The Funding Issues With The Concept Of Interest and The Implementation Of Mudharabah Contracts In Islamic Banking Funding Systems

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ABSTRACT
Mudharabah contract is a lending agreement conducted within banks with a profit-sharing scheme. In this case, the Mudharabah contract is regulated in the DSN-MUI fatwa which has several aspects of rules in the implementation of Mudharabah contracts as funding or loans. This research is a literature analysis conducted and observed through examination, review, discussion of classic and modern literature as well as analysis using existing data. Data collection is carried out using documentation methods from various papers, articles, books, and journals. Then analyzed using content analysis and quantitative analysis methods, by analyzing descriptive or scientific data. The results of this study are explanations regarding Mudharabah, implementation, and contemporary issues. The similarity of this research with other studies is discussing Mudharabah, implementation, and contemporary issues, while the difference is that this paper provides discussions that have been studied from the thoughts of the authors based on what the authors obtained from papers, articles, books, and journals that already exist and adjust the implementation of Mudharabah contracts based on Majelis Ulama Indonesia.

INTRODUCTION
As one of the financial institutions, banks provide financial services such as loans, fund management, and act as deposit gatherers from the public. Banks are categorized into two types: conventional banks and Islamic banks. Islamic banks, generally referred to as interest-free banks, are financial institutions that implement systems based on Islamic law, derived from the Quran and the Hadith of Prophet Muhammad, while conventional banks do not adhere to Islamic principles in their implementation and principles. However, despite the differences in implementation and principles between the two types of banks, they have similar functions and roles in terms of handling funds sourced from the public, which are then channeled back as funding (Nugroho, 2011).

Islamic banks function as financial service institutions operated under Sharia principles. There are various Islamic banking products available, including: (1) Funding with profit-sharing contracts (Mudharabah and Musyarakah) (2) Fund disbursement (Financing) through sale contracts (Murabahah, Salam, Al-Istihna) (3) Funding through lease contracts (Ijarah) (4) Funding through complementary contracts (Hiwalah, Rahn, Qardh, Kafalah, and Wakalah). The development of Islamic banks is aimed at becoming a milestone in restructuring economic activities and behaviors to align with Sharia regulations, thus providing solutions to various crises caused by usurious practices. Therefore,
understanding what is prohibited by Sharia is crucial for economic actors to realize the essence of applying the concept of Sharia objectives (maqasid al-Sharia) (Rusydi, 2018).

One of the core products of Islamic banks in terms of funding is Mudharabah. The principle of Mudharabah is applied by agreeing on profit-sharing ratios. Mudharabah funding for customers is based on trust. In this regard, providing loans can be interpreted as entrusting fund management to customers. The funds provided are governed by agreed-upon rules and conditions. Profit sharing from business activities is distributed after calculations are made (both profit/loss distribution and income distribution).

**RESEARCH METHOD**

This research is a literature review employing a qualitative descriptive approach, which aims to describe or explain the application of Mudharabah financing in Islamic banks. The study utilizes data collection methods through documentation, including various articles and books (Zed, 2004). Subsequently, it undergoes content analysis, which involves analyzing descriptive data or scientific analysis of the premise’s message. The data analysis methods include deductive, inductive, and comparative approaches (Sugiyono, 2019).

**RESULT AND DISCUSSION**

**Islamic Baking**

As part of the Islamic economic system, Islamic banks have an obligation to adhere to the principles and ethics outlined in the Quran and Hadith. Among these are commonly used principles in Islamic banking, related to the concept of utility and centered on justice. This is reinforced by one of the verses in the Quran which prohibits consuming what is not rightfully owned (An-Nisa [4]:29), spending time on beneficial pursuits (Al-Baqarah [2]:168), abstaining from what is forbidden by Allah (Al-Maidah [5]:90), and always having positive perceptions or goodwill towards all people (Al-Baqarah [2]:83). There are also specific and detailed principles prohibiting usury, uncertainty, gambling, and other principles included in Sharia-compliant banking products. In order to achieve the goals of Islamic economics, Sharia financial institutions play a role in verifying products and the implementation of Sharia banks in accordance with Sharia principles. Its main objective is not only to gain material profit but also to gain spiritual value, which contains blessings for all transactions (Anwar, 2003).

