

The Salam Contract as an Agricultural Financing Instrument to Support the Achievement of Sustainable Development Goals (SDGs)

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ABSTRACT

Salam contract are cash payment upfront and delivery of the commodity at the end. This characteristic is highly relevant to the needs of agricultural financing. Despite having an adequate normative and regulatory basis, the use of the *salam* contract in Islamic banking practices is still very limited. The purpose of this study is to analyze the contribution of the *salam* contract as an agricultural financing instrument to the achievement of SDGs 2, SDG 8, and SDG 12, and to formulate an integrative framework that connects the contract's characteristics, financing mechanisms, development impacts, and SDG targets. This study uses a normative legal method with a statutory and conceptual approach, reinforced by secondary empirical evidence from the Statistics Indonesia (BPS), the Financial Services Authority (OJK), and the Central Bank of Indonesia (BI), as well as previous research. Primary and secondary legal materials are analyzed qualitatively and normatively using deductive and prescriptive reasoning. The research findings show that advance payments, price certainty, clarity of commodity specifications, and certainty of delivery times have the potential to support productivity and food security in SDG 2, expanding access to financing and productive economic activities in SDG 8, and production and supply chain efficiency in SDG 12. However, these contributions are conditional and require strengthening farmer institutions, offtaker certainty, risk mitigation, and regulatory support from the government. This research offers an integrative framework that prioritizes the optimization of *salam* contracts by considering sharia compliance, financial viability, and sustainability impact.

Keywords: *Salam* Contract ; Islamic Banking; SDGs; Sustainable Agriculture

BACKGROUND

The agricultural sector holds a strategic position in the national economy. In the first quarter of 2026, the agricultural sector ranked third in its contribution to Gross Domestic Product (GDP), at 12.67% (Kementrian Pertanian, n.d.). The agricultural sector also plays a role in absorbing labor for some rural communities (Devi et al. 2026). However, the sustainability and productivity of this sector are often hampered by limited access to capital sources, especially pre-production capital needed by farmers to purchase seeds, fertilizers, and other production inputs before the harvest (Devi et al. 2026). This limited capital problem ultimately forces some farmers to utilize informal financing sources, such as loan sharks and middlemen, who often charge high interest rates and disadvantage farmers' bargaining position in the agricultural supply chain (Waluyo and Rozza 2020).

In such situations, the *Salam contract* in Islamic economic law offers a financing structure that is conceptually aligned with the operational needs of agricultural businesses. The *salam* contract is a form of sale and purchase

transaction where payment is made in cash upfront, while delivery of the goods takes place at a later date, with specifications for quality, quantity, and delivery time clearly determined from the outset of the contract (Ali 2026). This upfront payment characteristic distinguishes *salam* from other sales contracts such as *murabahah*, and makes it structurally suitable for financing farmers' working capital needs at the start of the planting season, while providing price certainty for both parties before the harvest is known (Waluyo and Rozza 2020). Furthermore, clear specifications regarding quality and quantity of goods encourage more planned agricultural production. Meanwhile, certainty about delivery times allows the production process to be adjusted to the needs of the supply chain.

salam contract has a strong legal basis in the Qur'an, Hadith, and *the consensus* of scholars (Mubaroq and Hasanudin 2018). *Salam* Sale and Purchase, which regulates payment provisions, product specifications, *parallel salam* provisions, certainty of delivery of goods and contract cancellation (Fatwa DSN-MUI No. 05/DSN-MUI/IV/2000 Tentang Jual Beli Salam 2000). These provisions are then complemented by operational technical regulations, including the Sharia Banking *Salam Product Guidelines* issued by the Financial Services Authority (OJK) in 2025 as a reference for implementation for sharia financial institutions.

Despite having a sharia basis and adequate regulations, the use of *salam* contracts in Indonesian Islamic banking practices is very minimal, even tending to be zero. According to the Islamic banking statistics report as of June 2025, the composition of *salam* products was still recorded at 0% of total financing, far behind *murabahah* (40.36%), *musyarakah* (51.13%), *mudharabah* (14.04%), and other contracts (Otoritas Jasa Keuangan 2025). This condition is consistent with the findings of recent research which states that since its introduction in 2003, *salam* contracts have not been significantly implemented by Islamic banks. Internal obstacles such as minimal assistance from financial institutions, human resource reluctance, the technical complexity of the *salam* model, and external factors including low literacy and weak regulatory support have driven the weak practice of *salam* contracts (Devi et al. 2026). This phenomenon indicates a significant gap between the potential of *salam* contracts as a sharia-based agricultural financing instrument and their low utilization in the field.

