

# Toward Theory of Islamic Pricing:

Philosophy of a Just Profit Sharing Ratio of Muḍārabah Contract

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## Abstract

Islamic economy in Indonesia is in continuous development qualitatively and quantitatively. There are products of Islamic financial institutions which innovatively developed. However, there are findings which stated that the Islamic financial institutions in Indonesia still not in full compliance with the Shariah, especially in terms of fulfilling the justice experienced by Islamic bank's mudarabah contract customers. The injustice is on the nisbah or ratio between the capital owner and the capital manager. There are model or proposal to how to determine the profit sharing ratio, however, there is still none of them which dwelling on the idea of justice in profit sharing ratio. This research, using an explorative and qualitative approach contributes to the philosophical basis in determining the just profit sharing ratio. The reason for the research is since justice is one of the Islamic economy pillars in Islamic economy paradigm. By this research, it is hoped that the future practice of profit sharing ratio will be just for the actors of mudarabah contract.

**Keywords:** Theory, Islamic Pricing, Philosophy, Just, Profit Sharing Ratio, Muḍārabah Contract

## Introduction

In terms of improving community welfare, Islamic financial institutions are required to offer a variety of innovative Islamic financial products with a platform for upholding justice. Enforcing this justice is Allah's command as stated in one of them in the Qur'an Suat Al-Nahl verse 90. This justice is also a pillar that must be upheld in Islamic economics. The basic reason is that justice will bring people to prosperity (Shihab 1998, 68)

The principle applied in the Islamic financial institution's product of funding and financing of funds that distinguishes Islamic financial institutions from conventional financial institutions is the profit-sharing system. In the profit-sharing system, there are no parties that exploit and

predatory, both in improved economic conditions and a deteriorating economy (Ryandono 2009, 106).

In conventional economics and finance, the interest system is exploitative and predatory. When the economy deteriorates, the debtor can only get small profits and may even experience a loss. In this condition, the creditor exploits and becomes a predator for the debtor. When the economy improves, debtors get high profits but pay low interest. In this condition, the debtor exploits and becomes a predator for creditors. Interest leads to a process of inequality, namely that there are always parties who exploit and predatory, both in an improving and deteriorating economic condition. In addition, the interest must be paid by the debtor to the creditor. Even though the business costs are not necessarily profitable. Therefore, in the interest system there are parties who definitely receive income, and there are parties who are not certain to earn income, so there are risk-free parties, namely creditors, and there are parties who are not risk-free, namely the debtor (Ryandono 2009, 104). In this context, there is no justice which is then reflected in the interest system.

Islam provides a rational principle, namely a system of profit sharing in the economy. This is in accordance with God's law (*sunnatullah*). In this system a person obtains results in accordance with the effort. In addition, the results of human efforts the next day are the provisions and rights of God. Humans can not know for sure as mentioned in the Quran Surah Al Luqman verse 34. From this verse it is known that in human endeavor will experience a situation of ups and downs, can not provide certainty of profit or loss. Therefore, the results of human effort must reflect the balance; accept the outcome conditions in the form of profit and loss as *sunnatullah* (Shihab 1998, 156-157). Good and bad conditions, profit and loss must be shared equally among economic actors.

The principle of upholding justice is the opposite of conventional economic point of view because justice is not a norm in conventional economic understanding because justice is not a concern in the paradigm.

This profit sharing system, in Islamic economics is represented one of them by the contract of *Muḍārabah*. In history, the profit sharing system of *Muḍārabah* in economic activity was actually not a new concept (Hassan and Lewis 2007, 3). When it came to Islam, the Messenger of Allah agreed and many of the companions departed in the trade of other people's property in the *Muḍrabah*. The practice of the *Muḍārabah* also called by the Messenger of Allah to bring blessings in the hadith narrated by Ibn Majah of Shuhaib, "The Prophet said, 'There are three things that contain blessings: buying and selling not in cash, *muqaraḍah* (*Muḍārabah*), and mixing wheat with millet for domestic purposes, not for sale. '" (Fatwa of Shariah National Council No: 02/DSN-MUI/IV/2000).

The community also began to utilize various products in Islamic financial institutions. However, a phenomenon was found that there was an injustice in determining the *Muḍārabah* contract price, in this case the determination of the ratio or the ratio between *rabbul* and *mudarib* that occurred in Islamic banking in Indonesia (Kusuma 2018). There is also a research paper which explores how the Islamic banks in Indonesia determine their profit sharing ratio which also shows the similarity between Islamic bank and conventional bank's mechanism in determining the profit (Kusuma, Santosa, et al. 2018). This is a problem faced by banks in Indonesia. But it could be like an iceberg phenomenon which is actually a bigger but invisible problem.