On the other hand, Sudarsono explains that Islamic banks are institutions within financial institutions that primarily engage in providing credit, payment services, and other money circulation activities, operating based on Sharia principles (Sudarsono, 2002). Maulidizen states that Islamic banks are interest-free financial institutions whose main endeavor is to provide financing, payment services, and other money circulation activities, operating in accordance with Sharia principles in Islam (Maulidizen, 2019).

**Understanding Mudharabah Financing**

Mudharabah (derived from the Arabic word dharb), meaning to strike or walk, can be interpreted as a process where an individual puts their efforts into running a business. This involves obtaining a loan from a bank or institution to engage in a business venture. Mudharabah funding refers to funding provided by Islamic banks to other parties for productive ventures. Therefore, in Sharia banking contracts, Mudharabah is known as a two-stage agreement. According to Law No. 21 of 2008, regarding Sharia banking, stated in Chapter IV, Article 19, paragraph 1, clause c, Mudharabah funding is a cooperative transaction in which the first party (shahibul maal) or the Islamic bank provides all the funding, and the second party (mudharib) or the customer acts as the fund manager, sharing the profits according to the agreement outlined in the contract. However, any losses are fully borne by the Islamic bank as the lender, unless the second party intentionally makes errors, lacks attention, or fails to fulfill promises, in which case the borrower must fully reimburse the borrowed funds (Al-Dasûkî, 1967; Choudhry, 1983).
Islamic banks apply the principles of Mudharabah to financial products within Sharia financial institutions. In Mudharabah funding, profits are distributed among the bank and the entrepreneur. The determination of profit-sharing is based on income distribution. The income distribution in banks is calculated through profit-sharing based on the total revenue obtained before deducting various costs incurred to generate that revenue. This system of income distribution is applied to the bank’s revenue and is calculated based on gross sales, used in determining profit-sharing for bank financing products (Karim, 2000).

However, risks can arise in Mudharabah contracts when the funding provided to the entrepreneur is not used efficiently to maximize profits for both parties. As the management of funds lies with the entrepreneur, the bank’s access to information regarding the entrepreneur’s business becomes limited, leading to asymmetric information, where the entrepreneur possesses information unknown to the bank. This can lead to moral hazard, where the entrepreneur engages in actions beneficial to themselves but detrimental to the lender.

Islamic jurists, such as scholars, refer to profit-sharing contracts as Mudharabah, while others use the term qirad. Their interpretations of Mudharabah or qirad contracts. According to jurists, Mudharabah involves a transaction between two parties, where one provides capital for business ventures with pre-estimated profit-sharing ratios, such as half or one-third, subject to specified conditions; (1) The Hanafi school, Mudharabah focuses on the shared objectives of the contracting parties, utilizing profits, whereby assets are provided to another party with business expertise. It’s a partnership contract in profits, where one party owns capital, and the other owns services; (2) The Maliki school sees Mudharabah as a representative contract. Here, the owner of capital disburse their assets to someone else, usually in the form of payments (in terms of goods or currency); (3) The Hanbali school describes Mudharabah as an activity conducted by a person who provides capital in a predetermined amount to the business owner, with agreed-upon excess; and (4) The Shafi’i school defines Mudharabah as a transaction that involves one person entrusting their property to another (Saleem, 2013).

In Mudharabah funding, two parties enter into a partnership agreement: (1) The entrepreneur (mudharib), who requires capital and will undertake a project funded by the Islamic bank. The entrepreneur manages the business activities. The Islamic bank, as the fund provider, finances the business project needed by the entrepreneur. The bank provides 100% of the funding. Mudharabah funding involves the capital owner providing funds to the fund manager to engage in a business venture or provide skills, where all funds come from the capital owner, and both parties share the profits from the business activities. The collaboration between the two parties can involve financial resources, goods, equipment, property, and other valuable items (Naqvi, 1978)

The advantages of profit-sharing in Mudharabah funding lie in its structure and principles. Profit-sharing entails the distribution of surplus earnings agreed upon by both the capital provider (shahib al-mal) and the entrepreneur (mudharib). If the business incurs losses due to business risks rather than the fault of the entrepreneur, the distribution of losses is based on the capital contributions made by each party. All funds utilized in the entrepreneurial venture belong to the capital provider, thus any losses incurred are borne entirely by them. Therefore, the returns generated from such agreements constitute profits (Abbasi et al., 1989).