A previous study on the suitability of the *salam* contract for agricultural financing was conducted by Widiana and Annisa, who stated that the upfront payment in the *Salam* contract is relevant to farmers' need for capital at the start of production, thus positively impacting agricultural development. However, the study also found that Islamic financial institutions in Indonesia have not yet optimized the *salam* contract, citing high financing risks (Widiana and Annisa 2018). Similar findings were also presented by Christy and Nisa (Christy and Nisa 2024).

Obstacles to implementing the *salam* contract are caused by the high risk of crop failure, loss of capital, customer characteristics, limited farmer knowledge, and operational problems (Waluyo and Rozza 2020). According to Norrahman, obstacles are caused by regulatory issues, price risks, and limited infrastructure (Norrahman 2024). Devi, Firmansyah, and Rusydiana, using the Analytic Network Process (ANP) approach involving twelve experts and practitioners, identified that obstacles to implementing *salam* stem from internal banking factors (a business orientation that prioritizes quick profits, limited long-term funds, and human resources that tend to avoid risk) and external factors (weak regulatory support and the perception that small farmers are not bankable). Solutions offered in the study include capital strengthening, agricultural market mapping, guarantee institutions, agricultural bank development, infrastructure improvement, and outreach and education (Devi et al. 2026).

Strategies to overcome the risks of *salam* contracts according to Waluyo and Rozza can be implemented in the form of cooperation with agricultural insurance, the formation of marketing networks, *parallel salam*, innovation of hybrid contracts between *salam* and *wakalah*, group financing with a joint liability system, strict screening, the establishment of agricultural banks and continuous education (Waluyo and Rozza 2020). Atah developed a model that integrates *bay salam*, *takaful*, and value chain financing, through a group financing model (Atah et al. 2024). Meanwhile, Syafien developed the idea of the government as a financier and proposed the *salam* contract as an alternative to government subsidies (Syafien et al., n.d.). Meanwhile, Mahbob combines commercial finance (*salam* contracts) with social finance (*zakat*) to expand financial inclusion, stabilize farmers' incomes, manage price volatility and reduce economic disparities (Mahbob et al. 2025). From the perspective of *muamalah fiqh*, Ali, analyzes various inherent risks, including the risk of non-delivery due to natural disasters or farmer negligence, the risk of delivering commodities below specifications, late delivery, and the risk of

market price fluctuations at maturity. Based on a study of primary Islamic legal sources and AAOIFI Sharia standards, the study formulated a number of legally justified mitigation instruments, such as the obligation to document contracts in writing, control of collateral (*rahn*), third-party guarantees (*kafālah*), agricultural takaful schemes, *parallel salam* mechanisms, and value-based quantity adjustment techniques (equation of benevolence) that have been practiced by Sudanese Islamic banking to overcome extreme commodity price volatility (Ali 2026).

Meanwhile, studies related to technological innovation to increase the efficiency of *salam* contracts are explained by Muneeza by offering the use of blockchain, Internet of Things (IoT), artificial intelligence and smart contracts, but the model is still hampered by regulations, security, privacy, scalability, and commercial feasibility (Muneeza and Mustapha 2020). Meanwhile, research on *salam* contracts related to sustainable development was researched by Aini by analyzing several Islamic financial instruments such as *salam*, *mudharabah*, *musyarakah*, and *waqf* in achieving the SDGs (Aini and K 2025). Riecardy connects *salam contracts* with green Islamic finance. The conclusion of the study is that *salam* has the potential to increase access to capital, financial inclusion, cost efficiency and adoption of sustainable agriculture and is relevant to SDG 2 (Riecardy et al. 2025).

In contrast to previous studies that focused on financing urgency, implementation barriers, risk mitigation, model and technology innovation, and their contribution to sustainable development, this study focuses on the mechanisms that link the characteristics of the *salam* contract with the SDGs target specifications. Advance payment, price certainty, commodity specifications, and certainty of delivery time are analyzed not only as contract provisions, but as mechanisms that have the potential to generate pre-production capital, transaction certainty, production planning, and supply chain coordination. This is relevant to the Sustainable Development Goals (SDGs) targets launched by the United Nations in the 2030 agenda, especially SDG 2 (Zero Hunger), which emphasizes increasing productivity and sustainability of food production, SDG 8 (Decent Work and Economic Growth), which targets strengthening productive economic activities and financial inclusion for vulnerable groups such as small farmers, and SDG 12 (Responsible Consumption and Production), which is oriented towards efficient use of resources and responsible supply chain management (United Nations 2015). Thus, the objective of this study is to analyze the contribution of the *salam* contract as an agricultural financing instrument towards achieving the SDGs and to formulate an integrative framework that connects the character of the financing mechanism contract, development impacts and SDGs targets.

