


Implementation of Production Sharing Agreements for Agricultural Land in Indonesia

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Article Info	ABSTRACT
<p>Article history:</p> <p>Received January, 2025 Revised January, 2025 Accepted January, 2025</p> <hr/> <p>Keywords:</p> <p>Profit Sharing Agreement, Distribution System, Agricultural Land.</p>	<p>An arrangement between an agricultural landowner and cultivator is known as a profit-sharing agreement. The owner asks the cultivator to labour or cultivate their land, yet the cultivator's focus is on anything related to the land, such rice plants, rather than the actual land itself. How to implement the land revenue sharing agreement in Indonesia is the study's main concern. Normative juridical research methodology is employed. Secondary data is the data source that was used. The literature study is used to carry out the data collection process. Analytical descriptive methods are used to process data. According to Law Number 2 of 1960 about Profit Sharing Agreements in Indonesia, the landowner must make profit sharing agreements in front of two witnesses: the cultivator and the landowner. In reality, profit-sharing agreements are still carried out by Indonesians according to customary law, which means that they are only verbally made and not in front of witnesses or the village chief.</p> <p><i>This is an open access article under the CC BY-SA license.</i></p> 

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1. INTRODUCTION

God Almighty has given the Indonesian people land as a national asset for their prosperity and well-being. The 1945 Constitution's Article 33, paragraph (3), states that the State controls the land, water, and natural resources found there and uses them as much as possible to ensure the welfare of the Indonesian people. Law Number 5 of 1960 establishing Basic Regulations on Agrarian Principles (UUPA) expands on Article 33 paragraph (3) of the 1945 Constitution. One of the goals of the UUPA as a new national agrarian law is to serve as the foundation for the creation of national agrarian law, which, in the framework of a just and successful society, serves as a tool for the state's and the

people's, particularly the peasant people's, prosperity and justice [1]–[4]. Agrarian reform, sometimes known as land reform, is one of the fundamental tenets of the National Agrarian Law. Article 10 paragraphs (1) and (2), which state that every individual or legal body with land rights is essentially required to work or work on their own actively, while preventing extortion tactics, are one of the articles that control the principle in the UUPA's rules [5].

Indonesian rural communities rely heavily on land for their farming livelihoods. The UUPA's Article 24 governs the use of agricultural land owned by others. The use of land that is not theirs is limited and governed by legal and regulatory requirements, as

stated in UUPA Article 24. The UUPA's Article 10 is included into Article 24. According to Article 10 paragraph 1 of the UUPA, any person or legal entity that owns agricultural land is, in theory, obligated to actively work or cultivate it themselves by outlawing extortion. This implies that each landowner is permitted to hire or collaborate with non-landowners to continue actively working or managing their property rather than doing it on their own.

Agricultural land profit sharing agreements give birth to profit sharing company rights [6]–[7]. At first, a profit-sharing arrangement was a legal arrangement governed by customary law. Agreements for profit sharing are typically made verbally. According to an oral agreement between the landowner and the cultivator, the cultivator will work the landowner's land and divide the profits as agreed. Three profit-sharing schemes are known to the Indonesian populace, particularly those in Central Java:

1. The maro system is a profit-sharing agreement where the cultivator bears all production expenses and the landlord only provides the land. After then, the earnings are split equally, either half or one to one.
2. The mertelu system is a profit-sharing arrangement in which landowners supply seeds and fertilizer in addition to the land, and farmers solely serve as laborers or cultivators. The landowners receive two thirds of the profits, while the cultivators receive one third.
3. The mrapat system is a profit-sharing arrangement in which the landowner receives three-fourths of the profits while receiving one-fourth. This occurs because the landowner bears all expenses from planting to harvest.

Law Number 2 of 1960 governing the Profit Sharing Agreement then regulates the profit-sharing arrangement. Law Number 2 of 1960's primary goals are:

1. To ensure that landowners and cultivators receive a fair share of the income. Law Number 2 of 1960 concerning the Distribution of Land

Products regulates this in Article 7 paragraph (1), which establishes the following: The Regent/Head of the Level II Swatantra Region in question decides how much of the land products belong to cultivators and owners. This is accomplished by taking into account local customs, economic reasons, zakat set aside before partition, population density, soil conditions, and plant species.