Profit-sharing involves the division of total income derived from managing funds within the business undertaken by the entrepreneur. This system can be implemented in income distribution within Sharia financial institutions. The advantages of profit-sharing in Mudharabah funding for the entrepreneur include providing motivation as the funding provided by the bank does not involve interest-based returns. Additionally, it can enhance the entrepreneur’s skills and capabilities, enabling them to run their business more effectively, generate higher yields, and foster the growth of their enterprise.

<p>| Table 1 The Contrast Between the Interest Concept and Profit-sharing Concept |
|-------------------------------|----------------|----------------|
| <strong>Fundamental Differences</strong>    | <strong>Interest Concept</strong> | <strong>Profit-sharing Concept</strong> |
| 12 |</p>
<table>
<thead>
<tr>
<th>Principle</th>
<th>Receiving profit in the form of interest or fixed additional payment on borrowed capital.</th>
<th>Sharing profits from business or investment results proportionally according to the initial agreement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>The risk is entirely borne by the borrower or customer.</td>
<td>Risks and profits are shared between the borrower or customer and the fund provider or bank.</td>
</tr>
<tr>
<td>Involvement of Third Parties</td>
<td>Typically involves financial intermediaries such as banks or other financial institutions.</td>
<td>More directly involves parties involved in business or investment, without financial intermediaries.</td>
</tr>
<tr>
<td>Time Frame</td>
<td>Interest payments are usually made fixedly over a specific period.</td>
<td>Profit sharing can be done periodically or when the business or investment yields profit.</td>
</tr>
<tr>
<td>Contract Nature</td>
<td>More formal and bound by written agreements, with predetermined interest terms.</td>
<td>More flexible and can be adjusted to the development of business or investment, depending on agreements between involved parties.</td>
</tr>
</tbody>
</table>

Sources: (Chapra, 2007).

The provisions of the Fatwa on Mudharabah Funding

Based on Fatwa DSN No.7/DSN-MUI/IV/2000 regarding Mudharabah funding, the following provisions are stipulated: (a) Mudharabah funding is provided for a defined period of time; (b) It is not permissible to tie the funding to events that may or may not occur in the future; (c) In principle, there is no compensation or interest involved in Mudharabah funding, as the contract is based on trust (yad al-amanah), except in cases of deliberate wrongdoing, breaches, or agreed negligence; and (d) If one party fails to fulfill its obligations or if a dispute arises between the parties, resolution must be sought through Sharia Arbitration Board in cases where consensus cannot be reached through consultation.

According to Fatwa DSN No.7/DSN-MUI/IV/2000, Mudharabah funding is permissible within Sharia-compliant financial institutions. It necessitates clear borrowing arrangements from the borrower to the financier, with a specified time frame, explicit contracts, and trustworthiness on the part of the borrower in handling the borrowed capital or transaction. Fundamentally, due to the trust-based nature of the transaction, no compensation or interest is provided for the borrowed funds.

Legal Basis of Mudharabah Financing

From various perspectives of the scholars, the fundamental legality of Mudharabah can be deemed valid as long as it is conducted in accordance with Shariah provisions, whether found in the Quran, Hadits, Ijma, or Qiyaas. The reasons why the Quran serves as the basis for Mudharabah are Al-Muzammil [73]:20; Al-Baqarah [2]:283; An-Nisa [4]:29. Meanwhile, the legal basis for Mudharabah contracts derived from the Hadiths of Prophet Muhammad are as follows: (a) Hadith narrated by Ibn Majah from Shuhaib, Prophet Muhammad said that three practices contain blessings: cash transactions, Mudharabah, and mixing wheat using Jewawut for household purposes, not for sale; (b) Hadith narrated by Thabrani, it is mentioned that when Abbas bin Abdul Muthalib entrusted his wealth in Mudharabah, he was instructed not to engage in maritime trade, not to descend into valleys, and not to purchase livestock. When the Prophet Muhammad SAW became aware of this stipulation, he approved it; and (c) Hadith narrated by Ibn Majah, it is emphasized that one should not harm oneself or others (Maulidizen, 2019a).

In addition to the Quran and Hadiths, the legality of Mudharabah is also based on a jurisprudential principle: “The principle is that all transactions are permissible unless there is evidence to the contrary”. This
principle of Islamic jurisprudence explains that the legality of a claim depends on the underlying principle from which the matter arises. If the prevailing law prohibits it in a particular case, the provision is also prohibited, and vice versa. In cases arising in commercial transactions, the default legal rule states that it is permissible as long as there is no evidence to the contrary.