METHOD

This research is a descriptive-prescriptive normative legal study using a statutory and conceptual approach (Marzuki 2021). Normative analysis is used to examine the construction of the *salam* contract in Islamic jurisprudence (*fiqh muamalah*), fatwas from the National Council of Islamic Scholars (DSN-MUI), and regulatory guidelines. The conceptual approach is based on regulations, statistical data, and empirical research findings on agriculture in Indonesia. Therefore, the analysis focuses on the legal context, institutions, and characteristics of Indonesian agriculture and is not intended to produce universal generalizations. The legal materials for this research consist of primary legal materials (the Islamic banking law, the DSN-MUI fatwa, the OJK's 2025 Islamic banking *salam* product guidelines, the official document "Transforming Our World: The 2030 Agenda for Sustainable Development," and scientific articles containing field research on agricultural financing), and secondary legal materials (relevant books and articles). These legal materials were collected through literature studies and then analyzed qualitatively and normatively using prescriptive-deductive reasoning (Ibrahim 2018). The results of the analysis are then used to formulate prerequisites for optimizing the implementation of the *salam* contract and to build an integrative framework for the character of the *salam* contract, agricultural financing procedures, development impacts and SDGs targets.

RESULTS AND DISCUSSION

Salam Contract and its relevance to agricultural financing needs

The agricultural sector has different financing characteristics than the business sector, which has a relatively fast cash turnover. Farmers require capital from the pre-production stage, used for land cultivation, purchasing seeds

and fertilizers, paying labor, setting up irrigation systems, crop maintenance, and other activities. Income is generated during the harvest season. This situation indicates a time lag between capital requirements and revenue receipts. Therefore, agricultural financing requires instruments that can provide liquidity early in the production cycle while adapting transaction mechanisms to the characteristics of agricultural production. Hudaifah demonstrated that a financing scheme using the *salam* contract has the potential to shorten the agricultural distribution chain while also aligning with the natural characteristics of the rice harvest cycle (Hudaifah et al. 2019).

Salam sale and purchase agreement relevant to these needs are: payment of the cash price upfront and delivery of the commodity at a future time (Fatwa DSN-MUI No. 05/DSN-MUI/IV/2000 Tentang Jual Beli Salam 2000). In a *salam* agreement, the buyer pays the price in cash at the time the agreement is agreed, while the seller delivers the commodity according to the specifications and time agreed. Thus, farmers can obtain liquidity more quickly and can be used to finance the production process (Waluyo and Rozza 2020). The character of the cash payment upfront is also one of the important differences between the *salam* agreement and invoice based financing. In invoice financing, liquidity needs are generally financed after the goods are delivered and the invoice to the buyer has been formed, whereas in a *salam* agreement, funds are obtained before the commodity is delivered. In the agricultural context, this difference in financing timing is significant because the need for funds arises before the commodity is available. The 2025 OJK Sharia banking *salam* product guidelines emphasize this function by positioning *salam* products as an alternative in supply chain financing that allows suppliers to obtain liquidity before handing over assets. (Financial Services Authority 2025). Therefore, the advantages of the *salam* contract for the agricultural sector lie in its compliance with sharia principles and its timing of payments in line with the production capital needs cycle.

The second characteristic of the *salam* contract is price certainty (DSN-MUI Fatwa No. 05/DSN-MUI/IV/2000 Concerning Salam Sale and Purchase 2000). The price certainty that has been determined from the beginning of the transaction is relevant to the conditions of agricultural businesses. Price certainty is the basis for farmers in calculating cost needs and planning their production activities. However, contractual price certainty does not mean that the *salam* contract eliminates market price fluctuations. Price changes can still occur after the contract, but do not change the price agreed upon by the parties. Thus, the main function of this characteristic is to create certainty of transaction value, not eliminate all price risk.

The third characteristic is the clarity of the specifications of the object of the contract (*muslam fih*) both in terms of type, quality, and quantity (Zuhdi 2017). Waluyo and Rozza place the clarity of the criteria for the ordered goods as one of the main characteristics of the greeting. (Waluyo and Rozza 2020). In the agricultural context, these provisions serve an economic function in the form of standardizing production results. Farmers know from the outset the type, quantity, and quality of the commodity to be delivered, while buyers obtain certainty regarding the characteristics of the goods they will receive. These provisions can encourage more planned production because cultivation activities are directed to meet the agreed-upon volume and quality of commodities. Thus, clarity in Islamic jurisprudence is not only a requirement for the validity of contracts to avoid *gharar*, but can also have a practical function in the form of standardization and production planning.

