Agricultural Land Pawning as a Social Institution in Wono Agung Village Tulang Bawang District

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Article’s Information

Abstract

Agricultural land pawning, as outlined in Law No. 56/1960 on the Determination of Agricultural Land Area, is characterized as a collateral transaction where agricultural land is mortgaged or pledged. Social institutions can play a key role in this process, acting as facilitators for loan provisions against land collateral and helping to evaluate and understand the motivations behind agricultural land pawning. This research adopts an empirical normative approach to assess the practice. The findings reveal that agricultural land pawning in Wono Agung Village is conducted in two principal manners: verbally and in writing, aligning with the stipulations of Article 7 of Law Number 5 of 1960. The residents of Wono Agung Village typically engage in pawning their agricultural land for several reasons, including the need for capital, education expenses, expansion of agricultural land, general economic difficulties, and other urgent necessities. Challenges in the implementation of agricultural land pawning arise from issues involving both the pawn recipients and the landowners. Despite these obstacles, agricultural land pawning functions effectively as a social

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institution, offering a viable solution to the economic struggles faced by the villagers. These social institutions play a pivotal role in enhancing the welfare and economic conditions of the agricultural community in Wono Agung Village.

A. Introduction

Indonesia is a nation where agriculture plays a pivotal role, as a substantial proportion of its populace are farmers and land is a crucial economic asset.\(^1\) This sector not only produces food but also supplies raw materials for industries, addressing fundamental needs across the country. Therefore, it is essential for both the government and the community to provide robust support to agriculture, ensuring its development and sustainability. However, despite its strategic importance, many farmers still face significant challenges, particularly regarding access to business capital to enhance agricultural productivity.\(^2\)

One viable solution for farmers is to use their agricultural land as collateral to secure loans. This process involves a land pledge, a type of debt and credit agreement wherein the debtor (landowner) pledges their land as security for the debt.\(^3\) While the land remains under the ownership of the debtor, it is controlled by the pledgee (lender) during the term of the pledge.\(^4\)

The legal framework governing the pledging of agricultural land in Indonesia includes several key regulations: Government Regulation instead of Law No. 56 of 1960, which details the Determination of Agricultural Land Area; Law No. 5 of 1960 on Basic Agrarian Principles; and Regulation of the Minister of Agriculture and Agrarian Affairs No. 20 of 1963, specifically Article 2, point (1), which provides guidelines for resolving issues related to land pawning. These regulations are designed to ensure that land-pledging practices are conducted fairly and sustainably, safeguarding both the agricultural sector's integrity and the farmers' livelihoods.

The increasing trend of agricultural land pawns in Wono Agung Village, Tulang Bawang Regency, has highlighted several pressing issues in the implementation of such practices. Firstly, there is a noticeable imbalance of justice between the land pledgor and the pawn recipient. The latter often exploits the land for substantial profits while the former remains burdened with debt.\(^5\) Secondly, the legal enforcement of these agreements is questionable as many are conducted verbally without any formal, written contract. This lack of documentation undermines the permanence and enforceability of the land pledges. Thirdly, the absence of a defined time limit for these pledges allows pawn recipients to indefinitely utilize the land as collateral, continuously benefiting from the agricultural output without any resolution for the landowner.\(^6\) Lastly, the practice of agricultural land pawning in the village has evolved into a social institution a system of norms and behaviors that facilitate the provision of loans using

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\(^2\) Ibid.

\(^3\) Ibid.


\(^5\) Interview with Agus Hidayat as the Head of Wono Agung Village, March 6, 2023.

\(^6\) Interview with Misranto as the Secretary of Wono Agung Village on February 18, 2023 at Puskesmas Rawajitu.
land as collateral. However, unlike formal institutions, these social practices lack the structured oversight and regulations typically needed to safeguard fairness and equity.

This research adopts both a normative juridical and an empirical juridical approach. The normative aspect involves a literature review to understand the legal frameworks and theories relevant to land pawning, while the empirical approach involves field observations and interviews to gather data on how these practices are implemented in Wono Agung Village. The primary objectives of this research are to critically evaluate the current state of agricultural land pawning in Wono Agung Village and to explore the underlying reasons for its adoption as a social institution by the local community. The renewal in this study can be seen through land pawning as a social institution by the local community. Land pledging offers a practical solution to overcome economic challenges and plays an important role in improving the welfare and economic status of the agricultural sector, policy adjustments or the introduction of legal reforms to ensure equitable and sustainable practices in agricultural land pawning.