**Pillars and Conditions of Mudharabah Financing**

The Mudharabah contract in practice comprises essential components, commonly referred to as the pillars of Mudharabah, which must be fulfilled for the Mudharabah to be valid. Mudharabah contracts are deemed conclusive upon compliance with and adherence to these pillars established by Islamic scholars. There are various opinions regarding the pillars of the Mudharabah contract. Hanafis that the proper offering and acceptance (ijab and qabul) constitute the pillars of the Mudharabah contract. However, according to the consensus and opinions of other scholars, the pillars of the Mudharabah contract encompass three elements: (1) The presence of two parties entering into the contract, comprising the capital owner and the manager of the capital (mudharib), and (2) The existence of promised assets, including profits and business capital, and (3) The expression of offer and acceptance (sighat) (Maulidizen, 2018a).

According to Hanafis, the pillars of Mudharabah are the proper ijab and qabul; whereas, besides the Hanafi opinion, there are additional opinions from the Shafi’is regarding the pillars of the Mudharabah contract. According to the Shafi’i, the pillars of Mudharabah include: (1) Capital or assets; (2) Entrepreneur or worker; (3) Profit; (4) Offer and acceptance (sighat); and (5) Contracting parties. In addition to the pillars of the Mudharabah contract that must be fulfilled when engaging in Mudharabah contracts, there are also conditions for Mudharabah. These conditions must be met for the Mudharabah contract to be valid. These conditions include: (1) The contracting parties, both the capital owner and the manager, must meet the requirements for valid transactions from a legal perspective, whether under Islamic law or positive law, and both parties must be capable of acting as representatives for their respective sides; (2) The contract or offer and acceptance (sighat) must entail the expression of all agreed-upon terms to achieve the objectives or desires of both parties and to ensure the perfection of the contract. Offer and acceptance (sighat) also have specific requirements that must be met, including: (a) Clearly indicating the purpose of the contract; (b) The offer and acceptance are not valid if one party rejects the agreed-upon terms; (c) The agreement or contract can be made orally or in writing, followed by signatures. Contracts can also be made through correspondence or facsimile; (3) Capital, when funds are provided from the capital owner to the manager for investment in Mudharabah activities, specific conditions must be met, including: (a) Knowledge of the amount and type of capital; (b) Capital is provided in cash. Some scholars permit providing Mudharabah capital in the form of trade inventory; (c) Profit, the amount exceeding the capital, is the goal of Mudharabah. Conditions related to profit include: profit is divided into two, The proportion or percentage of profit sharing must be specified and agreed upon at the time of contracting. If the duration is lengthy, such as three years or more, profit sharing agreements can be reviewed periodically, and Agreement regarding the expenses to be borne by the capital owner and what the manager must bear (Istiqomah & Hasanah, 2019; Rusydi, 2018).

According to other opinions, the valid conditions of the Mudharabah contract are closely related to the pillars of Mudharabah, and therefore cannot be neglected. Here are other opinions regarding the conditions of Mudharabah. The assets or business capital provided to the manager must be in the form of cash. If the assets or capital are in the form of gold, silver bars, jewelry, etc., then the Mudharabah is nullified. The individuals entering into the Mudharabah contract, both the capital provider and the manager, must be capable of conducting transactions. If the Mudharabah contract is entered into by minors, the mentally incapacitated, or individuals under the guardianship of others, then the contract is void. The provided capital must be clearly defined. This is necessary to distinguish between business capital and profits. The percentage division of profits between the capital provider and the manager must be clearly stated, and pronouncing the offer and acceptance (Maulidizen, 2018b).

**Implementation and Issues of Mudharabah Funding in Islamic Banks**
Funding through profit-sharing encompasses participation through Mudharabah and Musyarakah contracts. Mudharabah contracts involve two parties as discussed above, consisting of asset owners and business managers or lenders. In practice, Mudharabah contracts are generally applied to financing and investment products. In terms of fund mobilization, Mudharabah contracts are applied to: (a) Time deposits products, intended for specific purposes such as Hajj savings, Qurbani savings, ordinary deposits, etc, and (b) pecial investment deposits, where funds provided by investors are allocated to predetermined businesses. Examples include Murabahah or Ijarah-only contracts (Nugroho, 2011).