2. To guarantee cultivators a legal standing. The cultivator is typically not in a strong position in a profit-sharing arrangement since there is an imbalance between the number of cultivators and the amount of existing land, with the former being more than the latter.
3. To make working with the cultivators more enjoyable. The practice of using soil can be sustained for a long time by enhancing the cultivators' enjoyment of their labor, which can also maintain soil fertility and production. A documented profit-sharing agreement between landowners and cultivators that has been presented to the village chief or the local community where the land is located must be approved by the sub-district head in compliance with Law Number 2 of 1960.

The cultivators continue to have authority over the land under the profit-sharing arrangement. For dry land, a profit-sharing arrangement must be in place for at least five years, and for agricultural property, it must be in place for at least three years. completion of the profit-sharing arrangement at the end of its duration. Both parties must agree to the agreement's termination and submit it to the village head, or the village head must grant authorisation if the agreement is terminated before its time is up. This is predicated on the landowner's allegation that the cultivator fails to manage the land in accordance with the terms of the profit-sharing agreement, fails to fulfill his duty to transfer a portion of the designated land products, fails to carry out the tasks

assigned to him under the terms of the agreement, or transfers management to a third party without the landowner's consent.

2. LITERATURE REVIEW

Land Ownership Rights based on Article 20 paragraph (1) of the Basic Agrarian Law are hereditary, strongest and fullest rights that can be owned by people over land, taking into account the provisions of Article 6. The word strongest and fullest itself does not mean that Land Ownership Rights are absolute, inviolable and unlimited rights like the right of eigendom. The meaning of the strongest and fullest word is used in order to distinguish it from other rights. Hereditary means that an unlimited period of time can change due to legal acts and legal events. The strongest word means that Land Ownership Rights are not easily deleted or destroyed and are easy to maintain the rights of other parties, therefore they must be registered (PP24/1997). While the word fullest indicates that the authority of the holder of the Land Ownership Rights is the fullest, but it is limited by the provisions of Article 6 of the Basic Agrarian Law, which must have a social function and existing provisions. Based on this understanding, Land Ownership Rights are the strongest land rights of all other types of land rights. Indonesia is a country of law, to provide justice and order in the dynamics of the lives of its people, Indonesia must be based on the principles and provisions of the applicable law. One of the legal implementations of agricultural land revenue sharing agreements implemented by both parties in the form of individuals and legal entities that implement them [8]-[9]. The Profit Sharing Agreement is a familiar agreement for rural communities, most of whom are generally farmers. However, land cultivation with profit sharing in each region in Indonesia has different names and arrangements, such as in Java using the term "nengah" for "maro", "mertelu"

The UUPA's Article 10 paragraphs (1) and (2) require that agricultural land be actively farmed or farmed by its owner; how this is carried out is governed by laws and

regulations. Then for the use of agricultural land that is not owned by oneself, it is regulated in Article 24 of the UUPA which determines that the use of land that does not belong to them is limited and regulated in laws and regulations. The use of land by non-owners can be done through pawns, profit sharing businesses, hitchhiking, and agricultural land rentals [10].

A legal arrangement known as profit sharing exists between a landowner and a second party. Under certain conditions, the second party is permitted to cultivate the land in question, and the outcome of that cultivation is split equally between the landowner and the cultivator [11]. Additionally, Hilman Hadikusuma claims that customary law is a generic principle. A person must give the landowner a portion of the land product if they cultivate someone else's land, whether or not they have permission to do so. This idea is applicable to aquatic, fishery, and cattle land in addition to farmland, garden land, and unoccupied land [12].

Hilman Hadikusuma's opinion explains that in general, every person who plants someone else's land either because of the consent of both parties or without consent, the party who plants must give part of the results to the landowner. This is the general principle that applies in Customary Law.2 Based on Article 1 point C of Law Number 2 of 1960 concerning Profit Sharing agreements, "profit sharing agreements, are one party and a person or legal entity to another party, which in this law is called a cultivator based on an agreement, the cultivator is invited by the owner to carry out an agricultural business on the owner's land, with the sharing of the proceeds between the two parties"

A profit sharing agreement is an arrangement whereby one party and a person or legal entity grant another party, known as a cultivator under this law, permission to operate an agricultural business on the owner's property in exchange for payment between the two parties. A person or legal entity is the subject of a profit-sharing arrangement. Generally speaking, the owner-cultivator relationship falls under Law

Number 2 of 1960's Article 1 Points B and E about Profit Sharing Agreements. According to these laws, a farmer is an individual, whether or not they own property, whose main source of income is farming, and an owner is a person or legal body with the power to control land.