B. Discussion

1. Implementation of Agricultural Land Pawn in Wono Agung Village, Tulang Bawang Regency

The primary motive for the adoption of agricultural land pledging in Wono Agung Village is the economic challenges faced by the residents. Often confronted with unforeseen expenses, the villagers find that pledging their agricultural land is the most viable solution. A significant portion of the population in Wono Agung Village resorts to this practice due to varying levels of financial stability. Mrs. Sutiyah, a resident, explained that she pledged her agricultural land to secure funds needed as capital, which could be invested in purchasing additional land, expanding current holdings, addressing sudden financial necessities or starting a business. Furthermore, educational expenses also compel villagers to mortgage their land. This includes costs for transportation, books, and housing. Mr. Jumino shared that he opted to pawn his agricultural land to cover essential educational expenses for his children, among other pressing financial obligations such as outstanding debts.

Interviews reveal that the decision to pawn rice fields is predominantly driven by economic hardships, with residents needing capital for various purposes including business ventures, educational expenses, and basic daily needs. Additionally, there is a communal aspiration to expand agricultural holdings and accumulate wealth, which further motivates land pawning. This is rooted in the prevalent belief among villagers that owning multiple rice fields is financially beneficial, considering the critical role of land in agricultural productivity.

The process of pawning agricultural land involves formal agreements, typically stipulating terms such as duration spanning three harvests or cultivation cycles, after which the landowner can redeem the property. This arrangement ensures that once the land is reclaimed, the owner

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9 Abdulkadir Muhammad, "Hukum dan Penelitian Hukum" PT. Citra Aditya Bakti: Bandung.
11 Interview with Mrs. Sutiyah as Pawn Giver, June 19, 2023
12 Ibid.

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not only regains the originally mortgaged land but may also increase their total landholdings if they have managed to purchase additional fields during the interim. All agreements are documented and processed through the village government for legality and transparency.\textsuperscript{15}

The reasons underlying the people of Wono Agung Village pawning their agricultural land are summarized in Table 1.

<table>
<thead>
<tr>
<th>No.</th>
<th>Reason for Pawn</th>
<th>Agricultural Land Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Hectare (Ha)</td>
</tr>
<tr>
<td>1.</td>
<td>Agricultural Capital</td>
<td>13</td>
</tr>
<tr>
<td>2.</td>
<td>Education</td>
<td>7</td>
</tr>
<tr>
<td>3.</td>
<td>Expanding Agricultural Land</td>
<td>4</td>
</tr>
<tr>
<td>4.</td>
<td>Health Costs</td>
<td>2</td>
</tr>
<tr>
<td>5.</td>
<td>Other Urgent Needs</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>31</td>
</tr>
</tbody>
</table>

Data source: Interview Results (Data processed by Researcher), 2023.

The practice of agricultural land pawning in Wono Agung Village, Tulang Bawang Regency, serves as a pivotal financial strategy for the local farmers, characterized by different agreements based on the relationship between the pledgor and the pledgee. Some arrangements allow the pledgee to manage the pawned rice fields independently without profit sharing, affording them the full yield of the land during the pawning period. This model benefits the pledgee significantly, as they enjoy the entire output from the land. Conversely, the pledgor, although not receiving a share of the yield, benefits by retaining ownership of some of their agricultural land, mitigating their perceived loss.\textsuperscript{16}

Alternatively, another prevalent practice involves a profit-sharing arrangement where the pledgor continues to cultivate the pawned land, agreeing to share the harvest with the pledgee. This arrangement helps the pledgor mitigate their financial burden as they can still earn from their labor on the land.\textsuperscript{17}

The governance of these practices aligns with Law Number 2 of 1960 concerning Agricultural Production Sharing Regulations.\textsuperscript{18} This law stipulates that the produce from agricultural activities should be distributed equally: one-third for agricultural capital, one-third for the cultivators, and one-third for the landowners. In the context of agricultural land pawning, the landowner is typically the pledgee.\textsuperscript{19}

Additionally, there are two types of systems for formalizing these pawning agreements in Wono Agung Village: the written and the oral systems. The written system requires a detailed contractual agreement, documenting the duration of the pawn, the specific area of land involved, and the estimated value of the pawn. This contract is made official with witnesses from the village, neighborhood, and both parties involved, ensuring transparency and legal compliance. On the other hand, the oral system relies heavily on mutual trust, generally reserved

\textsuperscript{16} Soerjono Soekanto, “Faktor-Faktor yang Mempengaruhi Penegakan Hukum,” PT. Raja Grafindo Persada: Jakarta.
\textsuperscript{17} Ibid.
\textsuperscript{19} Ibid.
for transactions within close family circles, where agreements are made verbally without formal documentation.