In terms of funding, Mudharabah contracts are applied to (a) Working capital funding, such as trading and service-based working capital funding, and (b) Special investments (restricted Mudharabah), where funds are allocated according to specific conditions set by the capital provider. There are several benefits to Mudharabah financing according to Antonio (2001: 97-98), including:
a. Banks benefit from profit-sharing schemes by increasing surplus payments when the operational income of the Mudharib increases.
b. Banks are not obligated to pay financing profits to Mudharib periodically but adjust them according to bank income/business development, preventing negative margins.
c. Principal funding returns are adjusted to the cash flow of the Mudharib’s business, thus not burdening customers.
d. Banks must be more selective and cautious in finding truly halal, safe, and profitable businesses because profitability is a crucial factor in Mudharabah contracts, determining profit-sharing.
e. The principles applied in Mudharabah differ from those in conventional banks where interest is involved.

In conventional banking, interest is not far from what is known as riba. The term riba originates from the Arabic language, etymologically meaning increase (al-Ziyadah) or excess, referring to additional payments on the capital provided. Another viewpoint describes riba as one-sided interest given by one party involved in a transaction. In Islam, interest is prohibited and has been explicitly stated in the Quran and Hadith, forbidding interest and prohibiting it in transactions. Therefore, Mudharabah contracts do not involve an interest-based system because Mudharabah contracts are based on profit-sharing schemes conducted within the framework of Islamic principles. Interest is considered detrimental to others because, fundamentally, the distribution of interest in transactions can sometimes burden one party involved in the transaction.

In the application of funding through Mudharabah contracts, besides adhering to the applicable laws and regulations, Islamic banks must also ensure that the funding process complies with Sharia law. Islamic banking in Indonesia faces issues related to the implementation of Mudharabah, classified into three main problems: Sharia, legal, and operational issues.

The first issue is Sharia-related. It’s often found that in the application of funding through Mudharabah contracts, Islamic banks require the capital manager (Mudharib) to provide collateral to the bank. This requirement burdens the Mudharib with providing collateral to the Sharia bank. This practice is mentioned in the Fatwa of Majelis Ulama Indonesia Number 007/DSN-MUI/IV/2000, which mandates collateral obligations in Mudharabah transactions. Although the existing Fatwa on Mudharabah financing states that it does not employ collateral as a principle, it assumes that the Mudharib will not deviate from the agreed-upon capital management process. Borrowers may request financial institutions to provide guarantees from the Mudharib or a third party executing the contract.

However, these guarantees should be flexible, easy, and not overly burdensome for the Mudharib. In essence, the guarantee should be moral, such as providing a recommendation letter from a reputable institution that can serve as collateral, trustworthy and responsible for the material (goods) in question. These forms of guarantees can serve as solutions to unforeseen problems through fair, wise, and prudent Mudharib actions. Shohibul maal can also request guarantees from the Amil based on Ushul Fiqh principles such as Al-mursalah and Al-maslahah, which are related to interests, needs, public interest, and virtue, as long as they do not contradict the principles and are clearly beneficial to all parties involved.
Another issue in Islamic banking relates to rules determining whether losses incurred by the Mudharib are the responsibility of the Mudharib or not. The return of funds by the capital recipient in Mudharabah will be provided in installments, resembling debt financing. Regarding legal issues, the main problem is the lack of an agreement explaining whether losses due to Mudharib negligence are the responsibility of the Mudharib.

In terms of operational issues, there is a problem with the human resource capability to determine the profit-sharing ratio for the Mudharib, which has not been adequately addressed. The issues in Islamic banks arise from inconsistent and suboptimal oversight of the businesses being conducted by the Mudharib during Mudharabah contracts. Additionally, many Islamic banks do not involve the Mudharib in the formulation and calculation processes to anticipate profit sharing and finance installments through Mudharabah contracts (Ayub, 2007).