There are many scientific papers regarding the mechanism of determination of the *Muḍārabah*'s *nisbah*. A study by Zubair Hasan (Hasan 1985) proposed a formula the determination of the *nisbah* of *Muḍārabah* in a system where interest and PLS financing co-exist. It argues the aggregate profit-sharing ratio is a function of the overall rate of return on investment, rate of

interest, degree of leverage, and risk premium. PLS financing is more profitable to financiers in the long run than interest financing.

A paper by team of the International Shari'ah Research Academy (ISRA) for Islamic Finance has collected a number of suggestions criticism of the model; and proposed the model for pricing of Islamic banks' product which is as alternative of benchmarking model (Omar Azmi M, Noor Md A, Meera Mydin Kameel A 2010) i.e. Ghazali (Ghazali 1994) gave a model known as "Rate of Profit Mechanism Model", Umar presented the model known as "Rate of Dividend of Islamic Banks Deposits and Investment Accounts Model", Usmani (Usmani 1998) proposed the idea of "The Creation of an Inter Islamic Bank Market Based on Islamic Principles" while Hassan (2009) proposed "A Benchmark that can fit both Islamic & Conventional Banks". Another idea known as "Islamic Interbank Benchmark Rate (IIBR)" was given by a group of 16 banks working with industry associations and data provider Thomson Reuters. However, almost all of these alternatives are based on money market measures without highlighting how they relate to real economy. After analyzing all previously offered model for Islamic benchmark, ISRA research team have tested two models based on CAPM (Capital Asset Pricing Model) and APT (The Arbitrage Pricing Theory) (Omar Azmi M, Noor Md A, Meera Mydin Kameel A 2010);

The recent papers i.e. written by Shahid Mohammad Khan Ghauri bring new light to the product development. In this case, Islamic finance should have its own footings in terms of product development. Ghauri analyzed that interest based benchmarks do not represent real economic activities (Ghauri 2015). The alternative proposed by Asaad Ismail Ali and M. Zahid Siddique which study the Islamic banking in Pakistan. They proposes the model by linking bank's profitability with prices determined in the commodity market for ijarah, diminishing musharakah and murabaha contract. (Ali and M. 2015). But, a research conducted in this topic which interviewed customers, managers, and experties of Islamic finance and banking shows evidence of a phenomenon of injustice experienced by the customers be it in the funding or financing of the banking products.

However, most of the studies mentioned in the literature review has not mentioned how the very foundation of a just profit sharing ratio which is the philosophical part of the profit sharing ratio. This becomes the point of interest of research. The problem raised is what is the philosophy a just profit sharing ratio of mudharabah contract.

## Research Methodology

This research aims to reveal Islamic perspective on the idea of justice on the profit sharing ratio of Muḍārabah contract. Islamic values in muamalah that are implied in some verses in Al-Qur'an, history of the financial system in the Prophet Muhammad pbuh and Shahabah eras, and Fiqh Axiom in muamalah are used as the sharia instruments in to achieve the research objective.

The type of this research is descriptive research with a qualitative approach that leaned on Islamic thoughts. The aim of a descriptive research is to describe the facts of the analyzed object actually and accurately (Nazir 2005, 63). And qualitative research data is stated verbally and analyzed without using any statistic tools (Sangadji and Sopiah 2010, 21).

The technique that used in this research is qualitative technique; one of its functions is to understand the sensitive issues and to do some evaluation (Moleong 2017, 7). The technique of this research is first done by understanding and exploring the data, from these steps, the analyzed problem is discovered. After the analyzed variables is understood then the problem is solved by writing it descriptively.

The next step to solve the problem is done by study literature; it's done by searching for the verses of Al-Qur'an about the Islamic values in muamalah that relating to the research problem. After those verses are found, the tafsirs of those verses are discussed and interpreted to look for the solution. Besides that, another solution is also searched by discussing the history of Prophet Muhammad pbuh and Caliph Umar bin Abdul Aziz.