An arrangement whereby the owner and cultivator of agricultural property divide the profits according to a mutually agreed upon formula is known as a profit-sharing agreement. The landowner and the cultivator make a written profit-sharing agreement in front of the village chief over the area on par with the land in question. There are two witnesses for each of the parties present. The profit-sharing arrangement is ratified by the relevant Sub-district Head/Head or another acting officer at the same level; this is known as the "Sub-district" in this statute. Every village density's revenue-sharing agreement that were made after the preceding density are announced by the village head. The Deputy Minister of Agrarian Affairs creates the rules needed to implement the previously indicated paragraphs 1 and 2.

Agricultural land must be in a profit-sharing arrangement for a minimum of three years, and dry land must be in a profit-sharing arrangement for a minimum of five years. If there are still crops on the disputed land that cannot be harvested by the time the agreement expires, the extension cannot extend more than a year, but it will stay in force until the crop is completed. The profit-sharing agreement is still in force even after the land has been transferred to another person if the Village Head determines, without altering the conditions in Article 6, whether the land in question is dry land or agricultural land.

Where it is not clearly and explicitly stated, the terms of the profit-sharing agreement in Warnasari Village, Sukabumi District, are nevertheless based on local customary law. This depends on the agreement of both parties and the trust of each party. Regarding the period of the agreement that is not mentioned by the parties due to the expiration or completion of this profit-sharing agreement, it depends on the termination of

the agreement carried out by one of the parties concerned after the agreement lasts. If it is determined that the period is very short, it can be in the form of a harvest season, which is held from the planting season to the harvest season or per year, namely the length of the profit-sharing agreement for 1 (one) year or more and can be extended. If a profit-sharing agreement will be held for a period of less than the general stipulation, the landowner and cultivator farmers do not give permission in advance to the sub-district. And if they want to extend the time of the agreement, they are also not notified to the local village head.

This agreement on the sharing of agricultural land can last as long as there is permission from the landowner and as long as the cultivator wants to cultivate the land. Generally speaking, the landowner's will determines how long the profit-sharing arrangement between the cultivator and the owner will last.

In the case described in paragraph (1) above, the new owner will acquire all of the owner's rights and obligations under the profit-sharing agreement. The following situations and the following provisions make it feasible to enter into a profit-sharing agreement prior to the end of the agreement's term as mentioned in Article 4 paragraph (1). With both parties' cooperation and after they report to the village chief with the chief's approval at the owner's request, the owner gives the other person control of the disputed land. This happens if the cultivator fails to cultivate the land properly, fails to fulfil his responsibility to give the owner a determined portion of the land product, fails to fulfil the materials for which he is responsible as confirmed in the agreement letter in Article 3, or fails to do so without the owner's permission. After his initial attempt to bring the parties together fails, the Village Head authorises the termination of the agreement on the division of the proceeds mentioned in paragraph (1) of this article, taking into account the concerns of both parties. In this instance, the Village Head also decides the termination's repercussions in accordance with paragraph (2) of this article. The matter can be brought before the sub-district head for

a decision that is legally binding on both parties if the owner and/or cultivator disagree with the village head's decision to approve the agreement decision mentioned in paragraph 1 of this article and/or with the agreement mentioned in paragraph 3 above. Every decision made by the Sub-district Head is periodically reported to the Regent/Head of the Swatantra Region level II.

The Regent/Head of the Level II Region in question decides how much of the land belongs to the cultivator and owner, taking into consideration the type of plant, soil conditions, population density, zakat set aside prior to division, economic factors, and local customs. The Regent/Regional Head of Level II notifies the appropriate Regional People's Representative Council and the Daily Government Agency of his decision about the distribution of land products. It is forbidden for anybody, including owners and cultivators, to make any kind of payment to owners or cultivators who possess elements of permission. It is forbidden to charge the cultivator with the responsibility of paying taxes on the land in question unless the cultivator is the land's true owner. The cultivator is required to give the land back to the owner in good shape when the profit-sharing arrangement expires.

Efforts that can be made so that there is no inequality in the equal distribution of profits and expand employment opportunities are by implementing the provisions on profit sharing on agricultural land in accordance with the conditions of the parties and of course fairly so as not to harm both parties. Thus, there will be no losses between the parties and employment in the agricultural sector can also increase [13].

3. METHODS

3.1 Type of Research

The research carried out is normative legal research. Normative legal research is legal research that focuses on positive legal norms in the form of laws and regulations and uses secondary data from this research in the form of the

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3.2 Data Sources

The data required in this normative research is secondary data, secondary data is data consisting of primary legal materials and secondary legal materials.

