Profit Sharing Ratio In Islamic Economics: The Concept Of Justice In Muḍārabah

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Abstract - This article aims to analyze the concept of profit-sharing ratio muḍārabah in Islamic economics that is in harmony with the concept of distributive justice. The methodology used is descriptive analysis with literature study and documentation study techniques. However, in the course of their business, Islamic banks have not been able to make a maximum contribution to support the progress of the real sector, particularly in optimizing muḍārabah financing products, among others, triggered by asymmetric information and administrative problems. The advantages of profit-based financing, can move the real sector because it is productive, channeled to the needs of investment and working capital so that the possibility of a financial crisis will be reduced.

Keywords: profit-sharing ratio, Islamic economics, muḍārabah, distributive justice.

1. INTRODUCTION

Islamic economics according to Chapra (1985), is a branch of science that helps realize human welfare through the allocation and distribution of scarce resources in accordance with maqāṣid al-sharīʿa (the purpose of establishing Sharia). Furthermore, the basic message of the Qur'an is its emphasis on justice which is one form of its application in socioeconomic justice (Rahman, 1982). Individual freedom is not excessively restrained which creates macroeconomic and ecological imbalances or weakens the family, social solidarity, and the moral fabric of society. In terms of philosophy, Islamic economics is based on the concept of a triangle: the philosophy of God, humans and nature (Rozaalinda, 2016). This dimension of Islamic economic philosophy shows the perfection of human relations with God, the universe and other creatures of God. Islamic economic philosophy has a paradigm that is relevant to the values of faith, sharia and morals, which then are functionalized in the middle of human economic behavior.

The sharia economic model built on the basis of the philosophy of religiosity breeds an economic basis with the attribute of usury prohibition. At the same time, the institution of justice gives birth to a profit and loss sharing (PLS) theory base with a profit-sharing ratio attribute. While the instrument of benefit gave birth to institutional zakat policies, the prohibition of usury, and halal business financing (Setiono, 2015). These three bases are the fundamental aspects that differentiate them from conventional economics.
However, when viewed from its goal, all economic systems aim to provide prosperity for mankind in this world. (Hafiduddin, 2002) Furthermore, in Islamic economics, the welfare that will result is human welfare in the world and the hereafter (al-falâh) (Hawwa, 2002, pp. 186–204) achieved through the organization of natural resources based on cooperation and participation (Nurhasanah, 2010). Islamic economic unity exists in its aim, namely, to create prosperity, justice and equality as a form of good charity or social diversion that impacts to the hereafter in return for accountability in the world. Therefore, the Islamic economy is full of values adopted from the sources of the Qur'an and Sunnah.

Islamic Economics delivers businesspeople to productive businesses (Bhala et al., N.d., p. 83) This can be seen from the principle of profit in Islam based on work performance, services or expertise, responsibility, and risk. This is what is known as the profit-sharing principle, in the form of muḍārabah and mushārakah. Islam does not allow a person to obtain profits only on the basis of time delays as in the loan agreement, without the willingness to take risks so that Islamic economics has a theory of Economic Value of Time (Al-Jarhi, 2017). Motivation to strive, foster a spirit of entrepreneurship in the form of halal work, do not do things that are redundant, forbid all forms of hoarding and monopoly are things that encourage humans to cooperate with one another in the economic field. The concept of syirkah (cooperation) which includes muḍārabah and mushārakah is the right product for that purpose through the profit-sharing ratio mechanism.

Muḍārabah and mushārakah are two of the distribution instruments in economic activities that provide the value of justice, transparency and encourage mutual growth. (Sapuana, 2016). Muḍārabah and mushārakah are able to connect property owners with assets. So, muḍārabah and mushārakah are the the important economic tools for the people, who use financial resources. However, muḍārabah in practice has a lower rate of return and a higher risk; this level of inequality in the distribution of risk and returns has caused Islamic banks to reduce the use of muḍārabah financing in their investments (Bacha, 1997). In line with this, Alshattara & Atmeh (2016) also revealed several obstacles faced by banks in implementing muḍārabah. In fact, if examined in the shirkah system in muḍārabah is more in line with Islamic economics because it is based on universal principles of justice. Islamic economics with a system for a significant result in the concept of work is not understood only in terms of wage payments. Also, the contribution of output is not interpreted as average productivity as conventional. The aspect of social justice is universal, and the protection of property rights cannot be realized without productive work and capital formation (Choudhury, 1998)

In the conceptual order, the shirkah system (in mushārakah and muḍārabah) is believed to be able to overcome the disparity in capital distribution by encouraging the growth of a spirit of investment cooperation between strong investors and weak capitalists. Considering the very strategic position of profit in the Islamic economic system, this paper discusses the concept of profit-sharing ratio in Islamic economics and the value of justice contained therein.