The fourth characteristic is the certainty of the delivery time of the commodity (DSN-MUI Fatwa No. 05/DSN-MUI/IV/2000 Concerning Salam Sale and Purchase 2000). This characteristic is relevant to the agricultural sector, which has a specific production cycle from planting to harvest. Determining the delivery time allows farmers to plan the production process in accordance with their contractual obligations, while buyers can plan the receipt, storage, distribution, or sale of the commodity. When a *salam transaction* is linked to the end buyer (offtaker), this certainty of time can also help align production times with market needs. Thus, *salam* not only provides financing before harvest but also establishes coordination between the financing time, production cycle, delivery time, and marketing of agricultural products. These four characteristics are doctrinally upheld by the majority of Islamic jurisprudence schools, although there are technical variations in terms of the requirements for the place of delivery and the availability of the contract object in the market (Ali 2026).

To clarify the advantages of the Salam contract for agricultural financing, the following table will compare it with three other Sharia financing contracts most commonly used by Islamic banks in Indonesia.

Table 1 Salam , Murabahah , Musyarakah And Mudharabah Contracts In Agricultural Financing

contract	Payment structure	Risk allocation	Compliance with agricultural financing
<i>Regards</i>	Cash price in advance by the financing institution, the commodity is delivered at the agreed time	Price risk is borne by the financing institution, farmers receive liquidity in advance but bear the risk of production/crop failure.	High. Meets farmers' need for pre-harvest working capital without requiring collateral related to future harvests.
<i>Murabahah</i>	Buying and selling with a profit margin, goods are delivered at the time of the contract, payment is in cash, deferred or in installments	The financing institution bears the risk of the goods before they are handed over, the buyer bears the risk of default/failure to pay	Low-medium. Suitable for financing agricultural equipment or goods readily available on the market, not for future harvests.
<i>Musyarakah</i>	Both parties contribute capital and share profits/losses according to the agreed ratio.	The risk is shared proportionally	Medium. Suitable for large-scale, long-term agribusinesses with formal management.
<i>Mudharabah</i>	The financing institution provides the capital, and the farmer manages the business. Profits are shared according to the agreement, while losses are borne by the investor, provided there is no negligence on the part of the farmer.	Financing institutions bear the capital risk, farmers bear the time and energy risk.	Moderate. Suitable for farmers with a credible track record, but burdens financing institutions with significant monitoring costs.

Source: processed by the author, synthesized from Wahbah al-Zuhaily (2006)

This relevance becomes even more apparent when *salam* is placed within a supply chain financing framework. The OJK's 2025 Sharia Banking *Salam* Product Guidelines indicate that *salam* implementation can involve relationships between suppliers, Islamic banks, and end buyers through a predetermined transaction structure. In the agricultural sector, such a structure opens up opportunities to connect farmers' capital needs with offtakers' commodity needs (Financial Services Authority 2025) . Hudaifah, Tutuko, and Sawarjuwono also point out that implementing *salam* in agricultural financing requires supporting institutions capable of linking farmer financing with warehousing, trade, and access to end markets (Hudaifah et al. 2019) . Thus, *salam's relevance* to agriculture extends beyond the contractual relationship between buyers and farmers but can evolve as part of the agricultural supply chain ecosystem.

However, this strong structural fit does not translate directly to utilization. Issues that arise in practice relate to the risk of capital loss, limited product knowledge, profit orientation, and risks faced by financial institutions. Waluyo and Rozza recommend several supporting mechanisms, such as collaboration with agricultural insurance, the establishment of marketing networks, parallel *salam*, group financing, farmer selection, and ongoing education (Waluyo and Rozza 2020) . These findings reflect that matching the characteristics of the contract to farmers' needs is a crucial prerequisite, but not sufficient to guarantee its implementation. The success of *salam* still requires production risk management, market certainty, farmer certainty, and institutional support.

***Salam* Contract to the achievement of SDG2, SDG 8 and SDG 12**

***Salam* Contract's Contribution to SDG 2 (Zero Hunger)**

SDG 2 sets several targets relevant to the agricultural sector, including increasing the productivity and incomes of small-scale food producers and implementing resilient and sustainable agricultural practices (United Nations 2015). From a financing mechanism perspective, *salam* contracts have the potential to contribute to these targets through three channels.