In the implementation of Mudharabah contracts, several main issues are encountered regarding the implementation of Mudharabah funding products, including:

a. Seriousness of the Mudharib in managing the business financed by the bank. In practice, companies managed by the Mudharib do not always meet the bank’s expectations. Often, obligations regarding funding to the bank are not fulfilled properly, resulting in funding stagnation.

b. Violation of provisions based on agreed agreements: This leads to misalignment between the management of businesses financed by the bank and the agreement. Banks cannot always supervise the concern over misuse of funds (side streaming) where the Mudharib does not use them according to the provisions of the agreement or contract.

c. Mudharib’s failure to conduct internal company management professionally and in accordance with agreed management standards between the bank and the customer.

d. Negligence of the Mudharib in managing the business financed by the bank. This reality brings many problems. Customers (Mudharib) can still hide the actual business profits, triggering reluctance to finance for Islamic banks.

e. Shohibul maal (Islamic bank) does not trust the honesty of the final reports from the Mudharib: Cases of moral hazard by the Mudharib are still found.

Based on the above explanation, there are steps that can be taken in selecting alternative solutions to risk issues in Mudharabah contracts, including:

First Preference:
Establish a covenant (condition) for the minimum debt-to-fund ratio. This can be implemented by applying clauses in Mudharabah profit-sharing financing agreements. This can reduce the potential dishonesty of the Mudharib because they will bear losses caused by mismanagement of the business. Thus, the agency problem in Mudharabah financing can be minimized.

Second Preference:
Set a covenant (condition) for the maximum ratio of fixed assets to total assets. When making the contract, one of the required conditions is fixed assets that can be used as collateral. The larger the asset value, the more positive the impact on funding sources. This can be implemented as a covenant (condition) for the maximum ratio of assets to total Mudharib assets, preventing excessive asset investment.

Third Preference:
Establish a covenant (condition) for conducting monitoring of business and cash flow. Often, lack of transparency in fund management leads to a tendency for misuse of funds. Monitoring is intended to audit the performance of the Mudharib (directly or indirectly). This ensures that financial reporting is seen by a third party as an auditor, providing the bank with a reference to analyze the Mudharib’s business financially to determine the appropriate and reasonable amount of funding based on the customer’s ability to pay.

Fourth Preference:
Set a covenant (condition) for profit sharing and its application to anticipate risks. By using an income-sharing approach, the bank does not require specialized staff for specific businesses designated to control and monitor the use of funds by the Mudharib.

Fifth Preference:
Establish a covenant (condition) for Mudharib preferences by determining the final outcome and payment of zakat. In practice, this is done by considering the implications of potential fraud and deception that cannot be tolerated in determining zakat payments. This can be achieved by improving the quality of Mudharib preferences as the trustee of funds from the Shohibul mal to be managed. The termination of a Mudharabah contract can occur due to various factors that transpire during its duration. These factors include: (a) Expiration of the Agreed Timeframe: In a Mudharabah contract, the agreement comes to an end upon the expiry of the predetermined time period; (b) Voluntary Withdrawal: Either party, the mudharib or the capital provider (shohibul mal), may opt to terminate the contract by withdrawing from the agreement; (c) Death or Incapacity: If either party dies or becomes incapacitated during the contract period, the Mudharabah agreement is terminated; (d) Violation of Trust by the Shohibul Mal: If the shohibul mal falls to fulfill their duties as the business manager in accordance with the terms of the agreement, such as by breaching trust or failing to exercise due diligence, the Mudharabah contract may be terminated, and (e) Exhaustion of Capital: The Mudharabah contract concludes when the provided capital is depleted. Due to the profit-sharing nature of Mudharabah, the capital is susceptible to depletion due to fluctuations in business returns.

CONCLUSION

The Mudharabah is one of the contracts applied within Islamic banks utilizing a profit-sharing scheme. This scheme differs from the interest-based approach commonly used in conventional banks. Consequently, the contracts in Islamic banks, including Mudharabah, differ significantly from those in conventional banks. Mudharabah is a contract where the entire capital investment comes from the capital provider, while the entrepreneur (mudharib) contributes solely with their expertise or skills, as previously explained. The implementation of Mudharabah contracts is guided by legal and foundational principles. According to the Fatwa issued by Dewan Syariah Nasional (DSN) regarding Mudharabah contracts, there is no collateral involved. However, in practice, collateral is often provided by the borrower to the Islamic bank to mitigate the risk of losing the entire investment for the capital provider. This measure is taken to minimize the risk of fraud, as complete trust in human integrity can be challenging to establish effectively. Additionally, Mudharabah contracts have a predetermined timeframe influenced by various factors such as constraints experienced by both the entrepreneur and the capital provider, as well as the capital invested in the contract.

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