3.2.1 Primary legal materials

Primary legal materials are laws and regulations that are arranged in a sequential form in accordance with the Procedures for the Formation of Laws and Regulations as follows:

1. Constitution of the Republic of Indonesia Year 1945
2. Law Number 5 of 1960 concerning Basic Regulations on Agrarian Principles
3. Law Number 2 of 1960, concerning Profit Sharing Agreements
4. Presidential Instruction Number 13 of 1980 concerning Guidelines for the Implementation of Law Number 2 of 1960 concerning Profit Sharing Agreements.

3.2.2 Secondary legal material

Secondary legal materials are legal materials in the form of legal and non-legal opinions obtained from books, legal journals, research results related to the Implementation of Agricultural Land Revenue Sharing Agreements in Indonesia, the Great Dictionary of Indonesian (KBBI) online, the internet, official documents related to Agricultural Land Revenue Sharing Agreements in Indonesia from resource persons in the field of land from resource persons in the field of land, namely Young Land Managers in the field of Determination of Rights and Registration of Regional Offices of the Agency National Land of the Province of the Special Region of Yogyakarta.

3.3 Data Collection

Data collection through this literature study is a secondary data collection carried out by studying primary legal materials which are laws and

regulations and secondary legal materials which are legal and non-legal opinions obtained from books, legal journals, previous research results, the internet, legal opinions and official documents related to the issues on which the research is based.

3.4 Data Analysis

Primary legal sources pertaining to Indonesia's implementation of agricultural land revenue sharing agreements were used for data analysis. Furthermore, secondary legal materials in the form of legal and non-legal opinions obtained from expert opinions through books, legal journals, internet media, regarding the implementation of Agricultural Land Revenue Sharing Agreements in Indonesia. Then a comparison is made between primary legal materials and secondary legal materials. Then the gap between the two legal materials was sought, and secondary legal materials were used to examine the primary legal materials.

The theory of legal utility aims to see the existence of legal functions that apply to society. The goal of this topic's legal utility theory is to determine how much the implementation of agricultural land income sharing agreements in Indonesia has affected the landowners whose land is covered by these agreements.

4. RESULTS AND DISCUSSION

One of the legal institutions that can be used as a model to be studied and developed as a universal traditional concept and institution to support economic globalization, is an agreement using a "profit-sharing" pattern. The "Profit Sharing" pattern is a traditional concept and institution that has been used by the Indonesian people since before the arrival of the Dutch. In various regions of Indonesia, different terms and techniques for sharing results are used. The universal nature of this profit-sharing pattern is that both in Asia, Africa, Europe and America the concept and mechanism of profit-sharing are also used, of course, with

variations that are adjusted to their sociological conditions.

One of the results of the successful legal overhaul is the enactment of Law No. 5 of 1960, popularly known as the Basic Agrarian Law (UUPA). Considering that the composition of agricultural communities, especially in rural areas, still requires the use of land that does not belong to them, so it is temporarily necessary or open up the possibility of using agricultural land by people who do not belong to them, for example by renting, sharing profits, pawning and others. According to Article 53 of the UUPA, customary rights that are relevant to the current state of society but clash with the stipulations of Articles 7 and 10 of the UUPA cannot be abolished. In order to avoid oppressive rights relations, these rights—which include those pertaining to pawns, profit-sharing enterprises, hitchhiking, and agricultural land leases—must be respected in accordance with laws and other restrictions.

The Indonesian government regulates profit-sharing agreements under Law No. 2 of 1960 concerning Profit-Sharing Agreements in order to protect economically weak peasants from the practices of powerful individuals. This is the basis for the justification that the phenomenon of agricultural land profit-sharing only occurs in societies where the agricultural sector still plays a significant role in sustaining the community's economy. Revenue-sharing arrangements for agricultural land have existed since antiquity and have even been handed down through the generations. According to R. Subekti, specifically: "The principle of Consensuality is applicable in the law of agreements. Consensus, which meaning to agree, is the Latin root of this word. Doesn't the idea of consensuality require that two parties have an agreement, sometimes known as an agreement, regarding a matter?

There are 3 (three) main factors in the agricultural land revenue sharing agreement⁴, namely:

1. Essentially; The landowner does not have the opportunity or enthusiasm to work on his own until he succeeds,

therefore an agreement is made with others to cultivate or work, plant and give part of the harvest to the landowner.

2. Function; Producing land without self-cultivation and producing labor without owning land.
3. The object; The object is not land but labor and plants Basically, the agricultural land profit-sharing agreement is based on the customary law system, because it is based on the values that live in the community. This profit-sharing arrangement is characterized by both an unwritten nature based on mutual trust and a concrete and tangible nature, specifically the existence of agricultural land that is exploited.