The collecting data technique that used in this research is survey literature and interview technique. The aim of it is to make sure that there is no important variable in the past that found repeatedly influencing the overcome problems (Sekaran 2007, 82-83). The data analysis of this research is done by content analysis method. It is a method that used for normative research. It is meant as a technique to interpret and identify the characteristic of a command specifically, objectively and systematically (Stemler 2001). The first step in analyzing data is done by studying the injustice problem faced by Islamic financial institution of mudarabah product. It is important to solve the problem using the Islamic instruments because Islamic bank has sharia in guiding its operation. Then the next step is done by study literature searching for the verses of Al-Qur'an about Islamic values of justice toward profit sharing ratio. Those steps are done in order to gain the scientific truth (Narbuko and Achmadi 2004, 6)

## Result and discussion

Rasulullah Muhammad SAW was sent by Allah to convey the message of Islam which is a blessing for the entire universe (Zahrah 1994, 21), so that Islam is a religion for all mankind which in total, kaaffah, regulates human life so that according to its nature. The definition of Kâfah is to call on the Muslims to move their lives and lives to devote themselves fully to Allah with all sincerity (al-Fattah, 1995: xiii). The totality in this implementation is set by Allah with a warrant so that Muslims enter Islam in Kâffah as stated in Al-Quran Surat Al-Baqarah 208. The word al-Silm in verse in is Islam. The purpose of this verse is, "Enter you into all the teachings of Islam". Therefore, invoke Islam and practice it in total. It is not justified to take one part and leave the other part. In this case included in muamalah in finance.

An Islamic financial institution uses a variety of contract systems such as buying and selling, cooperation, leasing, pawning, etc. In the buying and selling system, there are contracts such as murabahah, greetings and istisna. In this contract there are two parties between the seller and the buyer. The seller then determines the price and profit gained. While the contract of cooperation (syirkah / partnership) is a capital and work contract. One of the main aspects that are required for this collaboration is the determination of the ratio or profit sharing ratio set at the beginning (Zuhaily 2011, 486-487). In this system, there are two contracts namely musyarakah and Muḍārabah contracts. Determination of the profit sharing ratio is crucial because it relates to the philosophy of sharing a fair ratio or ratio which is the focus of this research study.

Muḍārabah refers to the form of a business contract in which one party carries capital and the other carries business (skills) and personal time for business transactions. The proportionate share in the profits of a business deal is determined by a collective agreement. But the loss, if any, is borne only by the owner of the capital, in this case the entrepreneur does not get a share of the profits for his work. Financiers are known as Rab ul-Māl and entrepreneurs as Muḍarib. There are two types of Muḍrabah:

### 1) Muḍārabah Al Muqayyadah (Restricted Muḍārabah).

Under this scheme, rab ul-māl can determine a particular business choice or place of business for Mudarib, in which case he must invest money in a particular business or place.

## 2) Muḍārabah Al Muṭlaqah (Unrestricted Muḍārabah).

Under this scheme, *rab ul-Māl* gives Muḍarib complete freedom to do whatever business he deems fit. Without the approval of *Rabul-māl*, however, Muḍarib cannot invest money with anyone. Muḍarib is authorized to do whatever is normally done on a business trip, but cannot do anything outside the normal business routine without the express permission of *Rabul-māl*.

The essence of the mechanism of profit sharing investment basically lies in good cooperation between *ḥāhib u ul-māl* and muḍarib. Cooperation or partnership is a character in the Islamic economic community. Economic cooperation must be carried out in all lines of economic activity, namely: production, distribution of goods and services. One form of cooperation in business or Islamic economics is *qiraḍ* or Muḍārabah. *Qiraḍ* or Muḍārabah is a collaboration between the owner of capital or money with the entrepreneur who has the expertise or skills or labor in the implementation of economic units or business projects. Through *qiraḍ* or Muḍārabah both parties who are partnering will not get interest, but get profit sharing and profit sharing from economic projects mutually agreed upon (Muhammad 2001, 24)

### Profit Sharing Ratio of Muḍārabah

Linguistically, *nisbah* is ratio or comparison. In this context, this ratio is in terms of profit sharing (profit sharing) between *ṣāhib al-mal* and *muḍarib*. This ratio shows comparative figures between one value and other values relative, which is not a comparison between two posts in the financial statements and can be used to assess the condition of the company. The profit sharing ratio is the percentage of profit that will be obtained by *ḥāhib ul-māl* and muḍarib which are determined based on the agreement between the two. If the business loses due to business risk, not due to muḍarib negligence, then the loss is borne entirely by *ṣāhib u ul-māl*. Because all capital invested in muḍarib effort belongs to *ṣāhib ul-māl*, therefore, the profit sharing ratio is also called the profit ratio (Muhammad 2001, 99).

