

## A Review of Sharia Economic Law on Excavator Leasing in Oil Palm Plantations

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### Abstract:

This study examines the practice of excavator leasing within oil palm plantation operations at Pondok Modern Darussalam Gontor Campus 10 Jambi from the perspective of Sharia economic law. The study is motivated by the growing demand for heavy equipment in agrarian sectors, which necessitates leasing arrangements that align with the Islamic *ijarah* contract. The primary objectives are to describe on-site excavator leasing practices and to evaluate their conformity with Islamic legal principles, particularly regarding usufruct (benefit), clarity of compensation, rental duration, and maintenance responsibility. A qualitative field research design was employed, using in-depth interviews, participant observation, and document review involving operators, lessees, and equipment managers. Findings indicate that current practices generally adhere to core *ijarah* principles: agreements are entered into voluntarily, payments commonly include a fair down payment, and active on-site supervision supports contractual transparency. No explicit indications of *riba*, severe *gharar*, or systematic injustice were observed. The study contributes theoretically by extending contemporary *ijarah* applications to heavy-equipment leasing in agrarian contexts and offers practical guidance for drafting Sharia-compliant leasing contracts to enhance operational efficiency and legal conformity in plantation management.

### Keywords:

*excavator leasing; ijarah; Sharia economic law; oil palm plantation; Islamic law.*



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## INTRODUCTION

In the context of agribusiness modernization, the need for heavy equipment such as excavators in the oil palm plantation sector is increasing, along with efforts to improve land efficiency and productivity. This tool plays an important role in land clearing activities, including making drainage and replanting plants. However, not all agrarian organizations or foundations have the capital to own their own heavy equipment, so the practice of leasing (*ijarah*) is the main solution. Nationally, the practice of leasing heavy equipment is growing rapidly, but challenges arise regarding its compliance with Sharia principles, especially regarding the clarity of the lease object, risk sharing, and the prohibition of usury and *gharar* (Elahi, 2025).

Although this practice is common in large plantations, academic studies on the integration of sharia economic law in excavator leasing in the palm oil sector are still rare. Most studies focus on

banking leasing or conventional asset leasing (Saleem & Mansor, 2020), while contextual studies, such as in the Pondok Modern Darussalam Gontor Kampus 10 Jambi environment, have not been carried out much. This raises the need for empirical research that is able to bridge the practice of leasing heavy equipment with a systematic study of Islamic law, to assess the extent to which the practice fulfills the principles of sharia-authorized *ijarah*.

Conceptually, *ijarah* is a contract to transfer the benefits of an item in exchange (*ujrah*) without transferring its ownership. The Hanafi school views *ijarah* as a transaction of benefits in return, while the Shafi'i school emphasizes the clarity of the object of benefit. In the modern context, this theory is the basis for the formation of Islamic leasing models that emphasize risk sharing, contract clarity, and separation between ownership and use (Saleem & Mansor, 2020). This understanding is an important conceptual foundation in analyzing excavator leasing practices so that they are in line with the principles of justice and benefit in Islamic *muamalah*.

This research aims to describe the practice of excavator rental in the Pondok Modern Darussalam Gontor Campus 10 Jambi plantation and examine its suitability with Sharia economic law. Using a qualitative field approach through interviews, observation, and documentation, this research seeks to identify how the rental mechanism is carried out, what form of agreement between the parties, and to what extent the *ijarah* principle is consistently applied. The key research questions focused on analyzing the lease operation and its level of Sharia compliance.

The scholarly contributions of this article include filling the empirical gap in Islamic economic studies related to heavy equipment leasing, merging classical *ijarah* theory with modern institutional practices, as well as applying qualitative field methods in Islamic economic legal analysis (Elahi, 2025; Saleem & Mansor, 2020). This article emphasizes that the analysis of heavy equipment *ijarah* needs to consider aspects of benefits, risks, clarity of duration, and maintenance responsibilities. Thus, this study not only enriches the literature on *ijarah* in the agrarian sector but also offers a new conceptual synthesis for the development of Shariah-based rental contracts that are adaptive to the needs of the modern economy.

## METHOD

This research uses a qualitative approach with a field research strategy that aims to deeply understand the practice of renting excavators in the Pondok Modern Darussalam Gontor Kampus 10 Jambi environment within the framework of sharia economic law. The qualitative approach was chosen because it allows researchers to explore the meaning, perceptions, and dynamics of contractual practices in the field contextually and contextually (Hamilton et al., 2019). The field research strategy allows researchers to obtain direct empirical data through observation, in-depth interviews, and documentation related to actor interactions and the operational context of the contract.

