabah is able to increase the economic participation of the village community by providing the capital needed without burdening it with interest as in the conventional system.

However, some of the key challenges faced include the lack of in-depth understanding of Mudaraba contracts among administrators and farmers, as well as the high risk of uncertainty of business outcomes in the chicken farming sector. These findings are in line with the literature which states that Mudarabah has great potential to support the development of micro and small enterprises, but requires good supervision and coordination between relevant parties (Wigati & Surabaya, 2021).

Therefore, intensive coaching is needed from the local government and Islamic financial institutions to strengthen the management capacity of BUMDes in implementing more Mudharabah. (Pratama & Febriansyah, 2020).

Other research that supports the results of this study shows that Mudharabah financing has a positive and significant impact on the development of Micro, Small and Medium Enterprises (MSMEs) (Haerul, 2022). In addition, the use of Mudharabah contracts in Islamic banking is common and beneficial, allowing for profit sharing between the parties involved while ensuring that losses are borne by the owner of the funds (Agung Prabowo et al., 2023).

Furthermore, the uniqueness of the musyarakah contract, a type of profit-sharing contract, ensures transparency and openness between the financing provider and the recipient, which ultimately benefits both parties (Wardhani & Barthos, 2021). Therefore, the utilisation of Mudharabah contracts in chicken farming businesses not only supports business development for farmers but also generates income for Sharia Village-Owned Enterprises through a profit-sharing mechanism, creating a mutually beneficial relationship (Supandi, 2019).

The calculation of profit and loss and profit sharing under the profit-sharing method can be done separately or combined into one report, such as a profit and loss statement. If the profit and loss statement is prepared after the sale of Chicken, then the profit-sharing amount (50%) must be reported in the profit and loss statement. The profit-sharing calculation can also be calculated at the same time when preparing the BUMDes income statement.

For results, it can be done after knowing the value of the remaining results of operations or net profit. This value is obtained by deducting operational costs from gross profit. Borne jointly by the BUMDes and the manager. Meanwhile, the BUMDes management will bear its own administrative costs. This also applies to corporate tax and business zakat. Both parties must be accountable to each other if this sharia concept is implemented. Therefore, no party is favoured and no party is disadvantaged. Everything is clear, nothing is vague or closed.

BUMDes Syariah Profit Sharing

The BUMDes management not only distributes the sales proceeds, but the BUMDes also distributes the net profit from its business. In accordance with the agreement, the management distributes a certain amount of dividends from the net profit of the BUMDes business. The agreement is clearly stated in the BUMDes by-laws.

Table 2
Distribution of Profit Sharing

| No | Recipient | Percentage of Share | Description |
|----|----------------------|---------------------|---------------------------------|
| 1 | BUMDes | 50% | Share for BUMDes |
| 2 | Community (Investor) | 20% | Share for community who invests |
| 3 | Village Government | 30% | Share for village government |

Source: BUMDes Syariah

In sharia-based BUMDes, there are several differences with conventional BUMDes, namely financial statements: Islamic BUMDes can provide both social and commercial financial reports. Village Original Revenue (PAD): Islamic BUMDes earns PAD from business profits. Capital Addition: BUMDes syariah receives additional capital from the Village Fund (ADD) every year. Revenue Reconciliation and Profit-Sharing Report: This report shows how much profit is shared between the BUMDes and the fund owner.

Since the village government contributes to the venture capital of the BUMDes, there is some portion that must be given to the Village. The village gets 40% of the total profit share. An additional 20% of the profit is retained. These retained funds are allocated for subsequent business development. The BUMDes' venture capital balance will increase after the retained profit. All parties receiving dividends are subject to tax. Calculating, collecting and reporting such tax to the tax office is the responsibility of the BUMDes Treasurer. This also applies to the livestock manager.

Corporate tax and personal tax are two different things. Both must be imposed, calculated, and reported in accordance with taxation requirements. However, there are some challenges in the implementation of mudharabah transactions, including

The limited understanding of BUMDes managers and chicken farm entrepreneurs about profit-sharing schemes that comply with sharia principles is a challenge (Toyyibi & Pertiwi, 2021; Handajani et al., 2021). So that strict supervision is needed so that the application of mudharabah runs according to the rules (Millah & Wigati, 2021; Toyyibi & Pertiwi, 2021).

The lack of coordination between BUMDes and entrepreneurs in determining a fair proportion of profit sharing and monitoring business performance can be addressed through capacity building of BUMDes managers and intensive coaching from relevant parties, such as the Regional Government and Sharia Financial Institutions.

Limited access to capital at the village level means that the capacity of BUMDes to channel mudharabah financing to chicken farming businesses is still limited. (Desiwantara et al., 2021; Millah & Wigati, 2021). Therefore, support from the local government and Islamic financial institutions is needed to strengthen BUMDes' capital.

Overall, this study shows that mudharabah transactions can be an effective instrument to support the development of chicken farming businesses in Sharia Village-Owned Enterprises, but still require efforts to strengthen the capacity of managers and better coordination with chicken farm entrepreneurs.