The cultivators of agricultural pawn land in terms of land area, price range, and agricultural land pawn period are shown in Table 2.

### Table 2. Cultivators of Pawned Land, Size, Price and Period of Pawned Agricultural Land in Wono Agung Village

<table>
<thead>
<tr>
<th>No.</th>
<th>Cultivator Party</th>
<th>Land Area (Ha/M2)</th>
<th>Pawn Price</th>
<th>Time Period</th>
<th>Ransom Money</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Landowner</td>
<td>0.5 Ha/5,000 M²</td>
<td>50-60 M.</td>
<td>4-8 harvests (2-4 Years)</td>
<td>50-60 M.</td>
</tr>
<tr>
<td>2.</td>
<td>pawn recipient</td>
<td>3.750 M²</td>
<td>Max. 50 Millions</td>
<td>6 harvests (3 years)</td>
<td>Max. 50 Millions</td>
</tr>
</tbody>
</table>

Source: Interview Results (Data processed by Researchers), 2023

The research reveals significant differences in land area, pledge price, and pledge period for agricultural land between landowners who cultivate their own pledged land and those who lease it out. Factors contributing to these differences include the geographical location affecting the valuation and terms of the land pledge, and the advantage landowners have in directly affecting the pledge terms when cultivating their land. Moreover, broader economic conditions and institutional policies also play essential roles in the dynamics between landowners and pledgees. Notably, in Wono Agung Village, Tulang Bawang Regency, practices deviate from Article 7 of Government Regulation instead of Law Number 56 of 1960, with ransom money for redeeming pawned land equating to 100% of the land's value, contrary to the stipulated conditions.

In this village, the pricing of rice fields is influenced by the specific needs of the mortgagor or aligned with prevailing market prices, reflecting a blend of personal and economic factors. The community practices two main forms of agricultural land pawn: one where the pledgee manages the land, responsible for all inputs without financial contributions or profit sharing from the pawnbroker, and another where the pledgor manages the land but shares the harvest with the pledgee. These practices, based on mutual trust, highlight the unique agricultural dynamics of Wono Agung Village.

Contributions for all the needs of the farmland are also shared between the pledgor and the pledgee. There are differences between the two land pawn practices carried out in Wono Agung Village as presented in the following table:

### Table 3. Differences in the Practice of Agricultural Land Pawn in Wono Agung Village

<table>
<thead>
<tr>
<th>No.</th>
<th>Pawnbrokers Who Cultivate Agricultural Land</th>
<th>Pawn Giver Who Cultivates Agricultural Land</th>
</tr>
</thead>
</table>

20 Interview with Agus Hidayat as the Head of Wono Agung Village, March 6, 2023.
22 Ibid.
1. There is no profit sharing between the pawnbroker and the pawn recipient

2. The existence of profit sharing in accordance with the agreement of both parties

3. The pawn recipient's profit is greater, because the profit belongs entirely to the pawn recipient

4. Ease of the pledgee in paying off the redemption money because of the profit sharing

5. The pawn price of agricultural land is relatively more expensive

6. The price of agricultural land pawning tends to be cheaper

7. Pawning agricultural land is only done in the period after harvest until before planting the next rice seed, because when the land has been planted with rice by the landowner, the land cannot be pawned.

8. Agricultural land pawning can be done at any time, even though the agricultural land has been planted with rice by the landowner.

9. Capital from the pawn recipient

10. Capital from the proceeds of agricultural land pawning

2. Agricultural Land Pawn as a Social Institution Can Be a Way Out of Economic Difficulties for the People of Wono Agung Village, Tulang Bawang Regency

In Wono Agung Village, Tulang Bawang Regency, agricultural land pawning functions as more than just a financial arrangement; it serves as a pivotal social institution aimed at enhancing the social and economic welfare of the farming community. This practice not only addresses the immediate financial needs of farmers during economic downturns but also strengthens community ties within the agricultural sector. As a social institution, agricultural land pawning provides essential support, helping farmers meet urgent needs and maintain their livelihoods during challenging times.

The role of agricultural land pawning extends beyond financial assistance; it offers crucial social protection for farmers faced with uncertainties such as adverse weather or crop failures. By allowing farmers to use their land as collateral, agricultural land pawn institutions instill confidence in the continuity of farming operations, ensuring farmers can access necessary capital to sustain and develop their farms. This arrangement benefits both the pledgee and the pledgor, offering more flexible terms than traditional financial institutions and providing a safety net that guards against the economic impact of agricultural risks.