First, the provision of pre-production capital. One of the obstacles to food productivity in developing countries is the limited working capital of smallholder farmers during the pre-production period. The *Salam* contract addresses this issue because the upfront payment structure provides farmers with access to liquidity when needed. A case study of the KSM-KUB Jaya Amanah agricultural financing house in Pacet District, Bandung Regency, showed that the structured *Salam* financing process, from household surveys, character and financial analysis, land surveys, and disbursement of funds, significantly increased the production capacity of recipient farmers (Arifin et al. 2021).

The availability of pre-production capital has the potential to encourage farmers to shift from subsistence cultivation practices to more intensive and productive practices, because the limited production facilities that have been the main obstacle can be overcome.

Second, strengthening food security through supply assurance. Pre-production capital in *Salam* contracts supports food security by ensuring timely production without input cost constraints. Quantitative evidence from Sudan supports this claim. OLS regression analysis of national agricultural production time series data found that *Salam* financing provided by commercial banks had a positive and significant effect on agricultural production, directly supporting food security capacity. However, implementation is hampered by tax burdens and weak rural infrastructure (Mualley and Moh'd 2022).

Third, reducing vulnerability to price fluctuations. In a *salam* contract, the price, quantity, quality, and delivery time are agreed upon from the time of the contract. This price certainty provides clarity on income for farmers while reducing the risk of losses due to price spikes during the harvest season, as demonstrated by the finding that purchase prices through the *salam* scheme are above middlemen's prices, which typically pressure farmers during the peak harvest season (Jubaya and Wulandari 2020). Ali suggests that the risk of price fluctuations at maturity can be mitigated through the Equation of Benevolence (*Mu'ādalāh al-Iḥsān*) technique developed by the Central Bank of Sudan, in which the quantity of *muslam fih* is adjusted proportionally if the difference between the market price and the contract price exceeds one-third (Ali 2026). The availability of such mitigation instruments strengthens the sustainability of food production because both farmers and financing institutions have protection from extreme price risks that could threaten the continuity of financing relationships in the following planting season.

However, this contribution is conditional. The risk of crop failure due to natural factors remains a significant threat to the sustainability of this scheme if it is not accompanied by additional mitigation instruments such as Islamic agricultural insurance (*takaful*) (Waluyo and Rozza 2020). Therefore, the *salam* contract's contribution to SDG 2 can only be optimally realized if accompanied by a supporting ecosystem, not solely relying on the contract structure itself.

***Salam* Contract's Contribution to SDG 8 (Decent Work and Economic Growth)**

SDG 8 emphasizes strengthening financial institutions to expand public access to financial services to promote inclusive economic growth, including for micro and small businesses (United Nations 2015). In this context, the *salam* contract has the potential to contribute through two main channels.

First, expanding financial inclusion for farmers who have not yet gained access to formal financing. A study on KSM-KUB Jaya Amanah confirmed that the *Salam* scheme reached farmers who were previously categorized

as unbankable (not served by formal financial institutions), thereby expanding formal financial access to farmer groups that had previously relied solely on middlemen and loan sharks (Arifin et al. 2021) . This is reinforced by empirical evidence from the 2024 National Socio-Economic Survey, which showed low farmer financial inclusion: only 4.71% of farmers had access to KUR, while access to BPRs, cooperatives, and BUMDES was each less than 1%. These findings indicate that there is room for the Salam contract as a financing alternative for farmers to gain access to capital and strengthen their bargaining position (Mutiara et al. 2025) . Furthermore, the Zakah-linked *salam* model, as developed by Hossain et al. and reviewed by Mahboob, Mansor, and Madun shows the potential for integration between commercial financial instruments and Islamic social finance to expand the reach of financial inclusion to the most vulnerable small-scale farmers, through a zakat-funded food bank scheme and provide market certainty for their produce (Mahboob et al. 2025) . This model emphasizes that the contribution of *salam* contracts to inclusive economic growth can be strengthened through institutional innovations that combine Islamic commercial and philanthropic instruments, rather than solely relying on conventional *salam* schemes.

Second, strengthening productive economic activities through group financing schemes and supply chain partnerships. Providing capital through farmer groups or cooperatives has proven to be more profitable. Research in Tuban demonstrated that this system operates smoothly thanks to the cooperatives' role in managing capital, warehousing, milling, and marketing simultaneously. As a result, this capital assistance not only helps individual farmers but also advances the entire agricultural business in the area (Hudaifah et al. 2019) . This scheme is relevant to SDG 8 because it not only provides capital but also builds the collective institutional capacity of farmers (farmer groups/cooperatives), which is a prerequisite for the sustainability of long-term financing relationships.