BUMDes Syariah Kembang Setanjung owns the egg-laying chickens and cages, but the management is handed over to community groups with a profit-sharing system (Mudharabah). The BUMDes does not charge employee salaries. After the sale of chicken eggs, the BUMDes gets a profit margin of 40:60 from the sale. Profit sharing is paid once a year.

The question pertains to exploring the benefits and challenges of implementing Mudharabah profit-sharing transactions in poultry farming within the context of a Shariah-compliant Village-Owned Enterprise (Badan Usaha Milik Desa Syariah). Mudharabah is a partnership where capital is provided by one party and labor by another, and profit is shared between them (Bertillo & Salando, 2013; Bertillo et al., 2013). While the papers provided do not directly address Mudharabah in the specific context of poultry farming or Village-Owned Enterprises, they do offer insights into the broader application of Islamic finance principles. Mudharabah, as a profit and loss sharing arrangement, aligns with Shariah principles by avoiding interest (Riba) and promoting risk-sharing (Bertillo & Salando, 2013; Bertillo et al., 2013). This could benefit poultry farming enterprises by providing access to capital without the burden of fixed repayment schedules associated with interest-bearing loans. However, challenges may arise from the need for clear agreement on profit-sharing ratios and managing business risks effectively (Saifuzzaman, 2023).

In summary, the application of Mudharabah in poultry farming within a Shariah-compliant Village-Owned Enterprise offers the potential for ethical financing and aligns with Islamic financial principles. The benefits include access to capital and shared business risks, while challenges may include establishing clear terms and managing operational risks. Further research specific to the context of poultry farming and Village-Owned Enterprises would be beneficial to provide more targeted insights (Bertillo & Salando, 2013; Bertillo et al., 2013; Saifuzzaman, 2023).

It is important to note that profit sharing methods may vary depending on the context and agreement between the parties involved. It is always important to have a clear and transparent written agreement regarding profit sharing to avoid conflicts later.

The following table illustrates the benefits and challenges of implementing profit-sharing mudharabah transactions in layer farming in the context of Sharia Village-Owned Enterprises:

Table 3
Benefits and Challenges of Implementing Profit-Sharing Mudharabah Transactions

| Aspect | Description | Explanation |
|-----------|------------------------------|--------------------------------------------------------------------------------------------|
| Benefits | Fair Profit Sharing | Profits are shared according to the agreement between the manager and the investor |
| | Increased Productivity | Managers are more motivated to increase productivity because profits depend on performance |
| | Village Economic Empowerment | Creates jobs and encourages local business development |
| Challenge | Risk of Loss | Losses are borne according to agreement, high level of uncertainty |
| | Transparency | Requires transparent financial reports and close supervision |

Profit-Sharing Mudharabah Transaction in Chicken Farming Businesses

| Aspect | Description | Explanation |
|----------------|-----------------------------|--------------------------------------------------------------------------------------------------|
| | and Accountability | |
| | Management Capability | Managers must have good management skills, ongoing training required |
| Implementation | Sharia System | Ensures all transactions and business operations comply with sharia principles |
| | Community Involvement | Involve village communities in business management and supervision |
| | Education and Socialization | Provide education on the benefits and challenges of mudharabah, as well as regular socialization |

The results of this study indicate that the application of profit-sharing Mudharabah transactions in chicken farming businesses in BUMDes Syariah has a significant impact both economically and socially. In the context of Mudharabah theory (Syafrizal et al., 2022), this finding confirms that the adopted profit-sharing scheme is able to increase the economic participation of village communities by providing more flexible business capital compared to the conventional system (Sukmawan et al., 2023).

The administrators of the BUMDes Syariah involved in this study reported that the capital obtained through Mudharabah helped reduce their financial burden and allowed for more effective development of the chicken farming business. However, key challenges faced included a lack of in-depth understanding of the Mudharabah concept and risk management of chicken farming enterprises. This suggests an urgent need for better education and training for administrators and farmers in understanding and optimally managing Mudharabah contracts. Thus, this study not only supports the existing theory but also extends the literature by providing empirical evidence of the practical implementation of Mudharabah in the agricultural sector in villages (Kurniawan & Aziz, 2023).

The implementation of the Mudharabah agreement at BUMDesa Syariah Kembang Setanjung has proven effective in improving the financial performance of the chicken laying business clinic. This is supported by studies showing that Mudharabah financing has a positive and significant impact on micro, small and medium development. In addition, the use of Mudharabah contracts in Islamic banking is common and beneficial, allowing profit sharing between the parties involved while ensuring that losses are borne by the owner of the funds.

Therefore, the use of Mudharabah agreements in chicken farming not only supports business development for farmers, but also generates income for Islamic Village-Owned Enterprises through profit-sharing mechanisms, creating a mutually beneficial relationship.

The results of this study show how the concepts can be applied in village chicken farming businesses, enriching Mudharabah theory and Islamic economics

literature. The research also provides practitioners with knowledge on effective ways to manage Mudharabah by maximizing benefits and reducing risks. For example, administrators and farmers should be trained and coached on Mudharabah mechanisms and management so that they understand and apply it better. To enhance growth, Islamic BUMDes, Islamic financial institutions, and local governments should work well together.

