
Analysis of the Mudharabah Contract in the Perspective of Islamic Fiqh and Its Implementation in Sharia Banking Practice

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Submitted: 2025-09-19 ; Accepted: 2025-11-02 ; Published: 2025-11-03

Abstract

The Mudharabah Agreement is a form of cooperation agreement between two parties, namely the mudharib (fund manager) and the shahibul mal (capital owner), where the profits are divided based on the previous agreement. Transparency, trust, and active involvement of both parties are the keys to the success of this contract. Mudharabah is often used in the context of Islamic finance to support the principle of risk and reward sharing. In its implementation, the Mudharabah contract reflects the principles of justice and economic sustainability in accordance with Islamic sharia values.

Keywords: *Akad Mudharabah, Mudharib, Shahibul Mal, Sharia Finance, Islamic Sharia Values*

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INTRODUCTION

The growing development of sharia business in Indonesia provides opportunities for sharia business people to play an active role in improving community resources through socialization efforts related to mechanisms, transactions, and operationalization in the realm of sharia business. This aims to ensure that the sharia business that has been operating can grow and develop optimally. The main challenge in the context of sharia business in Indonesia is to ensure the active participation of the community, especially considering that the majority of Indonesia's population is Muslim. Based on sharia principles, sharia business advocates for halal economic activities, including both in the aspects of the product that is the focus, how it is obtained, and how it is used. Since the majority of Indonesians adhere to the Islamic religion, their involvement and active participation are essential for the success and growth of sharia businesses in Indonesia.

Society as a social creature has a dependence on each other and common needs. The existence of different types of human beings with their own advantages and disadvantages, such as having excess wealth but lack of skills, or vice versa, indicates the need for collaboration. This collaboration allows the advantages in terms of wealth to unite with the expertise possessed by other individuals, creating a mutually beneficial cooperation. Therefore, Islam allows the formation of companies in business, one of which is through the principle of *mudharabah*, as a form of cooperation that can provide mutually beneficial benefits.

Mudharabah is a business cooperation agreement between two parties, where the first party acts as the owner of the fund (*shaibul mall*) who provides all the capital (100%), while the second party acts as the business manager or *mudharib*. Technically, *mudharabah* can be considered a form of profit partnership, where one party (*rabbul mal*) provides capital while the other party (*mudharib*) provides labor. Some *fiqh* scholars, such as the Hanafi and Hanbali scholars, use the term *mudharabah*, while the Maliki and Shafi'i scholars refer to the term *qiradh*. The *mudharabah* principle is a unique part of Islamic banking products, which philosophically have fundamental differences from the conventional banking system. This principle emphasizes the profit-sharing approach, known as profit and loss sharing. In this context, when the *mudharib* achieves the results of the development of the business capital provided by the *shaibul mal*, the profits obtained are divided according to the initial agreement. Similarly, in the event of a loss, both the *mudharib* and the *shaibul mal* share the responsibility. This concept reflects the principle of justice applied in the *mudharabah* scheme, which is different from the conventional system that focuses more on profit alone. *Mudharabah* is currently the main means used by Islamic financial institutions to raise public funds and provide various facilities, including financing facilities for entrepreneurs. According to Quardhawi, *Mudharabah*, which is based on the profit and loss sharing principle, is one of the most suitable alternatives for Islamic financial institutions that want to avoid the interest system, which is considered by some scholars to be equivalent to forbidden usury.

With this background, the author aims to examine how the implementation of *mudharabah* contracts is applied in Islamic banking practices as a whole. The research will also review the position of the *mudharabah* contract in *fiqh*, as well as the *mudharabah* contract scheme in depth.

The purpose of this study is to understand the position of *mudharabah* contracts in Islamic jurisprudence and the practice of its implementation in the realm of Islamic banking in general.

RESEARCH METHODOLOGY

This study uses a descriptive approach to analyze the Mudharabah Agreement. The research design is based on the review and synthesis of several related references from published journals.

The instruments used in this study involve the analysis of concepts based on a framework developed from the literature.

Data collection was carried out through systematic review and in-depth analysis of journals relevant to the research topic. Information was obtained through a comprehensive literature study.

Data analysis was carried out by detailing and comparing the findings from various journal references. The analytical approach involves the synthesis and interpretation of data from the relevant literature.

This research adheres to the principles of research ethics by not involving sampling. The references used are accessed and cited in accordance with scientific research ethics.

Although it tries to present a comprehensive picture, this study still has limitations related to the limitations of information from the available literature

RESULTS AND DISCUSSION

Mudharabah comes from the word *adh-dharbu fil ardhi*, which means walking on the earth. And walking on this earth is generally done in order to carry out a business, trade or jihad in the way of Allah, as Allah says in Surah Al-Muzzammil, verse 20. Mudharabah is also called *qiraadh*, derived from the word *al-qardhu* which means *al-qath'u* (a piece), because the owner of capital takes a part of his wealth to trade and he is entitled to a portion of his profits. Meanwhile, according to fiqh terms, Mudharabah is an agreement (business cooperation) between two parties, one of which provides capital to the other to be developed, while the profits are divided between the two in accordance with the agreed provisions.