Fatwa of National Syariah Concil No: 15/DSN-MUI/IX/2000 about Principles of Profit Sharing Distribution of Islamic Finance Institution stated:

1. Basically, Islamic Financial Institutions may use the Net Revenue Sharing principle as well as For Profit Sharing (Profit Sharing) in the distribution of operating results with their partners (customers).
2. Viewed in terms of benefit (*al-ashlah*), at present, the distribution of business results should be used in the principle of Revenue Sharing (Net Revenue Sharing).
3. Determination of the principle of distribution of the selected business results must be agreed upon in the contract.

In the case of *mu'amalah*, Islam imposes to give relief to humans. In this case, it is economically known that sometimes some people have assets, but are not capable of producing. And sometimes people do not have property, but they have the ability to produce it. Islamic Shari'ah allows this *mu'amalah* so that both parties can benefit from each other. So, the combination of the two becomes Muḍārabah. Therefore, the owner of the property benefits from the experience and expertise of *mubarib* (the person entrusted with capital), while muḍarib can benefit from the wealth of the *rabul māl* (capital owner / investor). Thus created cooperation between capital and work. And God does not set all forms of contract, but for the sake of creating benefit and stopping difficulties (Al-Faifi 2014, 811).

The contract of Muḍārabah is a contract that essentially prioritizes trust (trust) from the owner of the property / capital (*shabibul māl*) and the mandate of the property manager (muḍarib).

The advantage of trade in Muḍārabah is then divided based on the proportions agreed upon at the beginning of the contract. While in the case of loss, the capital owner bears the loss of capital loss while the capital manager loses because of loss of time, mind and energy. However, if the failure of the trade is due to the negligence of the capital manager then he is responsible for returning commercial capital to the owner of the capital. Therefore it is required that muḍarib is a person who is trusted, then ṣāhib ul-māl must not ask for collateral. ṣāhib ul-māl cannot claim any guarantee from muḍarib to return capital with profit if the loss is not due to muḍarib negligence. According to the Maliki and Syafi'i Mazhab scholars, if ḥāhib ul-māl requires the guarantee of muḍarib and states this in the terms of the contract, then their Muḍārabah contract is invalid (Harahap 2006).

Since its establishment, until now, Islamic finance in Indonesia has grown and developed as a financial intermediary that has the function of funding and funding funds. The activity of collecting and distributing funds is the main banking activity (Kasmir 2013, 13). In this context, Islamic banks have practically fulfilled the requirements as a bank, namely an institution that has a function as a party that conducts fund collection (Pooling of fund / funding) and distribution of funds (distribution of financing) so that in this case Islamic banks are referred to as Islamic financial intermediary institutions.

### **Philosophy of Islam in Justice Ratio to the Contract of Muḍārabah**

#### **Mutual willingness, Negotiation, Advantages and Risks**

The profit sharing system is a system of agreements or joint bonds in carrying out business activities carried out by Islamic financial institutions (IFIs), in the context of this research is Islamic banking with its customers. The profit and loss sharing in the Islamic banking system is a special feature offered by the Islamic Bank to the public. This then distinguishes the conventional banking system that uses interest that is perceived as a percentage of the loan principal. In this profit-sharing based business, there is a promise that there will be a sharing of the profits and losses that will be obtained between the parties involved, namely the owners of capital (rab ul-māl) and capital managers (Muḍārib). The profit sharing system is listed in the ratio, ratio or portion of the portion of the business results that are arranged in the form of percentages or ratios. This percentage is prepared according to the agreement of the parties involved whose determination is made at the beginning of the agreement.

The profit ratio must be shared between the two parties. One party is not allowed to take all profits without dividing the other party. In addition, the proportion of profits of each party must be known when contracting, and the proportion must be from profits. In the study of the law of mu'amalah, the problem of contract ('aqd) or agreement, which in the context of the contract of Muḍārabah pembahasan regarding the ratio, occupies a central position, because it is the most important way used to obtain a purpose. The contract is primarily related to the property or benefits of something legally (Az-Zarqa' 2012, 55).