The research data sources were divided into primary and secondary data. Primary data was obtained through semi-structured interviews with informants (excavator operators, tenants, foundation managers) as well as direct observation of equipment rental activities and documentation

of the contracts used. Secondary data included contract archives, operational reports, formal organizational documents, and relevant literature that supported the normative analysis. Field data inclusion criteria included excavator rental contracts active in the last two years and informants with at least one year of experience in equipment rental practices; data that were rumored, undocumented, or out of the study context (e.g., rental of equipment other than excavators) were excluded. The unit of analysis is the excavator rental contract practice as the main object and the individual informants as the subjects, with a focus on contractual aspects, maintenance responsibilities, operational risks, and Shariah compliance.

The data analysis technique used inductive thematic analysis, where all interview transcripts, field notes, and documents were analyzed openly and selectively to find patterns of main themes in the practice of heavy equipment *ijarah*. To ensure the validity of the findings, data triangulation techniques (interview, observation, documentation) and source triangulation between informants were applied. This methodological approach is consistent with the practice of qualitative research in law and Islamic studies, which emphasizes an in-depth understanding of the social context of law (Sarib et al., 2023).

## RESULTS AND DISCUSSION

### Results

The results of this study were obtained through a process of field observation, in-depth interviews with seven key informants (four excavator operators, two tenants, and one heavy equipment manager), and a review of excavator rental contract documentation in the Pondok Modern Darussalam Gontor Campus 10 Jambi Plantation. Based on the results of thematic analysis of the data collected, three main themes were found that describe the practice of excavator leasing in the field, namely: (1) the implementation mechanism of excavator rental in oil palm plantation activities; (2) the supervision system and the implementation of work at the rental location; and (3) the governance of payments and contractual agreements.

#### 1. Mechanism of excavator rental implementation in oil palm plantations.

Observations show that excavators are rented for various plantation activities such as clearing new land, making drainage ditches, leveling the land, and removing unproductive oil palm plants. Based on interviews with operators and tenants, rental practices are generally carried out on an hourly basis with a price range agreed upon verbally or in writing. Clarity on the type of work, rental duration, and tool specifications is usually agreed at the initial stage through negotiations between the tool manager and the renter. Most informants stated that the use of excavators significantly increases time efficiency and work productivity in the field due to the tool's ability to handle heavy work that is difficult to do manually. This result is in line with the findings of Yuliana et al. (2023) that the use of heavy equipment in plantations increases labor productivity by up to 40% compared to conventional systems. In addition, the hourly basis rental mechanism is considered flexible because it can be adjusted to the needs and conditions of the field (Hidayat & Malik, 2022).

## 2. Supervision system and execution of work at the lease site.

All informants agreed that excavator rental activities are always accompanied by direct supervision from the renter to ensure that work is carried out according to specifications and to avoid technical errors. Field supervision is considered important to maintain job accuracy and prevent potential losses due to operator errors. This result is consistent with the Harahap and Ramadhan (2021) study, which emphasizes the importance of the supervision function in heavy equipment rental activities to ensure the quality of work and compliance with contractual agreements. From field observations, it was found that the lessee is usually on site during the work process to provide direction and correction if the excavator's work is not as expected. With this supervision, the relationship between the operator and the lessee is collaborative, reflecting the principles of clarity (*bayyinah*) and openness (transparency) in *muamalah* contracts, as emphasized by Farooq (2020), that understanding between related parties is an essential element in maintaining the sustainability of a valid *ijarah* contract.

## 3. Payment governance and contractual agreements.

The excavator rental payment process is done through a down payment system before the work begins, which serves as a sign of the seriousness of the renter as well as initial capital for the cost of mobilizing the equipment to the location. Based on the interview results, all informants stated that down payments are a fair and common practice as they reflect the commitment of both parties. Some informants added that the down payment amount varies depending on the distance of the location and the complexity of the work. This finding supports the view of Ahmad and Firdaus (2023) that the down payment system in *ijarah* contracts can be applied as long as it meets the principles of willingness and clarity of transaction value without containing elements of *gharar* or usury. In addition, the documentation of the rental contract shows that agreements regarding the duration of the lease, responsibility for damage, and payment mechanisms have been explicitly stated. This finding is in line with the results of Fayyad's research (2023), which states that the clarity of the object, period, and responsibility in the *ijarah* contract is the main factor that ensures the validity of Islamic leasing transactions.