1. In general, Mudharabah is divided into two types, namely: *Mudharabah muthlaq*, which is a mudharabah that is very broad in scope and is not bound by certain conditions around the business material; time, and business area. Here the funds received from *shahibul maal* (Property Owner) to *mudharib* (Fund Recipient) who give enormous power.
2. *Mudharabah muqayyad*, which is a mudharabah that is bound to certain conditions regarding the limitations of business materials, time, or place of business. Here this restriction often reflects *shahibul maal* entering the business world. Islam shariates the Mudharabah cooperation contract to make it easier for people, because some of them have property but are unable to manage it and there are also people who do not have property but have the ability to manage and develop it. So the Shari'ah allows this cooperation so that they can benefit each other. The capital owner utilizes the expertise of *Mudhorib* (manager) and *Mudhorib* utilizes property and thus property and charity cooperation is realized. Allah does not decree a single contract except to realize benefits and reject damage.
3. From Hakim ibn Hizam, the companion of the Messenger of Allah, that He once required the person whom He gave capital to develop by profit sharing (saying), "Do not put this wealth of mine on a living animal, do not bring it into the middle of the sea, and do not place it in a flood-prone valley; If you violate any of the prohibitions, then you must replace my property." (Saheeh Isnad: *Irwa - ul Ghalil V: 293, Ad - Daruquthni II: 63 no: 242, Al-Baihaqi VI: 111*)

Losses in this mudharabah are absolutely the responsibility of the capital owner. For the record, the management did not commit negligence and procedural errors in running the business that had been agreed upon with the conditions. The loss of the management is in terms of the energy and time that has been spent without getting a profit. This is a matter that has been agreed upon by the scholars, as affirmed by Shaykh al-Islam Ibn Taymiyyah in *Majmu Fataawa* (XXX/82).

The Mudharabah business can be limited in time and canceled by one of the parties from the capital owner or the capital manager. Because there are no conditions for continuous continuity in this kind of business transaction. Each party can cancel the transaction at any time he wants. Al-Kasani said: "If a person receives capital for the undertaking of mudharabah for one year, then in our view it is permissible." (*Bada-i'u Ash-Shana-i'* VIII/3633). Ibn Qudamah said: "It is permissible to limit the time of mudharabah such as saying, "I give you a capital of a certain number of dirhams so that you can manage it for one year. If the time is up, you must not buy or sell." (*Al-Mughni* V/69). In the practice of mudharabah, in principle, Islam offers a comprehensive view, in the sense that all economic activities in Islam are aimed at fulfilling economic and spiritual demands simultaneously which are loaded with moral considerations of religious values so that they are religious.³¹ Thus ethics is the most important thing in Islam. Therefore, the basic values of economics always prioritize the philosophy of Tawheed, especially in terms of ownership, balance, and justice.

- a. The basic value in the transaction can be found in the general rules that have been established by the sharia'. The rules are:
- b. Uphold the values of Godhead. This means that whatever type of muamalah is done by a Muslim, it must always be in order to serve Allah and the principle that Allah always supervises and controls the action.
- c. Pay attention to human values by highlighting commendable morals that carry the values of justice, honesty, and mutual respect for fellow humans.
- d. Balancing personal interests and community interests.
- e. Upholding the principle of equal rights and obligations among fellow human beings.
- f. Everything that is good is permissible and everything that is dirty and vile is haram, both in the form of deeds, words, such as fraud, speculation, manipulation, exploitation of human beings, hoarding of goods with the aim of making commodities in the market deplete so that prices soar and other acts.

Transactions in the sharia economy are carried out while still maintaining the benefits of both parties. Things that can cause harm and the parties know how to anticipate them, then they need to be avoided. Examples are bad faith in transactions, handing over goods that are not in accordance with the agreement and so on. For both parties, it is also forbidden to eat each other's property in an unlawful manner and in ways of seeking profit that are illegitimate and violate the shari'a such as usury, gambling and the like. Guarantees in mudharabah transactions Discourse in the practice of mudharabah transactions in which there is an obligation of mudharib to provide guarantees there are still differences of opinion among scholars. According to classical scholars, mudharabah agreements are not necessary and there is no guarantee allowed. It is unethical for Islamic financial institutions to ask for guarantees in terms of mudharabah cooperation agreements considering that this is both capital participation. This is based on the understanding that mudharabah transactions occur because of a common interest to partner in business which is based on an attitude of mutual need and mutual trust and

the occurrence of mudharabah when the owner of the capital already feels confident and confident in the person who will manage the capital. Therefore, the guarantee charged to the capital manager is considered not to reflect the true value of mudharabah.