The results of this study have significant implications for the development of Mudharabah practices in the chicken farming industry in the context of BUMDes Syariah. First, BUMDes Syariah managers should better understand and comprehend the risks of Mudharabah through intensive training and mentoring. Local governments and Islamic financial institutions can work together to offer BUMDes managers a complete coaching program. Second, there needs to be clear standards and regulations on the application of Mudharabah at the village level to meet specific needs and difficulties (Tanjung & Rokan, 2022).

To ensure Mudharabah works well and benefits all parties, better coordination between BUMDes Syariah, chicken farmers, and Islamic financial institutions is essential. This study adds important literature on how the implementation of Mudharabah contracts encourages community enterprises, especially in chicken farming at the village level. This research can also help policy makers and other stakeholders develop a model for economic empowerment of village communities by applying Islamic economics.

This research has several barriers that should be considered. First, the research sample is limited to one BUMDes Syariah. Therefore, the results may not be widely generalizable. Secondly, to measure the impact of Mudharabah more objectively, further research is needed with a quantitative approach as the analysis in this study is still qualitative and relies on informants' perceptions and experiences (Sanjani, 2019). Thirdly, the perspective presented in this study is still limited as it does not include local government stakeholders and other Islamic financial institutions involved (Sanjani, 2019) and (Guntoro & Ahmad, 2022).

This research makes an important contribution to the development of Mudharabah theory and Islamic economics in general. The findings show how the concept of Mudharabah can be practically implemented in the context of rural chicken farming. Theoretically, the results enrich the existing literature by confirming that Mudharabah is not only relevant in the large scale or financial sector but can also be effectively applied in the agricultural sector and small and medium enterprises (SMEs).

In terms of practice, this study provides guidance for BUMDes Syariah managers on how to optimize the benefits of Mudharabah. For example, more in-depth training and counseling on Islamic financial management and business risk management are urgently needed. In addition, the results also indicate that the implementation of Mudharabah can increase community trust and participation in village economic

activities, as this model offers a fairer and more sustainable financing alternative. Thus, this research not only strengthens the theoretical foundation of Mudharabah in Islamic economics but also provides significant practical implications to improve the efficiency and effectiveness of Islamic BUMDes management in the field.

Sharia Village-Owned Enterprises can implement profit-sharing transactions in laying hens in accordance with Law No. 6/2014 on Villages. Sharia principles must be applied in every transaction made, including in the chicken farming business. The implementation of Islamic business ethics in layer chicken farming can influence business decisions and business management. The practice of musyarakah contracts in layer chicken businesses can also be done to ensure fairness in sharing business results. In addition, the business friend application can help in recording the finances of the layer farming business. Thus, the application of the partnership principle in the shirkah contract can also help in growing the layer business fairly and in accordance with sharia principles.

CONCLUSION

This research has revealed that the application of Mudharabah profit-sharing transactions in chicken layer businesses in the context of Sharia Village-Owned Enterprises (BUMDes Syariah) has great potential to improve the economic welfare of village communities. The research findings show that Mudharabah provides more flexible and fair business capital compared to conventional financing systems and is able to increase local economic participation. However, significant challenges such as lack of in-depth understanding of Mudharabah and high risk in livestock business need to be overcome to optimize its benefits.

This research also makes an important contribution to Islamic economic theory and practice by enriching the literature on the implementation of Mudharabah in the agricultural sector and SMEs. Practically, the results of this study offer guidance to Islamic BUMDes managers on effective strategies in managing Mudharabah to maximize benefits and minimize risks. Therefore, this study not only supports and strengthens existing theories but also provides empirical evidence that can be applied to improve the sustainable management of village economies.

Based on the findings and limitations of this study, several suggestions for future research and practice can be put forward: a) Education and Training: It is important to conduct more in-depth education and training programs on Islamic financial management and business risk management for BUMDes administrators and farmers. This will enhance their understanding and ability to effectively manage Mudharabah contracts; b) Further Research: Further research is needed involving more samples and covering different villages and other business sectors such as agriculture and fisheries. This will provide a more comprehensive and valid picture of the effectiveness of Mudharabah in various contexts; c) Use of Digital Technology: Further research on the integration of digital technology in

Mudharabah management can be conducted to improve transparency, accountability and efficiency. The use of AI-based analytical tools, for example, can help in more efficient data collection and analysis; d) Government Policy: Local and central governments need to support this initiative by providing regulations and policies that support the development of Islamic BUMDes as well as providing incentives for farmers using the Mudharabah model; e) Social and Ethical Implications: The social and ethical aspects of implementing Mudharabah should be continuously monitored to ensure that all parties involved are treated fairly and transparently. Measures to maintain the integrity and sustainability of this model need to be consistently implemented.

Thus, this research is expected to serve as a foundation for further development in the application of Mudharabah in other sectors and contribute to the overall improvement of the economic welfare of rural communities.

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