



## The Importance of Good Customer Ethics in Improving The Financing Portion of Mudharabah

<sup>1</sup>Khotibul Umam

<sup>1</sup>Lecturer, STAIN Pamekasan, Indonesia  
(Corresponding Author: [umamsibly@gmail.com](mailto:umamsibly@gmail.com))

---

**Abstract:** Mudharabah is a partnership contract (reputation agreement) in which one party (shahibul maal) will give his property to another party (mudharib) as productive business capital with profit sharing between the owner of the funds/capital based on the agreed ratio in advance. In practice, the application of financing mudharabah is not easy to be implemented in Islamic banking because financing mudharabah will make the asymmetric information between the customer and Islamic banking. Mudharabah client have more information than Islamic banking about all of that business. Asymmetric information sometimes can make the costumer do the moral hazard and adverse selection acts with the result that Islamic banking didn't take that risk and make the distribution of mudharabah financing portion becomes very small when compared to the total number of Islamic bank financing. Mudharabah Customers must have a good business ethics and always have advanced principle of honesty, trustworthy and transparent in managing shahibul maal funds in orther to they can minimize the risk of financing mudharabah and make Islamic banking be confident to grant the decision of financing mudharabah.

**Keywords:** Mudharabah Customer, Islamic Banking, Asymmetric Information.

---

### Introduction

As intermediary institutions, banks have an important role in developing the national economy considering the very important functions in collecting funds from the public (surplus) for distribution to the public (deficit) in the form of financing in an effort to boost the productivity of society. Mudharabah is one form of productive financing extended by the Islamic banking system by applying the scheme for the results (profit sharing) in that contract. Mudharabah is an cooperation agreement between the two parties in which one party (shahibul maal) will give his property to another party (mudharib) as productive business capital. The mudharabah concepts is appropriate to replace the mechanism of interest in financial transactions of banking institutions. Mudharabah in this case will distribute profit sharing rate in accordance with the terms and conditions agreed. The Mudharabah concept is the results of the core business of Islamic financial institutions because Islamic economy prohibits interest in any transaction.

In practice, sharia banks often avoid granting of mudharabah financing to customers considering the scheme of mudharabah financing has a great level of risk and can not bring permanent benefits as contained in murabahah financing. A study conducted by Thariqullah Khan and Habib Ahmed mentioned that Islamic financial institutions put mudharabah transactions as financing transactions with the highest credit risk to third level after musyarakah and diminishing musyarakah. The mudhabah risks iscaused by coustomer failure to fulfill its obligations. Mudharabah financing risks often occur as a result of credit scoring system that is less careful in anticipating various possible costomer business risks (Tariqullah Khan, 2001).

Islamic banks can not simply distribute the funds to mudharib based on trusty, because there is always the risk that the financing has been granted to mudharib not be used as

appropriate to maximize the benefits for both parties. Once the funds are managed by mudharib, the access bank information on the business mudharib be limited. So that, there is asymmetric information in which mudharib know information which is not known by the bank (A. Karim, 2010)

At the same time, the risks faced by Islamic banking in mudharabah financing will be raised as moral hazard, adverse selection (misuse of credit facilities by customers) and the limited competence of Islamic banking in assessing project mudharabah financing. The mudharabah risk is focused on the behavior of customer financing that is often ignore good business ethics in establishing business relations with Islamic banking. In this paper the author is interested to present scientific studies related to the role of good customer ethics, in pushing the decision on granting of financing mudharabah in view of the potential financing mudharabah which is currently not fully uncovered. The implementation scheme of mudharabah financing is expected to support the economic development of society in the future. Therefore, this paper will try to analyze the problems of the small proportion of the provision of mudharabah financing by presenting solutions based on constraints and problems during the time.