In its development in modern economic practices in mudharabah transactions, especially in Indonesia, a mudharib will be burdened with guarantees. This is as stipulated in the provisions of Bank Indonesia as stated in Bank Indonesia Regulation Number: 7/46/PBI/2005 Article 6 letter (o) which explains that; The Bank may request guarantees or collateral to anticipate risks if the customer is unable to fulfill the obligations as stated in the contract due to negligence and/or fraud. In addition, the requirement of guarantees in mudharabah transactions is also contained in the Fatwa of the National Sharia Council Number: 07/DSN-MUI/IV/2000 concerning Mudharabah Financing which states that in principle, in mudharabah financing there is no guarantee, but in order for mudharib not to commit irregularities, Sharia Financial Institutions can ask for guarantees from mudharib or third parties. The stipulation of guarantees in mudharabah transactions is based more on the application of the *ijtihad* method which is not in the intention of setting aside the original law but is more based on the principle of using the *istihsan* method. This method in principle prioritizes the goal of realizing benefits or rejecting dangers specifically because the general postulate requires that these dangers be prevented.

In the past, people were still bound and subject to the values of Islamic teachings well so that the tendency to do evil in every transaction (*muamalah*) was very small or even almost non-existent because of his fear that evil deeds were contrary to the teachings of Islam that he adhered to. However, in the development of modern transactions, the tendency to do evil in a transaction is great. Therefore, it is necessary to be vigilant and anticipated so that the crime does not occur. The request for collateral in mudharabah transactions is more based on the application of the principle of prudence so as not to be trapped in the fraudulent/evil practice. So that in this transaction, the possibility of risks that occur and benefits can be realized properly in the practice of mudharabah. In the event that there is a guarantee in the practice of mudharabah, this guarantee can only be disbursed if the mudharib is proven to have violated the things that have been mutually agreed upon in the contract. This is as a consequence of the non-fulfillment of the agreed contract. Meanwhile Allah said: "O you who believe! Fulfill the contracts (promises that have been agreed)".

The purpose of a guarantee in mudharabah transactions is as a binder so that mudharabah cooperation partners are in good faith and serious in carrying out their business and mandate in accordance with Islamic law. This provision is in accordance with the rules of *fiqh* which reads: "Where there is benefit, there is the law of Allah."

The other goal is to avoid moral hazards carried out by mudharabah business partners. In the banking world, the existence of guarantees is very necessary as one of the risk mitigation of mudharabah business partners considering that the funds managed are customer funds that demand bank liquidity which if at any time the funds are withdrawn by the customer. This is in accordance with the theory of Islamic law which reads: "All mudharat must be avoided as much as possible."

Observing the differences in the opinions of scholars in terms of the existence of guarantees in mudharabah transactions as mentioned above, it seems that both opinions are possible to be applied. For the banking world or other financial institutions that manage so many customer funds, of course, they must prioritize the principle of prudence in transactions.

Therefore, as a form of the principle of prudence and avoiding a high level of risk from the possibility of undesirable acts by the mudharib, the existence of a guarantee from the mudharib according to the author is a must, even though in this mudharabah transaction both are the same parties that include the capital. In the practice of other mudharabah transactions, if the business partner of this mudharabah has been measured and tested, it is possible to be exempt from the existence of guarantees. The measurable category here is that the mudharabah business partner can fulfill its obligations in providing profit reports from business projects and on time. While the tested category here is that mudharabah business partners have never committed deviations on the grounds of the risk of business failure. Thus, there is a balance of rights and obligations from both parties.

CONCLUSION

Mudharabah is an agreement (business cooperation) between two parties, in which one of them provides capital to the other to be developed, while the profits are divided between the two in accordance with the agreed provisions.

Mudharabah is divided into two, namely mudharabah mutlaq and mudharabah muqayyadah

According to Iman Al-Nawawi, there are 5 Rukum Mudharabah, namely:

- a. Capital
- b. Type of Business
- c. Advantages
- d. Shigat (Ijab Kabul)
- e. Two transaction actors

Losses in this mudharabah are absolutely the responsibility of the capital owner. For the record, the management did not commit negligence and procedural errors in running the business that had been agreed upon with the conditions. The loss of the management is in terms of the energy and time that has been spent without getting a profit. For the banking world or other financial institutions that manage customer funds, of course, they must prioritize the principle of prudence in transactions. Therefore, as a form of the principle of prudence and avoiding a high level of risk from the possibility of undesirable acts by the mudharib, a guarantee from the mudharib is required and it is a must, even though in this mudharabah transaction both are the same parties that include the capital

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