The implementation of the land revenue sharing agreement by the parties must be based on fair distribution, as mandated in Law No. 2 of 1960 concerning Profit Sharing Agreements. The freedom and commitment of the two actors were also recorded in the demonstration. Especially related to ensuring that cultivators have an adequate legal standing. This has an impact not only on increasing production but also on meeting the needs of food and clothing for the community. The amount of profit sharing balance that is the right of the owner or ruler of the land and the right of the cultivator is not a definite provision in customary law. This is subject to the agreement of both parties based on the customary law applicable in the area. The terms that exist, especially on the island of Java, are maro, and mertelu, meaning that the result is agreed upon by dividing in half or dividing by three whoever receives the distribution.

Because a profit-sharing agreement is dependent on the parties' agreement and does not necessarily have clear terms, the time frame can be decided upon while the agreement is in effect. Depending on the agreement between the landowner and the cultivator, profit-sharing arrangements may stop or terminate after each harvest. They are occasionally carried down to the cultivator's successors from generation to generation.

Agricultural profit-sharing agreements as mentioned in Article 3 of Law Number 2 of 1960 concerning profit-sharing agreements are:

- a. Written between owner and cultivator;
- b. In front of the village head with two witnesses from the owner and cultivator;
- c. Endorsed by the District;
- d. Announced by the village head.

The agreement will give rise to the rights and obligations of the owner and cultivator. Based on Law Number 2 of 1960 concerning Agricultural Land Revenue Sharing Agreements:

- a. The rights and obligations of agricultural land owners include:

1. **Rights of agricultural land owners:**

- a. Receive the share of the results determined according to the amount of the balance that has been determined, namely one part of the owner and one part of the cultivator.
- b. Receive back the land from the cultivator if the term of the profit-sharing agreement has expired.

2. **Obligation of the land owner:**

Submit the land that is divided into the proceeds to be cultivated or worked on by the cultivator and pay taxes on the land.

- b. Rights and obligations of cultivators in the profit-sharing agreement:

1. **Cultivator's right:** During the time of the agreement, the cultivator has the right to cultivate the land in question and receive a share of the land products in accordance with the stipulated remuneration.

2. **Obligations of cultivators:**

- a. Surrendering the part that is the land ownership;
- b. Return the owner's land if the term of the profit-sharing agreement ends in good condition.

Article 4 of Law Number 2 of 1960 regulates the agreement's length, concluding that: The profit-sharing agreement is retained for the period specified in the profit-sharing agreement. With the caveat that it must be at least three years for agricultural land and at least five years for dry terrain. For land that is typically operated on by the owner himself, the Sub-district Head may permit the holding of an agreement for a shorter period of time than the general stipulation under special circumstances that are further specified by the Minister of Agrarian Affairs. There were still crops on the disputed area that could not be harvested at the conclusion of the profit-sharing arrangement.

So the agreement continues to be valid until the crop can be harvested. But the agreement should not be more than one year.

This agreement is enough to be notified to the local village head, there is no need to make a new agreement. Article 4 paragraph (1) of Presidential Instruction No. 13 of 1980 concerning Guidelines for the Implementation of Law No. 2 of 1960 concerning Profit Sharing Agreements states that the following criteria are used to distribute the profit sharing balance:

- a. 1 (one) part for cultivators and 1 (one) part for owners for rice plants planted on agricultural land.
- b. 2/3 (two-thirds) of the part for cultivators and 1/3 (one-third) of the part for the owner of palawija crops in rice fields and rice planted in dry fields.

Nett results, or gross results after subtracting expenses that must be paid jointly, like seeds, fertiliser, labour for livestock, planting and harvest expenses, and zakat, are the results that are split. In the meanwhile, the landowner bears the full burden of land tax. The landowner may end the agreement before its term is up with the consent of the village head if the landowner knows that the cultivator is not cultivating the land as it should or does not fulfil the obligation to turn over a portion of the land products that have been determined to the landowner.

The expiration of the profit-sharing agreement under the Profit Sharing Law is due to [14]:

- a. The term has expired;
- b. Agreement of the parties
- c. With the permission of the village head or the owner's demands;
- d. The land is destroyed

The conditions for terminating a profit-sharing agreement are:

- a. The cultivator himself asks the landowner for the reason that the age factor or because the effort made by the cultivator has been maximized, but the land he cultivates does not provide greater profits because it is due to less possible soil conditions.
- b. The landowner himself asked the cultivator to end The agreement, on the grounds that the cultivator cannot provide greater profits, cannot manage/take care of the soil properly, the cultivator is not honest about the amount of harvest obtained.
- c. The expiration of the agreement due to the agreement of the two parties themselves.