The amount of determining the share of the profit sharing between the two parties is determined according to the results of the communication and negotiations that are mutually agreed upon, so that the willingness, mutual support, of each party is born without any element of coercion. This concept of willingness or likeness becomes a provision that must be carried out in Islamic trading, because the opponent is vanity. God obliges believers to leave or forbid vanity. This is written in Al-Quran Surat Annisa verse 29:

يَا أَيُّهَا الَّذِينَ ءَامَنُوا لَا تَأْكُلُوا أَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ إِلَّا أَنْ تَكُونَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ وَلَا تَقْتُلُوا أَنْفُسَكُمْ إِنَّ  
 اللَّهَ كَانَ بِكُمْ رَحِيمًا ٢٩

“O you who have believed, do not consume one another's wealth unjustly but only [in lawful] business by mutual consent. And do not kill yourselves [or one another]. Indeed, Allah is to you ever Merciful”

In connection with the above verse, Prof. Rifki Ismal from the National Syari'ah Council (DSN) of the Indonesian Ulema Council (MUI) emphasized that communication and negotiation are the main factors, the occurrence of such *'an taradhin*. In Quran Anisa 29 implicitly explains that mutual willingness occurs because of communication, negotiation, and cooperation. In addition, negotiations must be based on mutual intention to help "*Wa ta awanu alal birri wattaqwa* "and negotiations on Muḍārabah are a negotiation for the profit sharing ratio not the amount of the return. This also includes al maidah verse 1-2 "*aufu bil uqud*" (fulfill the contract) explaining the commitment of each party in the commercial contract (tijarah) for professional, full commitment, and not cheating plus not wrong.” (Ismal 2018)

The negotiation was taken to get a decision and agreement that was carried out by means of discussion and communication, until finally both parties could find an agreement, agreement, and the process of cooperation to determine a decision. This negotiation in the Muḍārabah contract is important because it aims to: 1) match the things that arise in an agreement; 2) To determine what agreement is desired from both parties; 3) To avoid conflicts or differences of opinion that might arise; 3) To unite various opinions to find a win-win solution from all parties.

The analysis developed in negotiating the Muadārabahini agreement ratio refers to Zartman (Zartman and Rubin 2002) which introduces 5 (five) analytical approaches: structural approach, strategic approach, process approach, behavioral approach, and integrative approach. Of the five approaches, in this study that is appropriate in Islamic construction is an Integrative Approach, namely an approach that emphasizes problem solving, creating value, communication, and the results of negotiation are win-win solutions; assuming win-win solutions; and has limitations in the use of time and all parties should pay attention and be prepared for counterattacks by non-integrative bargaining parties.

In the context of the Muḍārabah contract, both Muḍārabah deposits and financing have been stated by the National Sharia Council through fatwa No. 07 / DSN-MUI / IV / 2000 concerning financing of *Muḍrabah* (Qiraḍh). In the implementation of the contract, there was a negotiation with the agreement between *ṣāhib al-mal* and *Muḍārib*.

“...Muḍārabah, which is the cooperation contract of a two-party business in which the first party (malik, *ṣāhib al-māl*, LKS) provides all capital, while the second party ('amil, *Muḍārib*, customer) acts as the manager, and the business profits are divided between them accordingly agreement that is stated in the contract.” (Fatwa DSN MUI No. 07/DSN-MUI/IV/2000)

The agreement as written in the fatwa was formed in negotiations. With the negotiation then legalized in the document becomes a reference so that in the future there will be no disappointment. This kind of negotiation is important because the transaction process will lead to the attitude of inter-relations (*Muḍārib* and *ṣāhib al-mal* *riḍa* with the ratio) as in Al-Qur'an 4: 29 "... except by trading with each other between you." will be used as a basis for determining justice in the event of a dispute, both in the mechanism of the organization and in court.

In realizing the principle of *taradhin* in addition to communication and negotiation between *ṣāhib al-mal* and *Muḍārib*, it must also be reflected in justice. This is because a negotiation can

occur and are mutually willing, but the negotiations for one reason or another result in an injustice in determining the ratio; one party may then "hegemony," lead, dominate, and dominate the other party because of unconscious ignorance or weakness (Patria 2009, 13), or conscious. From this kind of hegemony, it can lead to a "false" or intermittent between parties who negotiate and consciously or unconsciously one of the parties will experience unjustness or injustice so that there is exploitation of one party or one of the parties gets an inappropriate with what he should receive. This certainly violates Allah's command in Al-Quran Surah Annisa 29 because it has acted violently by taking or accepting what is not their right.

To anticipate this kind of thing, the negotiation process can add a third party called a negotiator. These negotiators are people who have good negotiation skills and good business ethics, usually negotiators are mediators for those who are negotiating. In this context the negotiator acts like a consultant, so let him be a person who has skills in a related field whether in terms of risk management or material work to be carried out so that in determining the weight ratio or ratio can be transparent according to the meaning of justice itself: equality if equated, conformity with the workload and risk faced by each party, harmony, and in accordance with the responsibility responsibilities. This is then agreed between the two parties in the contract of Muabahārah so that proper justice can be found or the real relationship (between *din*) purely according to Islam. In negotiations using negotiators this is an effort or perceived bargaining process that needs to be carried out by the parties concerned to determine a fair final agreement.