However, this potential still faces obstacles from the financial institutions' perspective. Devi et al. found that banks' orientation toward short-term profits and high caution regarding financing risks were among the main issues, with a weighting of 0.31 (Devi et al. 2026) . In other words, the contribution of the *salam* contract to SDG 8 is not only supported by the suitability of the contract's characteristics to farmers' needs, but also requires the readiness of Islamic financial institutions to develop financing schemes that balance business feasibility, risk management, and the expansion of financing for the productive sector.

***Salam* Contract's Contribution to SDG 12 (Responsible Consumption and Production)**

SDG 12 emphasizes efficient resource use and reduced food loss along the production and distribution chain (United Nations 2015) . *Salam* contributes to this target through the following mechanisms.

First, supply chain efficiency by eliminating intermediaries. A qualitative case study in Tuban Regency showed that when the Salam contract was combined with Islamic Corporate Social Responsibility (I-CSR) funds and channeled through a Sharia Farmers' Cooperative (BMT) as a distribution agent, this scheme successfully broke the long trade chain that had previously caused inefficiency and uncertainty in crop supply (Hudaifah et al. 2019) . Similarly, a field study in Central Java found that reconstructing the Salam contract tailored to the characteristics of local farming and fishing communities, through Sharia microfinance institutions, created an integrated financing model involving farmers or fishermen, buyers, Sharia banks, and Sharia insurance a structure that supports traceability and shared responsibility in the production-distribution chain (Zainul Anwar et al. 2019) .

Second, strengthening production planning based on demand certainty. Determining the type, quality, quantity of commodities, and delivery time from the beginning of the contract becomes the basis for farmers to plan production according to agreed needs, while also being used to reduce the risk between production volume and market absorption capacity that has the potential to reduce agricultural yield losses. The Muslim operational model studied by Ali shows that commodities produced through *Salam financing* are integrated through cooperation with rice mills using the *mudharabah scheme*, so that the harvest is immediately processed and marketed and avoids the risk of damage and decreased product quality (Ali 2026) .

Third, strengthening the standardization of agricultural product quality. The *Salam contract* requires that the object of the transaction (*muslam fih*) be clearly defined in terms of type, type, and quantity. Quality, comparable

in the market, aims to avoid uncertainty (*gharar*) that can undermine the contract (al-Zuhaili 2006) . Furthermore, in the agricultural context, this provision can serve as a basis for farmers to produce commodities that meet the quality standards agreed upon from the outset. However, studies of cassava farmers in Jember and banana farmers in Banyuwangi indicate that pest problems, crop failure, supply delays, and price fluctuations remain obstacles in practice. Therefore, the implementation of quality standards must be balanced with technical assistance, quality control, provision of post-harvest facilities, and supply chain management (Roziq et al. 2015) . Thus, the character of the *Salam contract* contributes to SDGs 2, SDG 8, and SDG 12, but requires strengthening supporting conditions beyond just the legal basis so that it can be realized more widely.

***Salam* Contracts in Supporting the Achievement of the SDGs**

Based on the analysis outlined above, it was found that the contribution of the *salam contract* to SDGs 2, 8, and 12 does not occur automatically, but rather depends on institutional support that enables the contract's potential to be realized in practice. Based on the analysis, there are four main prerequisites that determine the optimal contribution of the *salam* contract to achieving the SDGs, namely:

First, strengthening farmer groups. A group financing scheme with a joint liability system, as proposed by Waluyo and Rozza, is a crucial prerequisite for addressing the administrative challenges of individual farmer screening, which banks face at the micro-enterprise scale (Waluyo and Rozza 2020) . Agricultural extension workers, acting as a bridge between banks and farmers, also influence the distribution of *Salam* financing for peanut and cassava farming (Saepudin 2021) . Farmer group institutions also serve to mitigate the risks of moral hazard and non-delivery through a monitoring mechanism among group members.

Second, the existence of offtakers or partners for the absorption of crops. Market certainty is crucial so that financing institutions do not bear marketing risks after the commodities are received from farmers. This aligns with the provisions of the DSN-MUI fatwa on the permissibility of parallel *salam* . A Bank Indonesia study, using a combination of literature, surveys, and in-depth interviews with 46 micro-scale farmers, 10 supply-side experts, and 7 demand-side experts, concluded that financing using the *salam* model aligns with the characteristics of the agricultural sector. The research found that crop buyers (offtakers) are crucial as market guarantors. However, its implementation is hampered by human resources within financial institutions and regulations that do not fully support the nature of the agricultural business (Husman and Sakti 2021) .