Empirically, the analysis also found that differences in the results of soil dredging during each working hour of the excavator are often a source of perception differences between tenants and operators. However, the majority of informants considered these variations as normal because they were influenced by land conditions and the level of technical difficulty. This shows that there is practical flexibility in the implementation of the contract, which is still in line with the principle of *maslahat* (benefit) as explained by Hassan and Lewis (2020) that the *maqasid al-shariah* principle must be the basis for considering *ijarah* contracts to achieve a balance between benefits and justice for both parties. Field data also shows that in the lease practice, there are no explicit indications of violations of Sharia principles such as usury, *maysir*, or severe *gharar*. All agreements are made voluntarily, based on the principle of *ridha bi al-ridha* (mutual willingness), in accordance with the provisions of Fatwa DSN-MUI No. 112/DSN-MUI/IX/2017 concerning *ijarah* contracts.

In addition, the results of field documentation show that the excavator leasing contract in Gontor Campus 10 has a similar pattern to Islamic leasing practices in other agricultural sectors, such as those found in Wahyuni's (2022) study on tractor leasing among palm oil farmers in Riau, which emphasizes the importance of written contracts and clarity of responsibility sharing between the lessee and the equipment provider. Meanwhile, field observations also show the difference between formal written contracts and informal practices that are still carried out based on trust, especially for short-term transactions. This pattern is consistent with the findings of Saad (2023), who stated that informal practices in *ijarah* in Indonesia are still high due to social factors, trust, and local traditions, even though it is legally recommended to be done in writing to avoid disputes.

Additional findings show that operators and renters alike understand the basic sharia obligations, including the prohibition of cheating, harming others, or using tools for prohibited purposes. All informants stated that this practice is carried out in good faith and based on the principle of transparency, as the principle of *al-amanah* (honesty), which is the basis of transaction ethics in Islam (Rahman, 2021). Thus, the results of the study indicate that empirically, the practice of renting excavators in the oil palm plantation of Pondok Modern Darussalam Gontor Campus 10 Jambi has fulfilled the main characteristics of the *ijarah* contract in Islamic economic law, both in terms of benefit agreements, clarity of compensation, and willingness between the tenant and the renter.

## Discussion

First, the main findings in this study reveal that the practice of renting excavators at the Pondok Modern Darussalam Gontor Campus 10 Jambi Plantation generally uses a scheme per working hour with clarity of duration, tool specifications, advance payments, and direct supervision during the work process. This practice is consistent with the formulation of the research problem: the operational mechanism of excavator rental and its compliance with the principles of the *ijarah* contract. Secondly, although the variation in productivity per hour is a potential source of perception differences between the operator and the renter, this practice is not considered a violation because it is still within the limits of reasonable technical flexibility. Thirdly, there are no explicit indications of violations of the elements of usury, severe *gharar*, or fundamental uncertainty in the agreement, so that the practice in the field is relatively in line with *ijarah* theory.

Second, the interpretation of the findings within the theoretical framework of *ijarah* shows that the main elements of the contract, such as the reward (*ujrah*), the object of benefit, the duration of the lease, and the responsibility for maintenance, are present in practice. According to the classical and modern *ijarah* fiqh framework, a lease contract is valid when the object of benefit is specified, the reward is agreed, and the risk of damage does not include severe *gharar* (Abdurrahman & Muhajirin, 2023). In the context of heavy equipment with fluctuations in productivity, hourly differences in output are not considered *gharar* if they are agreed upon from the outset as technical variations, not ultimate uncertainty (A Shari'ah Analysis, 2021) ("A Shari'ah Analysis of Issues in Islamic Leasing"). The practice of a down payment is also relevant as a mechanism to show the seriousness of the tenant without bearing interest. The practice of direct supervision reinforces the principle of clarity (*bayan*) and contractual transparency to avoid abuse of competence or work results that harm one party.