In determining the fairness of the ratio, based on the meaning of justice that has been discussed by the commentators (Shihab 1998), namely: 1) equality, 2) acceptance in accordance with their rights, 3) equilibrium, 4) justice that is attributed to God. In the context of this negotiation, justice is reflected in equality in the bargaining position and the ratio that occurs is in accordance with the weight that must be received. That the ratio must reflect justice, namely that someone accepts his rights because it is in accordance with his capacity, as reflected in the following Al-Quran verse:

1) Al-Quran Surat Al-Baqarah 286

لَا يُكَلِّفُ اللَّهُ نَفْسًا إِلَّا وُسْعَهَا لَهَا مَا كَسَبَتْ وَعَلَيْهَا مَا اكْتَسَبَتْ رَبَّنَا لَا تُؤَاخِذْنَا إِنْ نَسِينَا أَوْ أَخْطَأْنَا رَبَّنَا وَلَا تَحْمِلْ عَلَيْنَا إَصْرًا كَمَا حَمَلْتَهُ عَلَى الَّذِينَ مِنْ قَبْلِنَا رَبَّنَا وَلَا تُحَمِّلْنَا مَا لَا طَاقَةَ لَنَا بِهِ وَاعْفُ عَنَّا وَارْحَمْنَا أَنْتَ مَوْلَانَا فَانصُرْنَا عَلَى الْقَوْمِ الْكَافِرِينَ ٢٨٦

*"Allah does not charge a soul except [with that within] its capacity. It will have [the consequence of] what [good] it has gained, and it will bear [the consequence of] what [evil] it has earned. "Our Lord, do not impose blame upon us if we have forgotten or erred. Our Lord, and lay not upon us a burden like that which You laid upon those before us. Our Lord, and burden us not with that which we have no ability to bear. And pardon us; and forgive us; and have mercy upon us. You are our protector, so give us victory over the disbelieving people."*

2) Al-Quran Surat At tur 21

وَالَّذِينَ ءَامَنُوا وَاتَّبَعَتْهُمْ ذُرِّيَّتُهُمْ بِإِيمَانٍ أَلْحَقْنَا بِهِمْ ذُرِّيَّتَهُمْ وَمَا أَلَتْنَاهُمْ مِنْ عَمَلِهِمْ مِنْ شَيْءٍ كُلُّ امْرِئٍ بِمَا كَسَبَ رَهِينٌ ٢١

*"And those who believed and whose descendants followed them in faith - We will join with them their descendants, and We will not deprive them of anything of their deeds. Every person, for what he earned, is retained"*

3) Al-Quran Surat Al Najm 38-39

أَلَا تَرَوْا وَازِرَةً وَزَرَ أُخْرَىٰ ۚ ۝٣٨ وَأَنْ لَّيْسَ لِلْإِنْسَانِ إِلَّا مَا سَعَىٰ ۝٣٩

38. That no bearer of burdens will bear the burden of another. 39. And that there is not for man except that [good] for which he strives

In addition to the Al-Quran verse, the Hadith of the Messenger of Allāh menjelaskan also explained about the acquisition of a person according to the level of effort he has done. In a Hadith which is carried out by the Muslim Imam in his sunan, the Messenger of Allah said, "Ajruka' alā qadri nashbika "which means" Your reward is based on your level of effort ". (Abdul Mudjib, Principles of Science: 79). This was also implemented in everyday life, including in economic practice during the time of the Prophet. There are many Hadiths that confirm this. Among them, From Abdullah bin Amr bin Ash RA, the Prophet SAW said:

وَلَا رِبْحُ مَا لَمْ يُضْمَنْ

“There should be no profit without risking loss.” (Ahmad 6831, Nasa’i 4647, dan dishahihka al-Albani)

Then the Hadith of A’isyah RA, the Prophet SAW said,

الْخَرَجُ بِالضَّمَانِ

“The result of the profit is in exchange for the risk he has.” (Ahmad 24956, Nasai 4507, dan dihasankan Syuaib al-Arnauth)

Then, the argument about whether to take wages because he had worked, the Hadith of Abu Hurairah RA, the Prophet SAW said,

عَنْ أَبِي هُرَيْرَةَ رَضِيَ اللَّهُ عَنْهُ عَنِ النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ قَالَ : قَالَ اللَّهُ: ثَلَاثَةٌ أَنَا خَصْمُهُمْ يَوْمَ الْقِيَامَةِ رَجُلٌ أَعْطِيَ بِي ثُمَّ غَدَرَ ، وَرَجُلٌ بَاعَ حُرًّا فَأَكَلَ ثَمَنَهُ، وَرَجُلٌ اسْتَأْجَرَ أَجِيرًا فَاسْتَوْفَى مِنْهُ وَلَمْ يُعْطِ أَجْرَهُ.