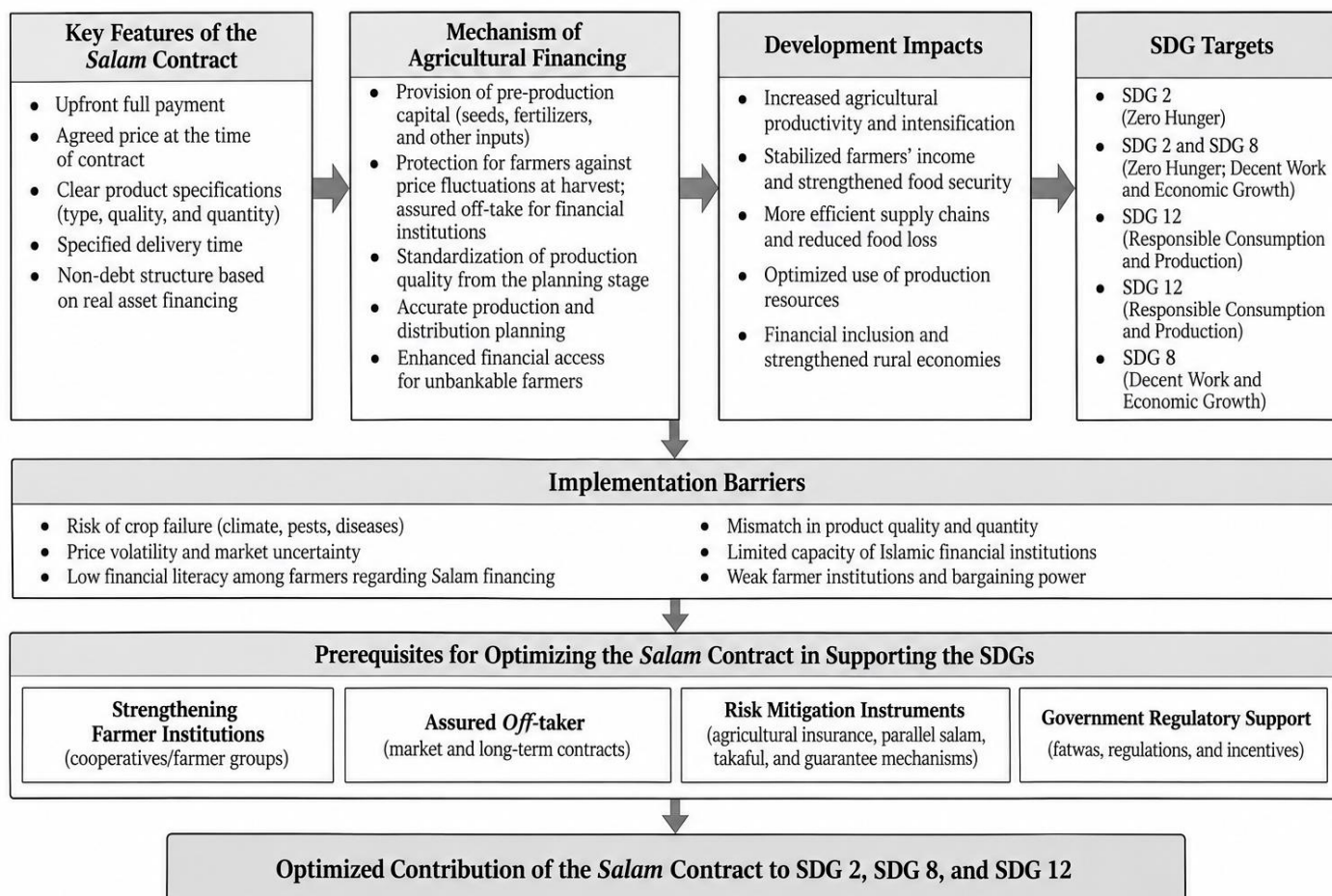
Third, the availability of structured risk mitigation instruments. The risks of crop failure, quality and quantity discrepancies, late delivery, price fluctuations, and side selling can diminish the economic benefits of *salam*. Research on *salam* risks can be reduced through written contract documentation, material guarantees (*rahn*) and third-party guarantees (*kafālah*), agricultural takaful schemes for the risk of crop failure due to natural disasters, cash reserve mechanisms for banks, phased delivery of goods to mitigate the risk of a single failure to deliver, and value-based quantity adjustment techniques to address extreme price volatility (Ali 2026) . The availability of these instruments directly influences the willingness of Islamic banks to allocate financing to contracts that inherently contain a certain level of *gharar* (uncertainty), which, although tolerated by Sharia law based on the principle of need (*hajah*), still requires adequate management from a banking business risk management perspective (Mahboob et al. 2025) .