2. LITERATURE REVIEW

2.1 Profit-Sharing Concept

The principles of Islamic economics are built on the prohibition of usury, gharar, maysîr, halal business conduct, togetherness to bear business risks and fair transactions. In fact, the establishment of Islamic Banking in Indonesia is also based on the aim of introducing a system to replace the interest mechanism in general banking transactions, with transactions based on profit-sharing systems.

Profit-sharing according to foreign terminology, known as profit-loss sharing, which in the economics dictionary, means the distribution of profits and losses. Definitive profit-loss
sharing means the distribution of some portion of profits to employees of a company. This theory is built as an offer outside the interest system, which tends not to reflect justice because it provides discrimination against the distribution of risk and profit for economic actors. Profit-loss sharing means profits and or losses that may arise from economic activities borne together. In the profit-sharing ratio there is no fixed and certain return as interest, the profit-sharing investment mechanism basically lies in good cooperation between the sāhib al-māl and the muḍārib (Afkar, 2018). Cooperation or partnership is a character in the Islamic economic community that is applied in all lines of economic activity both in production and distribution.

2.2 Revenue Sharing in Historical Tracks
The study of the prohibition of usury in Islam is stated in the Qur'an (QS Al-Baqarah: 287). The basis of the prohibition was preceded by the incident of the complaints of Mughīrah to the Governor of Mecca after Faith Makkah, namely ‘Attab bin Asyad about his debt which was affected by usury to Amr bin Auf from the Thaqif tribe. Mughīrah said to ‘Attab, “we are human beings suffering from the elimination of usury. We are billed to pay usury by others, while we do not want to receive usury because we obey the law to eliminate usury.” From this incident, it is clear that after the arrival of the law prohibiting the practice of usury in both small and large forms, the practice immediately declared illegal. Then came several forms of transactions that were far from usury practices, including the use of profit-sharing ratios in the form of muḍārabah and mushārakah.

Muḍārabah has been known since the time of the Prophet (Aziz, Farooq et al, 2013). Even before being appointed as a prophet, when Muhammad was a merchant, he had carried out qirāḍ or muḍārabah, when he travelled from Mecca to Sham to sell Khadijah’s goods (Wiroso, 2005, p. 34). In this case, Khadijah played the role of capital owner (sāhib al-māl) while the Prophet Muhammad played the role of entrepreneur (muḍārib). The population of Iraq used the term muḍārabah to refer a sharia transaction which involved travel, generally for business and war, and parties involved were entitled to receive a share of the profits obtained based on the effort done. (Afkar, 2018.)

Adi Warman Karim defines muḍārabah as a form of cooperation in business that existed before the Prophet Muhammad was appointed as an Apostle, who later determined his ability in Islam. The stipulation of Islamic law relating to mu’āmalah is the reestablishment and reaffirmation of practices that took place in the pre-Islamic era. That is because mu’āmalah is in line with Islamic principles and contains great benefits.

Furthermore, it turns out that muḍārabah was even practiced by Arabs before the decline of the golden age of Islamic rule. In the Middle Ages, the muḍārabah cooperation agreement was the most important economic tool for society, which used financial and human resources to fulfill trade objectives. Such a situation took place in the middle ages both in the west and in the Muslim world (Udovitch, 2008)

The introduction of the term muḍārabah originated in the Islamic world into the port cities of Italy at the end of the tenth century and the beginning of the eleventh century, causing European trade to flourish (Qomar, 2018).