In practice, the parties to the agricultural land profit-sharing agreement use customary or customary law rather than fully implementing Law Number 2 of 1960 concerning profit-sharing agreements. This is inversely proportional to practice because in most cases the agreement is carried out in writing and is only an agreement between the two parties. As an illustration of the form of agreement that should be in Law Number 2 of 1960 concerning Profit Sharing Agreements, it is made in writing in front of the Village Head. Land cultivation with a profit-sharing system is mostly carried out in the community based on customs or customs. The way of living in society, especially in rural areas, sometimes has elements that do not guarantee legal certainty because it is considered unwritten.

The balance of the agricultural products is also carried out in accordance with the agreement of both parties, even if the community, including Bau Village in Soyo Jaya District, Morowali Regency, conducts or works on land held by others through a profit-

sharing arrangement. This is contrary to Law Number 2 of 1960, which is predicated only on a verbal agreement based on confidence between the grower and the landowner. As for the deadline for the profit-sharing agreement, it has never been decided upon in accordance with the laws and regulations; instead, it has become customary for the landowner, with the cultivator's consent, to cultivate the land until the end of the harvest season, in this case one harvest, at which point the Profit Sharing period ends. Regarding the distribution of agricultural land products that the residents of Bau Village frequently carry out, particularly in the area of agricultural land, it is split into three (three) parts, which means two to one. If the landowner pays the rent for the tractor and the cost of medicines, the landowner receives two parts, and the cultivator receives one share. Similarly, the landowner receives one half and the cultivator receives two if the cultivator pays for the tractors and medications. Apart from the previously mentioned profit sharing, the residents of Bau Village have also formed a custom known as the *ijon* system.

The implementation of the profit-sharing agreement in Nagari Pandam Gadang, Gunuang Omeh District on the grounds that many of its residents have migrated and have been successful in the region of people, the resource person cannot manage their tribal land in the village and the resource person does not carry out the implementation of profit sharing in writing.

The factors or reasons that encourage agricultural land owners to enter into profit-sharing agreements are because:

1. Unable to work on his own land.
2. No time.
3. Not very able to cultivate the soil.
4. The distance of the land is far from the residence.
5. Helping cultivators because they don't have land.

For cultivators, the reason for cultivators to enter into a profit-sharing agreement is that they do not have arable land and have little arable land. The reasons that encourage agricultural land cultivators to

enter into profit-sharing agreements with agricultural land owners are due to:

1. It has no arable land.
2. Has little arable land.
3. To earn additional income

varying regions of Indonesia have varying requirements because Law Number 2 of 1960 permits regulations that govern the comparison of profit sharing owned by landowners and farmers to be distinct or non-uniform. The Regent or Head of the Level II Autonomous Region in question decides the percentage of land products that belong to cultivators and owners for each Level II Autonomous Region, specifically in accordance with Article 7 of Law Number 2 of 1960 concerning Profit Sharing Agreement. This is done by taking into consideration the type of crops, soil conditions, population density, the amount of zakat set aside before being distributed by economic factors, and local customs. The final statement in this instance is as follows: "After paying attention to the words of Article 7: pay close attention to what the local custom says."

The many differences between Law Number 2 of 1960 on profit-sharing agreements and contemporary customary law serve as evidence of its ineffectiveness. The complicated and difficult procedure renders this law ineffectual. The parties to the profit-sharing arrangement experienced issues as a result of the convoluted process. One of the reasons Law Number 2 of 1960 has not been put into effect is because the government has not done enough to inform the public about it and the profit-sharing rules. Moreover, the absence of formal involvement in the profit-sharing plan is the cause of this. The landowner and the cultivator have a profit-sharing relationship that prioritises the labour and output of the land, particularly rice, over the land itself. The workers who cultivate the land typically carry out the profit-sharing agreement orally and on the basis of mutual trust. In addition to the stated outcomes, agricultural land also affects the distribution of the yield of different crops cultivated or grown by others.

5. CONCLUSION

There is no formal contract or deed agreement and that the profit-sharing arrangement is carried out orally, based on

trust and agreement between the landowner and the cultivator, rather than in front of the village chief. People opt to use customary law since Law Number 2 of 1960 is unclear and complicated.

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