### **The Practice of Mudharabah Financing in Islamic Banking Institutions**

Mudharabah can be called also with Qiradh and muqaradhah. The term of Mudharabah comes from the Iraq society and the term of qiradh or muqaradhah is mentioned by Hijaz society. Qiradh and mudharabah have the same meaning and there is no difference in principle between the two terms (Dahlan, 2012). Mudharabah is one form of business cooperation, which is also called the al qiradh (pieces), because the owner cut some of its profits (Suhendi, 2010). The word of mudharabah comes from the root word dharaba in the sentence of dharb al-fi al-ard, namely travel for trade affairs as Allah said in the holly al Qur'an:

*“and those who walk on the earth may seek grace of Allah (Al-Muzammil: 20)*

According to the terms, Abdurrahman al-Jaziri said that mudharabah means giving expression to the property from one person to another as business capital where profit gained will be shared between the two of them, and if the loss will be borne by the investors (H. Karim, 1993). The codification of Indonesian Islamic banking mentioned that mudharabah is a transaction placement of funds from the fund (shahibul mal) to the fund manager (mudharib) to do certain business Shariah compliance, with the distribution of the results of operations between the two parties based on the agreed ratio in advance. Antonio Shafi'i stated that the Mudharabah is a business partnership contract between two parties where the first party (shahibul mal) provides a whole (100%) of capital. Whereas on the other party becomes a manager (Antonio, 2001).

National Sharia Council defines mudharabah as financing provided by Islamic Financial Institutions to the other party for a productive business. In this financing, Islamic Financial Institutions becomes ashahibulmaal (owner of the funds) to finance 100% of the project (business), while employers (customers) to act as mudharib or business manager. In this contract, costomer and Islamic banking determine the contract duration, refund procedures, and the sharing of benefits by agreement of both parties. After learning some definitions of mudharabah contract by some scholars, it seems to be understood that mudharabah is a partnership contract (reputable agreement) where one party (shahibul mal) will give his property to another party (mudharib) as capital productive business with profit which will be shared in accordance with good profit agreement using the principle of revenue sharing or profit sharing as the basis for the results. The ratio sharing agreements should be stated at the time of the mudharabah contract is agreed.

The legal basis for mudharabah financing is contained in Law of number 21 in 2008 concerning Islamic Banking, paragraph 1 Article 25, stated that the financing is the provision of

funds or bill equivalent to the transaction in the form of profit sharing in the form of mudharabah and musyarakah. Financing mudharabah is also stipulated in Indonesia Bank Regulation No.10 / 16 / PBI / 2008 in the paragraph 3 stated that compliance of sharia principles could use the agreement include mudharabah, Musharaka, murabaha, salam, istisnaa, Ijara, Ijara mutahiya bitamlik and qardh. In addition, the mudharabah financing is also arranged by syariah compliance agreement No.07 / DSN-MUI / IV / 2000 on Mudharabah (Qiradh). The law agreement explain matters related to the terms of the rules and regulations of mudharabah financing, namely:

1. The financiers (sahibul mal) and managers (mudharib) must be capable of law.
2. The Statement of agreement (ijab and qabul) must be declared by the parties to demonstrate their will to enter into a contract by paying attention in the following matters:
  - a. Offer and acceptance should explicitly indicate the purpose of the contract.
  - b. Acceptance of the offer must be made at the time of the contract.
  - c. The agreement put in writing, by correspondence, or by using modern ways of communication.
3. Capital is the amount of money and / or assets given by the provider of funds to mudharib for business purposes with the following requirements:
  - a. Capital have to know by its amount and its type.
  - b. Capital can take the form of money or goods were assessed. If the capital is given in the form of an asset, the asset must be assessed at the time of the contract.
  - c. Capital can not be in the form of accounts receivable and payable to mudharib, either gradually or not, in accordance with the agreements in the contract.
4. Mudharabah gain is the amount obtained as the excess of capital. Requirements must be met the following benefits:
  - a. The gain Should be reserved for both parties and should not be required to only one party.
  - b. Proportionate share of the profits for each party must be known and stated at the time the contract was agreed and should be in the form percentage (ratio) of profits under the agreements. Changes in the ratio should be based on an agreement.
  - c. Fund providers bear all the losses resulting from the mudharabah, and managers should not bear any losses resulting from errors unless intentional, negligence, or violation of the agreement.
5. The business activities by the manager (mudharib), as the proportionality capital (muqabil) provided by the fund providers, must pay attention to the following points:
  - a. The business activities are exclusive rights mudharib, without the intervention of the provider of funds, but he has the right to conduct surveillance.
  - b. Providers of funds should not be narrowed managers act in such a way that could hinder the achievement of objectives mudharabah, which is an advantage.
  - c. Business should not be violated Islamic Sharia law in its actions related to mudharabah, and must comply with the prevailing custom in such activities.