Third, when compared to previous studies, most Islamic leasing research highlights compliance with AAOIFI standards, where there is often a gap between bank practices and ideal standards (Saleem & Mansor, 2020). In the context of heavy equipment leasing, studies such as "A Critical Analysis of the Khiyar Option in IMBT Agreements for Heavy Equipment Leasing" suggest that the addition of the khiyar option can increase contractual flexibility and satisfaction (Chamauliddah, 2025). Gontor's field findings confirm that hourly output variations can be accommodated through flexible agreements such as the khiyar option. In addition, the normative research "Analysis of Ijarah Muntahiya Bittamlik in Islamic Bank Financing" warns that the separation of contracts in practice is still a challenge (Wahyuni et al., 2025), and in the practice of excavator leasing, the affirmation of written contracts and the distribution of responsibilities are crucial points, which in this study have been relatively pursued through the documentation of equipment contracts. Studies of multiservice leasing practices in Islamic banks also highlight the importance of transparency and fairness in the arrangement of fees (Pradista & Hastriana, 2025), which parallels the implementation of negotiated excavator rental fees in this study.

Fourth, scientifically, this article offers significant contributions in expanding the scope of ijarah theory and practice to the field of agrarian heavy equipment. The theoretical contributions include: (a) adjustment of ijarah elements to the context of heavy equipment leasing, especially in the face of variability in productivity and technical conditions; (b) integration of flexible practices (e.g. khiyar option) in heavy equipment leasing contracts as a modern sharia adaptation; (c) refinement of the construction of heavy equipment ijarah contracts to include productivity monitoring and evaluation clauses. Practical contributions include: guidelines for drafting sharia-valid heavy equipment ijarah contracts, recommendations for transparency and maintenance responsibilities, and guidelines for foundations managing agrarian assets to avoid operational conflicts in the field.

Fifth, this study has limitations that need to be recognized. First, the geographical coverage is limited to one institutional location (Gontor Campus, 10 Jambi), so generalizations to other plantation conditions must be made with caution. Secondly, the number of informants (seven people) is relatively small and purposive, so it may not capture a variety of practices beyond their insight. Thirdly, the empirical data is not complemented by quantitative analysis of measured work volume or productivity of rental hours, which, if incorporated, would strengthen the validity of the findings. Fourth, this study does not include the perspective of external Sharia regulators or authorities, so the dynamics of external regulatory compliance cannot be explored.

Sixth, the implications of this study are important for various parties. For future research, it is recommended to develop comparative studies between plantation locations, increase the sample and incorporate quantitative methods (e.g., rental hour productivity analysis) to strengthen the validity of generalizations. For practitioners (heavy equipment managers and agrarian foundations), this article encourages the use of written contracts that include supervision clauses, tolerance for productivity variations, and khiyar options for flexibility. For policymakers or sharia institutions (e.g., National Sharia Council, sharia supervisory institutions), the results of this study encourage the preparation of

standard guidelines for heavy equipment ijarah as part of Islamic finance regulations so that agrarian equipment contracts can fulfill sharia principles more systematically.

## CONCLUSION

This study concludes that the practice of renting excavators at the Pondok Modern Darussalam Gontor Campus 10 Jambi Plantation has been carried out in accordance with the basic principles of the ijarah contract in Islamic economic law. The lease implementation mechanism, which includes a payment system per working hour, giving an advance payment as a form of seriousness, and direct supervision during operational activities, shows that the transaction is carried out with the principles of willingness, clarity, and justice. All the main elements in the ijarah contract, namely the benefits of goods, clarity of compensation (ujrah), and time agreement, have been fulfilled. There are no indications of usury, severe gharar, or other forms of sharia violations. Thus, the practice of excavator rental in the neighborhood can be categorized as legal according to the provisions of Islamic economic law and in line with the principle of *maslahah* (benefit), which is the basis for *muamalah* activities.

Theoretically, this article contributes to the development of the contemporary ijarah concept by expanding its application to the agrarian and heavy equipment sectors, fields that have rarely been studied empirically. Practically, this research shows how Islamic boarding school-based institutions or foundations can manage productive assets with an efficient and Shari'ah-compliant lease mechanism. This research also shows the importance of integrating classical *fiqh* principles and modern economic needs in the preparation of ijarah contracts, especially regarding clarity of benefits, maintenance responsibilities, and flexibility of equipment productivity.

As an implication, this study recommends that the practice of leasing heavy equipment in the plantation sector be accompanied by a written contract that lists the rights and obligations of the parties in detail to avoid potential disputes. Further research is recommended to develop comparative studies in different regions or other types of heavy equipment, as well as to incorporate a quantitative approach to measure the efficiency and economic value of the application of ijarah in the agrarian context. Thus, the results of this study are expected to serve as a reference for the development of regulatory guidelines and Islamic leasing practices that are more adaptive to the dynamics of the real economy in Indonesia.

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