Fourth, government and regulatory policy support. Devi, Firmansyah, and Rusydiana emphasized that authority issues, including weak supporting policies for *salam* financing and minimal government support, have the highest weighting (0.39) among other external problems. Therefore, solutions in the form of support and commitment from all stakeholders (weighting 0.45) are a top priority. This support can take the form of fiscal incentives to address double taxation issues in *salam* transactions, subsidized agricultural financing allocations that incorporate *salam* schemes, and the initiation of agricultural banks specifically designed to address the higher risk profile of the agricultural sector compared to other sectors. (Devi et al. 2026) . The OJK's 2025 Sharia Banking *Salam* Product Guidelines can be seen as an initial step toward fulfilling this prerequisite, although their effectiveness in encouraging the implementation of *salam* financing still needs to be further evaluated through empirical research in the future.

Integrative Framework: Character of Contracts, Financing Mechanisms, Development Impacts and SDGs Targets

Referring to the results of the analysis above, this study creates an integrative framework that connects four layers of analysis in a hierarchical manner, with the following details:

Figure 1. An Integrative Framework of the *Salam* Contract as an Agricultural Financing Instrument for Achieving the Sustainable Development Goals (SDGs)



This framework emphasizes that the relationship between the characteristics of the *salam* contract and the achievement of the SDGs targets is not a linear-automatic relationship, but rather a relationship mediated by concrete financing mechanisms, and these mechanisms, in turn, can only function optimally if the institutional prerequisites as outlined in the table above are met. Therefore, optimizing the contribution of *salam* contracts to sustainable development requires an approach that simultaneously integrates three dimensions: Sharia compliance that guarantees the validity and legitimacy of transactions in accordance with fatwas and AAOIFI standards; financial viability that ensures the sustainability of financial institutions' businesses through adequate risk management; and sustainable impact that ensures that the financing disbursed truly contributes to the achievement of broader development targets, rather than simply being a mere instrument of financial transactions.

A strong sharia foundation and conceptual design that aligns with the financing needs of the agricultural sector do not guarantee its realization in Islamic banking. The inability to simultaneously integrate these three dimensions is the primary reason behind the failure of the *salam* contract to be utilized in Islamic banking in Indonesia. The future policy direction for developing *salam* contracts needs to shift from an approach that solely emphasizes formal legality and normative socialization to one that explicitly builds an environmental structure capable of supporting farmer group institutions, offtaker partnerships, risk mitigation infrastructure, and policy alignment as an integral prerequisite for optimizing the *salam* contract's contribution to SDGs 2, 8, and 12.

CONCLUSION

This study finds that the contract is well suited to the financing needs of the agricultural sector. Its main features, particularly advance payment, an agreed price, clear commodity specifications, and a fixed delivery period, can help address farmers' need for working capital before production begins. At the same time, these features provide greater certainty in transactions and allow farmers to plan their production more effectively. Despite these advantages, however, *salam* has yet to be widely adopted in Islamic banking practice. This suggests that a clear gap remains between the theoretical potential of the contract and its actual application. The findings also suggest that *salam* can contribute to SDG 2, SDG 8, and SDG 12, although its contribution differs across these goals. In relation to SDG 2, *salam* can support food production by providing farmers with access to pre-production financing. Its relevance to SDG 8 is reflected in its potential to widen access to financing and strengthen farmers' productive economic activities. For SDG 12, the contract may encourage better production planning, more consistent quality standards, greater efficiency in the supply chain, and possibly lower levels of food loss. These potential contributions, however, should not be assumed to occur automatically. Their realisation depends largely on the institutional arrangements and supporting mechanisms surrounding the implementation of *salam*. The effective use of *salam* in agricultural financing therefore requires several supporting conditions. These include stronger farmer organisations, the involvement of reliable off-takers to secure markets for agricultural produce, suitable risk-management mechanisms such as *rahn*, *kafālah*, agricultural *takaful*, and parallel *salam*, as well as stronger support from governments and regulators. Based on these findings, this study proposes an integrative framework linking the characteristics of the *salam* contract with agricultural financing mechanisms, development outcomes, and relevant SDG targets. Within this framework, the success of *salam* depends not only on Shariah compliance, but also on its financial viability and its ability to generate meaningful sustainability outcomes.

This study has limitations as a normative legal research relying on secondary data, so the proposed integrative framework still requires empirical validation through surveys, interviews, and cross-regional case studies. This study is also limited to the Indonesian context, so future research needs to expand its scope to other Muslim-majority agrarian countries to test the framework's broader applicability. Empirical validation of the proposed framework is a necessary next step in this research agenda.

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