National Sharia Board stated Islamic law No.07 / DSN-MUI / IV / 2000 on Mudharabah (Qiradh) also arranged some of legal provisions in mudharabah financing, among others:

1. Mudharabah can be restricted in certain periods.
2. Contracts may not be associated (mu'allaq) by a future event that is not necessarily the case.
3. Basically, the mudharabah no compensation, because basically it is a mandate agreement (yad al-amanah), unless the result of a deliberate error, omission, or violation of the agreement.

4. If one party does not fulfill its obligations or if there is a dispute between two parties, the settlement through Arbitration Board Syari'ah after no agreement was reached by consensus.

Usmani (1999) formulated in the implementation of the provisions of sharia rules mudharabah, namely (Kettel, 2011):

1. Mudharabah agreement should be specific capital, considering that the capital will be returned back to its owner. So the amount must be known at the beginning of the contract. Uncertainty about the amount of capital would lead uncertain amount of profits.
2. Capital should be a valid currency in circulation. However, capital goods mudaraba can be evaluated its value at the beginning of the contract, and agreed as mudaraba capital.
3. Capital mudaraba should not be an obligation or debt mudharib.
4. Permissible for mudharib to mix their own capital to the capital of Mudharabah, both of which will be a partner. Withdrawals of capital on investment mudharabah is allowed.
5. Capital mudharabah must be received by the fund manager (mudharib) because if the capital will not receivable by mudharib it will be an obstacle for mudharib and limiting mudharib to manage that capital. Some moslem scholar allow the owners of capital give mudharabah capital gradually in accordance with the needs mudharib.
6. If two or more Islamic banks are involved in a mudharabah contract, the profit of mudharabah is divided between them and the owner of the funds, in proportion to the amount of capital provided by each party.
7. Shahibul mal allowed to provide restrictions / requirements to mudharib for a restriction / requirements that are beneficial and not the restrictions / requirements led to mudharib experienced problems or difficulties in achieving the advantages and objectives of mudharabah.
8. It is Allowed for a mudharib to have an assistant.
9. Implementation mudharabah limited to mudharabah business produces. Mudharib may not buy anything over the ability of capital assets mudaraba. Mudharib also not allowed to make partnerships with other mudharib and use mudaraba capital unless it has received permission from Shahibul mall.
10. In the mudharabah contract, mudharib not responsible for the loss of mudharaba capital except in the case of negligence or violations committed by mudharib. Allowed to take collateral of mudharib to guarantee payment for the harm done by the mudharib negligence
11. The distribution of profits must be clear and can be expressed as a percentage and is stated in the contract.
12. Gains in the mudaraba contract is distributed in accordance with the agreement of both parties contracting with certain ratios. In this case the owners are willing to bear the loss of funds, due to losses in the contract mudharabah is a decrease in owner's equity funds.
13. Mudharib may take advantage after obtaining permission from the owner (shahibul mal) after giving back the main capital to shahibul mal.
14. The mudharib's responsibility can be said to be safe if the principal capital of mudharaba can be returned to shahibul mal.
15. Mudharabah agreement can be stopped or canceled if both parties agree to provide options for contractors to continue or terminate the contract mudharabah. Some moslem scholar hold the view that mudharabah can not be stopped and it is binding if mudharib already started working.

The mudharabah financing can be an alternative for Islamic banks which have limited the placement of funds. Islamic banking can give financing facilities to the people especially to small and medium enterprises (UMKM). Many academics and policy makers who are interested

in writing that the allocation of funds by the bank preferable on the basis of profit and loss sharing more preferable to use financing models such as mudharabah and musyarakah than financing providing fixed return such as murabahah, Ijarah and istisnaa. However, in practice, Islamic banks use financing models of Mudharabah and musyarakah with a very small portion. This may be because of the high credit risk in them (Ahmed, 2008).