Social institutions in agricultural land pawning refer to institutions or organizations or agencies that focus on social and humanitarian aspects in providing agricultural land pawn services to farmers and the agricultural community of Wono Agung Village. More than just providing loans, the social institution of agricultural land pawning has a broader goal of

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improving the social and economic welfare of farmers and strengthening community ties in the agricultural sector.

Agricultural land mortgages provide essential social protection with two key benefits. Firstly, they ensure agricultural sustainability. This safeguard allows farmers to continue their operations despite economic challenges, thereby securing a steady food supply and preserving the agricultural way of life. Secondly, these mortgages contribute to social stability within the farming community. Supported by pawn institutions, farmers not only sustain their farming operations but also their livelihoods, ensuring the cohesion and resilience of the community.

Farmland pawn institutions are pivotal in fostering solidarity among farmers and strengthening social bonds within the community. When facing financial hardships or in need of additional capital, farmers can pledge their land as collateral to secure loans. This practice exemplifies the principle of gotong royong—a communal spirit of mutual aid prevalent in agricultural communities. Landowners with idle land can support their fellow farmers by offering it as collateral, thereby providing them with necessary capital. This not only fortifies relationships among farmers but also builds mutual trust and connection within the community.

Interviews highlight the significant role of agricultural land pawn institutions in mitigating rural poverty. These institutions enable farmers to enhance their production and income by providing them with the means to purchase high-quality seeds, fertilizers, and agricultural tools. Increased production leads to more abundant harvests, directly boosting farmers’ income. Moreover, these institutions facilitate better marketing opportunities for agricultural products, whether through collaboration with other entities in the supply chain or through marketing initiatives sponsored by the pawn institutions themselves. This assistance helps farmers secure more favorable prices for their crops in Wono Agung Village.

Agricultural land pawn institutions in Wono Agung Village have emerged as a vital social mechanism for addressing economic hardships faced by the community. This system plays a crucial role in providing access to necessary resources that farmers previously found difficult to secure. By using their farmland as collateral, villagers can obtain funds essential for enhancing agricultural productivity. This includes investments in high-quality seeds, fertilizers, and modern farming equipment. Furthermore, these institutions empower rural communities by offering opportunities to diversify their income sources beyond traditional farming. This diversification allows them to establish side businesses or pursue verified entrepreneurial ventures, thereby reducing their sole dependency on agricultural yields.

The success of agricultural land pawning as a social institution also hinges on effective implementation and robust support from both government and relevant organizations. With appropriate backing, land pledging has delivered tangible benefits to the residents of Wono Agung Village, facilitating a more resilient and economically diverse community. Agricultural pawning has garnered attention as a promising solution to the financial constraints commonly experienced in rural settings, particularly in areas heavily reliant on agriculture. The establishment of agricultural land pawn institutions offers a pragmatic alternative for community members to leverage their most significant assets—agricultural land—to fulfill a range of needs, from business capital to personal financial emergencies.

25 Interview with Mr. Jumino as Pawn Receiver, June 19, 2023
27 Ibid.
C. Conclusion

In Wono Agung Village, Tulang Bawang Regency, agricultural land pawning is implemented through two methods: written agreements and verbal commitments. The community primarily pawns agricultural land due to various reasons including the need for agricultural business capital, education expenses, economic hardships, expansion of agricultural holdings, healthcare costs, and other urgent necessities. There are two prevalent models of agricultural land pawning observed in the village. In the first model, the pawn recipient takes over the management of the land without sharing any profits with the landowner. In the second model, the landowner continues to cultivate the land, but profits are shared with the pawn recipient. The pricing of pawned agricultural land is variable, influenced by the landowner’s expectations and the prevailing market rates.

Pawnaging agricultural land serves as a crucial social institution for the community of Wono Agung Village, offering a practical solution to economic challenges and playing a pivotal role in enhancing the welfare and economic status of the agricultural sector. This practice provides vital support during times of economic downturn and meets urgent financial needs. Beyond its financial benefits, agricultural land pawning also offers significant social protection to farmers, reinforcing solidarity and fostering strong community bonds among them. The institution of farmland pawning is instrumental in alleviating rural poverty, enabling farmers to boost their production and improve their livelihoods, thus reflecting positively on the overall sentiment and economic conditions of the Wono Agung Village community.

References

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B. Journal