Although muḍārabah has taken root in Arab society, Udovith argues that the mushārakah and muḍārabah cooperation institutions are not the result of inventions or fiqh (Islamic jurisprudence). Udovith further explained that muḍārabah has been known and used in the Middle East, at least since the Babylonian government. Muḍārabah is also contained in the Talmud. Whereas in the city of Mecca at that time as a trade center, it had gathered traders
from various countries with different forms of trade. Furthermore, *muḍārabah* is accepted as part of Islamic law, because there is no information from the *fiqh* scholars who are in conflict. Based on this, it is clear that *muḍārabah* originated from the custom of hereditary Arabs before the arrival of Islam.

In the history of the Islamic economy, financing made in accordance with sharia-compliant agreements has been a part of Muslim tradition since the time of the Prophet. Such practices of accepting deposits of property, lending money for consumption as well as for business purposes, and sending money have been carried out since the time of the Messenger of Allah. (Gunanto, 2019)

The banking function has also been carried out since the time of the Prophet Muhammad. Even banking practices had been carried out during the Bani Ummayah and Bani Abbasiah. During the Abassiyiah Period, people who had special expertise emerged: *nāqid* (courier); *ṣarrāf* (money changer); *jihbiz* (entrusted recipient). As for banking practices in Europe: *Jihbiz* was brought individually and was carried out by institutions up to Europe: King Henry VIII of 1545 allowed interest but forbade *ribā*. When renaissance occurred in Europe, the Muslim civilization had collapsed. The world was and is still dominated by interest-based banking practices. (Haryanto, 2010)

Furthermore, Muslim countries began to establish banks without interest. Malaysia in the 40s, Pakistan in the 1950s. Islamic bank innovation in Egypt in 1963; most successful and innovative: Mit Ghamr Local Saving Bank. In 1967 political turmoil ensued and suffered a setback and was taken over by the interest-based National Bank of Egypt.

2.3. **The Concept of Justice**

Justice with the word fair comes from Arabic, which means to be in the middle, honest, straight, and sincere. Justice, according to Aristotle, in his Nichomachean Ethics, is defined by doing good or in other words, justice is the main virtue (Wacks, 1995). According to Aristotle, "justice consists of equal treatment in proportion to the inequality". This principle departs from the assumption "that the same things are treated equally, and the same is not treated equally, proportionally. (Latifah, 2015)

In fair terminology means an attitude that is free from discrimination, dishonesty. In the Qur'an, the word 'just' is also called *qist* (QS al-Ḥujurāt 49: 9). Justice in *muḍārabah* is distributive justice that gives rights to each individual (Muladi, 2018). This is a concept of *raḥmah li ʿālamīn* (blessing for the universe) in Islam, where prosperity will be achieved for all nature if justice is upheld.

3. **METHODOLOGY**

This research is a qualitative research with a descriptive approach, which is the most basic form of research and is intended to describe or describe existing phenomena, both natural phenomena or human engineering (Sukmadinata, 2008)

Qualitative research is carried out by collecting and recording detailed data from various problems related to the object under study. According to Sugiyono, qualitative research methods are research used to investigate, discover, describe and explain the quality or features of social influence that cannot be explained, measured or illustrated through a quantitative approach. (Sugiyono, 2015)

Data collection methods used are the study of literature and documentation by finding secondary data sources and gathering information that is relevant to the problem under study.
The data analysis technique used is descriptive analytic. This data analysis technique aims to provide a description of the object being studied in detail and objectively in order to get the answer to the problem being studied.

4. RESULTS AND DISCUSSION

4.1 Characteristics of Profit-Sharing Ratio

Revenue sharing is a form of cooperation agreement between investors (investors) and capital managers (Entrepreneurs) to carry out joint economic business activities. Where the parties are bound by a contract in the business, if they get a profit it will be divided according to the ratio agreed at the outset. Likewise, if a business experiences a loss, it will be borne together according to their respective portions.