Based on Islamic Banking statistics, it can be seen that the allocation of averaging financing for Islamic Financing Commercial Bank (BUS) and Islamic Business Unit (UUS) from 2009 until the end of 2014 only 9.91% with the total average value of financing mudharabah Rp 10,910,000,000,000 from the average total Islamic banking financing, which reached Rp. 124,789,000,000,000 every year. In addition, Islamic Banking Statistics in June 2015 showed that the proportion of Mudharabah only 7.31% from the total financing BUS and UUS which is distributed to Rp203.409.000.000.000. This condition suggests that the potential financing mudharabah not fully uncovered in fostering economics society.

**Table 1. The Financing Composition of Islamic Financing Commercial Bank and Islamic Business Unit (in Billion Rupiah)**

Contracts	2009	2010	2011	2012	2013	2014	2015
	Des	Des	Des	Des	Des	Des	Juni
<i>Mudharabah</i>	6,597	8,631	10,229	12,023	13,625	14,354	14,906
<i>Musyarakah</i>	10,412	14,624	18,960	27,667	39,874	49,387	54,033
<i>Murabahah</i>	26,321	37,508	56,365	88,004	110,565	117,371	117,777
<i>Salam</i>	0	0	0	0	0	0	0
<i>Istishna</i>	423	347	326	376	582	633	678
<i>Ijarah</i>	1,305	2,341	3,839	7,345	10,481	11,620	11,561
<i>Qardh</i>	1,829	4,731	12,937	12,090	8,995	5,965	4,938
<b>the other</b>	0	0	0	0	0	0	0
<b>Total</b>	<b>46,886</b>	<b>68,181</b>	<b>102,655</b>	<b>147,505</b>	<b>184,122</b>	<b>199,330</b>	<b>203,894</b>

Source: Islamic Banking Statistics, June 2015.

Mudharabah contract in Financing Composition of Islamic Financing bank Statistics has third level after murabahah financing and musyarakah financing. Islamic banks in practice often avoids mudharabah financing schemes because mudharabah financing is disadvantageous in terms of portfolio diversification. The mudharbah financing is not yet able to bring permanent benefits as contained in murabahah financing. In general, the risk of financing is the risk caused by the failure of counterparties to fulfill their obligations. Mudharabah financing risk is often a result of the credit scoring system that is less careful in anticipating various possible business risks.

Islamic banks can not distribute customer financing is based on trusty, because there is always the risk that the financing has been provided to customers are not used as appropriate to maximize the benefits for both parties. At the same time raised the risks faced by Islamic banking in doing mudharabah such as moral hazard, adverse selection (misuse of credit facilities by customers) and the limited competence of Islamic banking in assessing the project of mudharabah financing. To consider the Giving Mudharabah financing Decision, Islamic banking will make a feasibility analysis that is often known as the principle 6 C's, as follows (Umam, 2013):

1. Character, namely the circumstances of time and behaviour of the client, both in their personal life and business environment. Character research has a purpose to

know the customer's ability to fulfill their obligations (willingness to pay) in accordance with the agreements that have been set.

2. Capital, it is the amount of own funds or capital owned by a prospective customer of financing. The greater the equity in the company, the higher the seriousness of prospective customers to run their businesses. Banks will give more financing offers. The ability of capital itself will be a strong fortress that are not easily got a shock from the outside, for example if there is an increase in interest rates. Therefore, the composition of the equity capital needs to be improved. An assessment of the amount of capital itself becomes important considering bank financing not only as additional financing to fund all the capital required.
3. Capacity, this is the ability of the prospective customers in running their financing in order to obtain the expected profit. The usefulness of this study was to determine or quantify the extent to which the prospective customer financing is able to refund or pay off debts (ability to pay) in a timely manner, of the operating results obtained.
4. Collateral, that the goods delivered customer of financing as collateral against the financing received. Collateral must be assessed to determine the extent of risk of financial obligations to the bank customer. Assessment of the collateral includes the type, location, proof of ownership and legal status.
5. Condition of Economy, namely the political, social, economic, cultural and economic conditions that affect the possibility of someday affect the smooth running of the company of financing of prospective customers.
6. The constraints, namely restrictions and barriers that do not allow a business to be carried out in certain places, such as the establishment of a venture gas stations around many welding shops or brick kilns.