“From Abu Hurairah Radallahu ‘anhu from the Prophet Salallahu alaihi wa salam said: Allah Ta’ala said:” The three factions that I have are their dispute on the day of the Judge; a person who swears on my behalf then he does not fulfill it, and someone who sells human beings free and takes the price, and someone who hires a worker then completes the work but does not pay his wages” (HR. Bukhari 2227 dan Ahmad 8926)

In this Hadith, God defends the rights of employees who have worked, but he is not paid by his employer.

In other Hadith, as narrated by Ahmad, Abu Dawud, At-Tirmizi, Ibn Majah, and Ibn Hibban from Aisha, ra. that said:

إِنَّ رَجُلًا ابْتَاعَ عَبْدًا فَأَقَامَ عِنْدَهُ مَا شَاءَ اللَّهُ أَنْ يُقِيمَ ثُمَّ وَجَدَ بِهِ عَيْبًا فَخَا صَمَهُ إِلَى النَّبِيِّ صَلَّى اللَّهُ عَلَيْهِ وَسَلَّمَ فَرَدَّهُ عَلَيْهِ فَقَالَ الرَّجُلُ: يَا رَسُولَ اللَّهِ فَقَدْ اسْتَعْمَلْتُ غَلَامِي فَقَالَ: الْخَرَجُ بِالضَّمَانِ

“That a man sells a slave, then the slave resides in the place of the buyer within a few days the buyer gets a disability in the slave and reports to the Prophet

*Muhammad SAW, the prophet returns the slave to the man selling. So the man said "O Messenger of Allah, he (the buyer) has hired (benefited) my slave". The Messenger of Allah said: "The right to get results is due to the obligation to bear losses"* (Abu Dawud Sulaiman bin al-Asyats As-Sajastani, Sunan Abi Dawud, Beirut, Dar al-Kitab al-Arabi, juz 3, t.th. h. 305.)

The hadith tells that at the time of the Prophet SAW, there were friends who bought slaves. After being hired for a few days, the buyer saw a defect in his slave, which the seller did not tell. Finally he returned this slave to the seller. But the seller does not want to accept it, unless the buyer pays the rental value of a slave who has been hired at the buyer for several days.

Finally both of them complained to the Prophet SAW. And he decided, the seller must accept the return because of the defect, and the buyer is not obliged to pay the rental fee. The seller was not satisfied with this decision, until he said,

يَا رَسُولَ اللَّهِ قَدْ اسْتَعَلَّ غُلَامِي

*"O Messenger of Allah, he has enjoyed the 'results' from my slave."*

Then the Prophet SAW answered,

الْخَرَجُ بِالضَّمَانِ

*"The results are proportional to the risk burden."* (HR. Abu Daud & Ibnu Majah)

With this answer, the Prophet SAW won the buyer. The buyer is not obliged to pay the rent value, because as long as the slave is in his hand, the slave's safety is his responsibility. Therefore, just as he risks the safety of slaves, he also has the right to enjoy the results of the slave. The results he enjoyed, paid off with the risks that were his responsibility.

So Al-Kharaj is everything that comes out of something in the form of work, benefits and things like fruits from trees, milk from goats and so on, and all of them are the property of those who bear them, because if there is a loss then he will bear it. Another example: An animal is returned by the buyer on the grounds of disability. The seller cannot ask for payment for the use of the animal, because the use of the animal has become the right of the buyer.