In the production sharing determination system, there are a number of things that need to be considered:

- In sharia rules relating to the distribution of operating results must be determined in advance at the beginning of the contract. And the determination of the amount of profit-sharing between the two parties must be agreed by the two parties that work together.
- The percentage of the profit ratio must be stated in terms of a percentage between the two parties, not stated in the nominal value of rupiah.
- Profit and loss. If the business gets a profit then the distribution is based on the ratio, whereas if the business suffers losses then the distribution is based on the proportion of capital (Karim, 2007)
- The magnitude of the ratio will usually be influenced by consideration of the contribution of each party in working together. prospects for profitability, and the level of risk that may occur (Yahya & Agunggunanto, 2011)

Among the characteristics of profit-sharing ratio, there is also a guarantee that will be requested in relation to the character risk of the muḍārib because if losses are caused by bad character of the muḍārib, then he is liable. However, if the loss is due to business risks, šāhib al-māl is not allowed to ask for collateral from the muḍārib.

Losses are borne from the profits in advance because profits are the protectors of capital. If the loss exceeds the profit, it will be taken from the principal.

The profit-sharing system is based on the verses of the Qur'an which form the basis of its guidance, (Muhammad, 2002, p. 103), namely:

- Among the characteristics of the profit-sharing ratio, there is also a guarantee that will be requested in relation to character risk owned by muḍārib because if losses are caused by bad character of muḍārib, then the bearer is muḍārib. However, if the loss is due to business risk, šāhib al-māl is not allowed to ask for collateral from muḍārib.
- Losses will be borne from the profits in advance because profits are the protectors of capital. If the loss exceeds the profit, it will be taken from the principal.

The functions above show that through profit-sharing will create a more equitable and equitable economic order. The implication of economic cooperation is the socio-political aspect of decision making carried out by deliberation to fight for common interests in the economic field, the interests of the country and the welfare of the people.
4.2 Revenue Sharing Calculation Mechanism

Profit-sharing is mutually agreed between the cooperating parties, is the proportion of revenue sharing on productivity. The nominal value can only be known after the results of the utilization of these funds already exist (ex post phenomenon). The magnitude of the ratio is usually based on the consideration of the proportion of the contribution of each party, the return (expected return) and the amount of risk (expected risk).

The profit-sharing calculation mechanism applied in sharia banking consists of two systems; Profit-sharing and Revenue Sharing.

4.2.1 Profit-Sharing

Profit-sharing according to Indonesian etymology is for profit. In the economic dictionary is defined as profit-sharing. Profit in terms is the difference that arises when the total revenue (total revenue) of a company is greater than the total cost (total cost). (Pass & Lowes, 1994)

In other terms, profit-sharing is the calculation of profit-sharing based on the net result of total revenue after deducting the costs incurred to obtain the income. (IBI Islamic Banking Development Team, 2001) In Islamic banking the term is often used is profit and loss sharing, where this can be interpreted as a division between profit and loss from income received on the results of operations that have been made.

The profit and loss sharing system in its implementation is a form of cooperation agreement between investors (investors) and capital managers (entrepreneurs) in carrying out economic business activities, both of which are bound by contracts in the business. If the profit is shared between the two parties according to the ratio agreed at the beginning of the agreement. Similarly, if a business suffers a loss then it is borne together according to their respective portions (Sarkaniputra, 2003)

In Islamic banking, according to Karim (2007), the profit-sharing ratio is determined by dividing the estimated profitability of muḍārib businesses by reference to the level of profit margin. Thus, the profit-sharing ratio for muḍārib is one hundred percent reduced by the profit-sharing ratio for banks. This can be explained in the following began:

![Diagram](image)

Figure-1. Profit-Sharing Framework Muḍarib / bank

Losses for investors do not get their investment capital in full or in whole, and for capital managers do not get wages / results from his efforts for the work he has done.

The profit gained from the results of the business will be distributed after the calculation has been done first of the costs incurred during the business process. Business results in the
business world can be negative, meaning that the business is losing money, positive means there are more residual figures than income minus costs, and zero means that between income and costs becomes a balance. (Falah, 2003) The profit shared is the net profit (net profit) which is the advantage of the difference in reducing total cost over total revenue.

4.3 Revenue Sharing
Revenue (income) in the economic dictionary is the result of money received by a company from the sale of goods (goods) and services (services) which results from sales revenue (sales revenue).

In revenue there are elements which consist of total costs (total cost) and profit (profit). Net profit (gross profit) is gross profit (gross profit) minus the cost of distribution of sales, administration and finance.