From some of the above criteria, collateral is one of the factors that often make customers become bankable. According to Amir Machmud and Rukmana, the percentage of Islamic bank financing to customers can be great if more emphasis Islamic banking business feasibility (project) than the value of the collateral. That factor can be one of the obstacles for customers to gain access to conventional banking, not because the customer does not have assets but existing assets unbankable (Rukmana, 2010). The customer who can not be served by conventional banks is actually a prospective customer potential for Islamic banking.

The results of the Adiwarman Karim's research mentioned that financing is considered suitable for small business financing if Islamic banking implements the incentive compatible mechanisms constraints. There are four incentive compatible constraints that can be done, namely: (1) the determination of the capital portion of the customer, or the guarantees given by the customer, (2) minimal risk of business operations, (3) the business financed must have the financial statements, and (4) the business has uncontrollable costs low (Karim, 2000). Islamic banks have a uniqueness principle that can support the economy society because of advantages, among others: more flexibility in the provision of collateral, more flexibility in setting compensation, and more flexible in providing banking facilities, financing and other financial services. Based on the 6 C's aspect, character assessment and collateral are two indicators most commonly used by Islamic banking in providing financing.

Islamic banking can judge customers behavior by business track record. For new customers, Islamic banking typically will not provide financing with full confidence, such as mudharabah or musyarakah. Islamic banking will give new customer with the buying and selling of products, such as murabahah, salam and istishnaa because in this case Islamic banking can apply all pure banking principle, such as debt, obligation installment, period, price levels, additional collateral and so forth. When Islamic banking can already see the customer as someone who can be trusted based on the ethics of such financing (murabahah, salam and istishna) to fulfill its obligations, Islamic banking can offer a product that is more at risk, such as mudharabah (Hakim, 2011). In this mudharabah financing scheme, Islamic banks can no

longer charge completely risk to the customer, because the mudharabah financing schemes put Islamic banking as party association and have equal responsibility over the profits and losses of the projects financed by it. Credibility, integrity and accountability of customer mudharabah financing becomes the deciding factor in financing mudharabah given by Islamic banking because Islamic banking does not have much time to oversee the activities of business mudharabah every day.

For customers who have gained the trust of Islamic banking, the issue of guarantees (collateral) which is causing customers become bankable in the bank can be accommodated properly by Islamic banking with more attention to the feasibility of customers based on the quality of the principle character of customers that have been built with Islamic banks than the value collateral assets must be submitted to Islamic banking. If the value of the collateral assets deemed insufficient for the implementation of mudharabah financing, Islamic banking can request a guarantee of public figures (personal collateral) which ensures that customers of financing will carry out its obligations in terms of maximizing profits on the project mudharabah. In this case the customer ethical aspects of financing as a character quality assessment customers have an important role in the decision on granting of mudharabah financing.

The financing customer ethics is one of the key factors in building the reputation of the Islamic banking business. If the provision of mudharabah financing customer can be trusted, the higher risk products such as qardh (loan without profit sharing) can be given to the customer. Therefore, the ethics of financing customers are very important to build best character (behaviour) in the presence of Islamic banking as a basis for the decision on granting of mudharabah financing. If the confidence level of Islamic banking to clients of financing has reached the level of prime (prime customers), Islamic banks could give the financing with more attention to the customer's business feasibility than the customer's collateral value.

As a partner to customers in an business mudharabah, Islamic banking is proper give education and guidance on customer's mudharabah business such as the problems of production, management, market access and records of its financial statements. Both of them have equal responsibility in maximizing the business benefits of the project mudharabah business, so that the customer's mudharabah business can develop fast and improve the economy society at large. If customer's mudharabah business can develop fast, Islamic banking will get more profit because customer's mudharabah business share more profit than before.

### **The Mudharabah Customer Ethics as an Efforts to Increase Decision Granting of Mudharabah Financing in Islamic Banking Institution.**

In business, ethics is one of the main factors in foster public confidence and financing institution to make good cooperation relationship. The measurement of business ethics is very hard. The industrialist who violate ethics will get social punished from the society. Business people basically have a separate network that is very large and selective, so that each entrepreneur is cheating and unethical, its name will spread, it certainly will ruin his good name. lack of good business ethics one of which could be caused by industrialist's attention, responsibilities, and obligations of business behavior and managers too focus to gain as much as possible. The efforts of profit achievements have sunk and buried the moral consciousness of business people to do business ethically and well, so that all the competencies, skills, expertise, potential, and other capital devoted entirely to win competence. In the short term, it is have might to increase corporate profits, but in the long term, that will hurt the company itself due to the loss of confidence of customers. (Ernawan, 2011).