According to (Djazuli 2010)), the meaning of the origin of al-kharāj is something that is issued both the benefits of objects and work, such as a tree removing fruit or animals removing milk. Whereas al-ḍomān is a substitute for what has been issued. An example in the book of fiqh, an animal is returned by the buyer on the grounds of disability. The seller cannot ask for payment for the use of the animal. Because the use of animals has become the right of the buyer

Ibn Taymiyyah in Fatawa Ibn Taymiyyah p. 7/402 states:

وسئل رحمه اهلل عن رجل اشترى هبيمة بثمن بعضه حلال وبعضه حرام فأبى شيء حكيم به الشرع ؟. اجلواب فأجاب : إذا كان اشترىها بثمن بعضه له وبعضه مغصوب فنصفها ملكه والنصف الآخر ال يستحقه ؛ بل يدفعه إبل صاحبه إن أمكن وإل تصدق به عنه فإن حصل من ذلك مناء كان حكمه حكم الأصل : نصفه له ونصفه للجهة الأخرى

*"Ibn Taimiyah was asked about a man who bought an animal where the property was to buy a portion of halal and some were unclean. How is the Shariah law in this matter? He replied: If you buy it with property that is partly owned and partly*

*ghasab (or stolen), then half of the animal belongs to him while the other half is not his right. Even he must give it to the owner if possible. If not, then it should be provided. If the animal makes a profit, the law is the same as the original law which is part of its property and part of the result belongs to someone else."*

The hadith includes a part of "Jawami 'ul Kalim", namely: a concise sentence but a broad meaning.

The hadith if the red thread is taken with the rules of al-kharāj bi al-ḍomān wa al-gunmu bi al-gurmi, then there will be a new rule that reads the results of operations in accordance with the level of costs that have been incurred and the benefits derived based on the level of risk faced. This is also consistent with the rules of fiqhiyah: al-ni'matu bi qadri an nuqmati wa aal-nuqmatu bi qadri al-ni'mati (Karim 2003). "Enjoyment is achieved based on the level of difficulty, and the difficulties faced based on the level of enjoyment that will be achieved." From the above argument, the scholars set a shorter rule

الْغُنْمُ بِالْغُرْمِ

*"The profit is given because there is a risk of loss."*

From these various verses and Hadiths In general, the principle taught by the Shari'a that the benefits gained by a person are directly proportional to the sacrifices and risks that they incur. This is explained briefly as a rule related to when a person has the right to benefit. The rule states:

يَسْتَحِقُّ الرِّبْحَ إِمَّا بِالْمَالِ أَوْ بِالْعَمَلِ أَوْ بِالضَّمَانِ

*"People are entitled to profit, because of property, work, or risk of loss."*

#### Rationality of Justice over Profits and Losses

If systematized, various verses of the Koran and the hadith of the Prophet are relating to various arguments in relation to one's rationality to obtain advantages:

##### 1) Rights of Profit Due to Investment Assets

The person who invests, he has the right to benefit from his capital increase. Because he also runs the risk of loss if his capital decreases. Therefore, if there is a Muḍārabah contract, where the financier requires, if a loss occurs or the project fails, then the capital must be returned so the Muḍārabah contract is canceled. Because it means the consequences are not working. Because investors are only ready to share profits, while he is not ready to share losses. And with the requirements, return the capital when a failure occurs, the status of the contract becomes qard (debt), so he is not entitled to receive profit sharing. Because all the advantages of usury status debt.

##### 2) Rights of Profit Due to Employment

The person who has worked, he has the right to get a reward for the work he does. This applies to the ijarah contract. While for the ju'alah contract (a kind of competition), what is done is buying and selling the proceeds of the business, and not the business volume. For example, cleaning computer viruses. If successful, Rp 100,000 will be paid; After cleaning for 1 hour, it didn't work, and handed the computer back to the owner. Can virus cleaners get paid? The answer is, you can't get a salary. He sells results and not merely services. Because he did not succeed, he was not entitled to get money.

Therefore, if in a transaction scheme, there is a position that always gets a salary, while he does not work at all, then this kind of scheme is problematic. Like an MLM business, where

there is an up line that always gets a bonus, even though he doesn't work at all. He does not make sales, nor does he seek customers, etc. he only enjoys the work of others who become his down line, so that the wages he receives are unauthorized wages.

### 3) Benefit due to dependents

The person who bears certain risks or is liable for certain responsibilities, then he is entitled to profit. Muḍārib (business actor) who manages the property of others, he holds responsibility for the property. Therefore, he has the right to get profit sharing.

## Conclusion

The profit sharing system in Islamic economics is an economic system that upholds justice. One of the dominant contracts used at the time of the Prophet and companions is the Mudharabah contract. In this case, the Muḍārabah agreement of two parties, namely rab ul-maa and mudarib, are entitled to get profit based on a ratio agreed earlier in the contract. This ratio will be the basis for the partition of the profit resulted. The ratio rules applied to the concept in the division. Philosophically, fair distribution reflects the value of mutual willingness, negotiation, profit and risk. The reasons for profits and losses are: Investment assets, employment and dependents. This answers the problem raised in the introduction

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