Based on the above definition, it can be concluded that the meaning of revenue on economic principles can be interpreted as total revenue from business results in production activities, which is the sum of total expenditure on goods or services multiplied by the price of the goods. The elements contained in revenue include the total cost of goods sold plus the total difference from the sales revenue.

While revenue in Islamic banking is the result received by banks from the distribution of funds in the form of productive assets, namely the placement of bank funds to other parties, is the difference between earning assets and the results of bank revenues (Rosdiana et al., 2018)

According to Karim (2007), the profit-sharing ratio for a bank is determined by dividing the estimated revenue (estimated profit rate without considering overhead costs) by referencing the profit rate. Thus, the profit-sharing ratio for mudārib is one hundred percent reduced by the profit-sharing ratio for banks.

When compared, the concept of profit-sharing is far more humanitarian than Revenue Sharing. In Revenue Sharing, business operational costs are borne by mudārib or managers. It is very detrimental to mudārib, because they have to bear operational costs, in this case there are those who are being wronged. (Antonio, 1999) That is what Islam wants to abolish by offering a very fair alternative for mutual benefit, not for the benefit of only parties through profit-loss sharing.

4.4 Establishing Profit-Sharing Ratio in Mudarabah
Mudārabah comes from the word ḍ-ṛ-b which means to walk. Understanding walking is more precisely the process of someone moving his feet to run his business. Mudārabah is mixing capital with services (skills or expertise). Profits are divided based on agreed ratios (profit-sharing portions) and losses are borne by the investors, while those who contribute to lost time and financial opportunities.

In terms, the scholars interpret mudārabah with different editors, but the substance is the same, namely partnership agreements or cooperation between the owners of capital (ṣāhib al-māl) and the manager of capital (muḍārib) with profit-sharing agreed upon. While financial losses are borne by the capital owners. Capital manager does not bear financial risk because he has to bear other losses, namely in the form of labor and time (non-financial), except if the loss occurs due to fraud and negligence of the manager. (Nazir, 2004)
The muḍārabah contract principally provides the flexibility for the muḍārib to determine the optimal level of effort to be undertaken (Muljawan, 2001). Therefore, muḍārib has the right to consider the benefits expected when determining the profit-sharing ratio. Muḍārabah contract rationality occurs if the profit or benefit portion for muḍārib meets the minimum satisfaction level of ṣāḥib al-māl and also the profit or benefit portion for ṣāḥib al-māl meets the minimum satisfaction level of muḍārib. (Muljawan, 2001)

This situation implies muḍārabah contracts become rational if each party is in a condition that allows them to get access to complete information. Where the minimum level of satisfaction of each party in receiving profits will be met, if both parties get access to the information they need in full, in other words there is no Asymmetric information, a condition that shows that some investors have information and the others do not have it, as Mishkin said Asymmetric Information is "a situation that arises when one party is insufficient knowledge about other parties involved in a transaction makes it impossible to make accurate decisions when conducting the transaction" (Mishkin, 2013). Asymmetry of information by agents (entrepreneurs or debtors) in financial contracts usually takes the form of moral hazard and adverse selection.

Moral hazard according to Mankiw "refers to risk, or hazard of inappropriate or otherwise 'immoral' behavior by the agent", this occurs when someone dares to take more risks because others bear the costs of those risks, agent actions can turn into losses on the other hand because they have more information so that they behave inappropriately. (Mankiw, 2012)

The determination of the profit-sharing ratio is mutually agreed between the owner of the fund and the entrepreneur, whether using profit-sharing or revenue sharing. According to Siagian, the higher the profit-sharing ratio required by the bank and approved by muḍārib, the greater the bank's willingness to finance the project. Conversely for muḍārib, the higher the profit-sharing ratio that is required by the bank, the more difficult the muḍārib willingness to receive funds from the bank, and vice versa.

![Figure-2. Revenue Sharing Supply and Demand Chart (Siagian, 2004)](image)

The horizontal axis shows the capital portion of the ṣāḥib al-māl and mudarib. The vertical axis shows the profit-sharing ratio received by ṣāḥib al-māl and muḍārib.

The higher the profit-sharing ratio required by the bank and approved by muḍārib, the greater the bank's willingness to finance the project. Conversely for muḍārib, the higher the profit-
sharing ratio that is required by the bank, the more difficult muḍārib willingness to receive funds from the bank, and vice versa. (Already above Siagian's opinion)

The supply curve $S$ has a positive slope, which means that the higher the profit-sharing portion received by šāhib al-māl, the more willingness it will be to offer capital. On the reverse side, the increase in the portion of revenue sharing received by šāhib al-māl means a decrease in the portion received by muḍārib. Therefore, the demand curve $D$ has a negative slope, which means an increase in the share of profit-sharing received by šāhib al-māl has the effect of reducing the capital demand from muḍārib.

4.5 Application of Mudarabah in Islamic Banking

In general, Islamic banking in Indonesia in the calculation of the results using a weighting system on each investment fund, how to multiply the percentage of the weight with the average balance. The consideration is, the more unstable the investment the smaller the weight imposed, conversely the more stable the investment, the greater the weight imposed, this is applied as a form of risk security for each investment fund. The weight will affect the amount of revenue sharing that will be distributed so that it will have an impact on the revenue sharing that will be received by the owner of the fund. (Yahya & Agunggunanto, 2011)

Specifically, in sharia banking, the mudarabah agreement has been expanded to include three parties, namely depositors as šāhib al-māl, banks as agents who function as intermediaries, and entrepreneurs as muḍārib who need funds (business actors). Muḍārabah is currently the main vehicle for sharia banks to mobilize public funds and to provide various facilities, such as financing facilities for entrepreneurs. Muḍārabah on the basis of profit and loss sharing principle is one of the right alternatives for sharia banks that avoid the interest free system which is considered by some scholars to be the same as forbidden usury. (Al-Zuhaylī, 1989)

Muḍārabah contracts in their implementation at a Sharia Bank the customer acts as a mudarib who gets business financing for the mudarabah contract capital. Muḍārib receives financial support from the bank, with which muḍārib can start doing business by spending in the form of merchandise to sell to buyers, with the aim of making a profit (Saeed, 2003)

Muḍārabah, usually applied to financing and funding products. On the side of fund raising, mudarabah is applied to:

- Futures savings, namely savings intended for special purposes such as Hajj savings, sacrificial savings, and so on.
- Regular deposits and muḍārabah deposits.

Whereas mudarabah financing is applied to

- working capital financing, such as trade and service working capital;
- special investment is also called mudarabah muqayyadah, where a special source of funds is channeled specifically to the conditions set by šāhib al-māl.

In current practice, mudarabah experiences change and development (modification), this happens because of social change and the development of the times. For this reason, Ibn Qayyim al-Jauziyyah formulated the following rules: "Taghayyur al-fatawā wa ikhtilāfuhā bi ḥasbi taghayyur al-azminah wa al-amkinah wa al-āhwāl wa al-niyyāt wa al-‘awā ’id", which means: in accordance with changes in place, age, social conditions, intentions and customs ".

Five factors, namely place, age, social conditions, intentions, and customs are very influential for the mujtahid in establishing a law in the field of mu’āmalah.
In establishing the law of a mu‘āmalah problem due to social changes caused by the five factors above, the reference is the achievement of maqāṣid al-sharī‘ah (the goal to be achieved in prescribing a law, in accordance with the will of the Sharia). Based on this, maqāṣid al-sharī‘ah then becomes the validity measure of the mu‘āmalah contract/transaction. Thus, mu’darabah in its current implementation can be adjusted to the social conditions and needs of the community in improving their economic life as long as it does not conflict with the principles of sharia and the objectives of the sharia itself, so that mu’darabah can play a role in economic development based on Sharia.

But in the course of its business, Islamic banks have not been able to provide the maximum contribution to support the progress of the real sector, especially in optimizing mu’darabah financing products. This happens because the financing provided is dominated by non-profit-sharing (murābaḥah) because it is more practical, easy and has a low level of risk. The high non-profit financing is a weakness of the development of Islamic bank financing, because the murābaḥah and ijārah schemes are actually a fixed return model, where if we are honest, the principle that distinguishes between Islamic banks and conventional banks lies in the principle of risk- its profit-sharing. The high operational burden and the still low profit-sharing financing are also triggered by asymmetric information and administrative problems (non-standardized accounting, bad debt). In addition, the limitation of Islamic bank assets, which is 6.01% of the total banking assets, causes Islamic banks to be more careful in financing, especially profit-sharing financing so that the ability to invest in Islamic banks is hampered.

4.6. Principles of Fairness in Revenue Sharing

Knowledge and application of Islamic economic rules aim at preventing injustice. Speaking of justice, one cannot forget the Greek philosophers Plato and Aristotle who laid the foundation for justice in relation to positive law. As an adherent of natural law / natural law, where at that time the idea of justice is what is fair according to its natural law and justice must be in accordance with the validity of the law, then Plato sees justice in terms of inspiration, whereas Aristotle moved from the background of thinking models society, politics and law (Gie, 1982)

Aristotle stated: "justice consists in treating equals equally and 'unequal' unequally, in proportion to their inequality". Based on the scientific analysis conducted, Aristotle distinguished justice into 2 types, distributive justice and cumulative justice. Distributive justice (Justitia distributia) is justice given to each person based on his services or distribution according to their respective rights. This justice plays a role in the relationship between the community and individuals. The cumulative justice (justitia cumulativa) is a justice received by each member without regard to their respective services (equality).

The principle of profit-sharing in mu’darabah bases the management of its business with the main philosophy of partnership and togetherness (sharing), in which there are elements of trust (trust), honesty and agreement. The emphasis of Islam on cooperation as a major concept in economic life has given rise to the belief that profit-sharing and participation are basic alternatives to the sharia financial system and other investments within an Islamic framework (Malik, 2011).

The value of justice in the mu’darabah and mushārakah agreements lies in the profit and risk sharing of each party that is conducting the collaboration in accordance with the portion of their involvement. Both parties will enjoy the benefits proportionally, if the cooperation benefits. On the other hand, each party receives a loss in a professional manner, if the joint venture is not getting results. From the aspect of the financier, the risk is losing money
invested. And from the *muḍārib* he accepts the risk of losing energy and mind in managing capital. (Afandi, 2009, pp. 101-102) Then justice in profit-sharing is a manifestation of distribution justice, where the profit received by someone is based on the amount of contribution given in the overall results of a business both in terms of capital contribution or expertise. Justice here is in accordance with the contract that has been agreed to be fair in the distribution of profits or fair in the distribution of losses in business cooperation, so that no party feels wronged. Both parties will pay attention to each other and feel responsible for the progress or setbacks of the business.

5. CONCLUSION

Profit-sharing financing is the core product of an Islamic bank that distinguishes it from the fixed-rate return system in the interest system of conventional banks. The *shirkah* contract (*muḍārabah* and *mushārakah*) is the pattern of direct investment in the real sector. Return to the financial sector (profit-sharing), in the principles of Islamic teachings, is largely determined by the real sector. (Gundogdu, n.d.)

The application of profit-sharing instruments reflects fairness more than the interest instruments. Profit-sharing considers the possibility of profit and risk as facts that might occur in the future. Whereas interest just recognizes the certainty of profit. The advantages of profit-based financing can move the real sector because it is productive, channeled for investment needs and working capital, so that the possibility of a financial crisis will be reduced. If investment in the real sector increases, it will certainly create new job opportunities, so as to reduce unemployment while increasing public income. Optimization of profit-sharing-based financing will encourage the growth of entrepreneurs or investors who dare to make risky business decisions. In the end, various new innovations will develop which will enhance the competitiveness of banks so that the existence of Islamic banks will be able to contribute in increasing the growth of the real sector. This function will be realized if Islamic banks use profit and loss sharing (*muḍārabah* and *mushārakah*) agreements as their core products.

Until now, *muḍārabah* has not been optimally implemented in the community because there are several obstacles in implementing it, for this reason it is necessary to optimize efforts through education and outreach to the public regarding the benefits of *muḍārabah*, continuous improvement of regulations by the authorities, and the participation of related parties, such as Islamic financial institutions, the Indonesian Ulama Council (MUI), academics, community leaders in an effort to improve the application of *muḍārabah* both individually and in Islamic financial institutions.

6. REFERENCES