Ethics in Indonesian dictionary book is defined as the science of what is good and what is bad and about the rights and obligations of morality (Indonesia, 1994). According to Erni R, Irawan, ethics is the science of the teachings or customs relating to good habits or bad, ethics generally accepted on the attitudes, activity, liability and so on (Irawan, 2011). Abd. Haris stated

that ethics are generally only seen from the good-bad, because the good value it was considered to be definitely true and a bad score definitely considered to be one. it is increasingly clear if it is associated with ethics religious, whatever ordered by God is considered right and good, while prohibited him considered bad or wrong (Harris, 2010).

In practice, implementing mudharabah in Islamic banking institutions is not an easy thing, considered the risk of financing have a higher risk when compared to murabahah financing. The risk may be moral hazard, adverse selection and asymmetric information between the customer and Islamic banking. Customers of financing must have good business ethics in building a name and trust their business to Islamic banking. The agreement in the mudharabah financing is never going to happen in the absence of trust between the customer and Islamic banking. There are at least three business ethics that must be owned by the customer of mudharabah financing, namely:

### ***Implement Honesty***

Islam is promoting honesty in doing business, it can be seen from some of the hadith Rasulullah SAW always advocated honesty in conducting business activities such as the hadith of Abu Sa'id Al Khudri, RA, Rasulullah SAW said: "Traders are honest and trustworthy belonged the prophets's group, the people were really sincere and the Shuhada. "Ibn Umar RA, he said," Rasulullah SAW was asked about what business the most good? "he replied," business man with his own hands, and fair trade . "(Thabrani in Al Ausath and the narrators are reliable). From Anas, RA, Rasulullah SAW said, "Surely, the honest and true merchants will be under the protection of the Throne of God on the Day of Resurrection (Ashbhani) (Suyanto, 2008).

Honesty is the key to the success of a business in gaining the trust of the business community and Islamic banks. mudharabah financing customers are going to gain the trust of Islamic banking as their business partner if they always stressed honesty in every business enterprise. Mudharabah contract is a contract of trust. Businesses operating in the mudharabah contract set out a sense of confidence in each other (the customer and the Islamic bank) that one of them will keep their promise. If the mudharabah financing customers are violating their promise to commit fraud in mudharabah contract, it is no longer possible for Islamic banks cheated by then want to work together again. Besides, the society and business entrepreneurs will know their ugliness business and of course they will not do business with parties acting cheating.

### ***Amanah in Managing the Mudharabah Business***

Amanah is the second ethics that must be owned by the customer of mudharabah financing to build the trust of Islamic banking in business that they do together. In mudharabah financing, Islamic banking customer is a person believed in managing Islamic bank capital delivered through of financing. Capital submitted in this case is a trust that must be maintained by the customer. The understanding of trust in this contract have a certainty obligation if the mudharabah capital was damaged without any element of fraud, there is no responsible for him (Muhammad, 2004).

By positioning the customer as a trusted person (aman), mudharabah financing customer must keep the beliefs of Islamic banks to him. He can raise awareness and prudence in managing the business / project mudharabah. One of attitude of mudharabah customer attitudes, it can be seen from several aspects as follows:

- a. Customers can submit a guarantee of financing as evidence that customer financing is going to manage the mudharabah fund professionally and customers will not shirk his duties as party association (cooperation) in maximizing profits both parties. The customer willing bear the losses caused by his negligence.



- b. Conducting business activities efficiently by selecting a lower operating cost, and seeking a high return rate. business projects that can be considered by customers in the field of financing is a project that has the criteria of: good project profitability, variability and low uncertainty of the results is low, low risk of loss is low, low huge cost of the monitoring effort, good rate of return, having the rules of strict supervision, having process careful accounting, having the social and environmental support, short-term of the contract, the position of both the company's financial flows and asset security is assured (Khalil, Rickwood and Murinde, 2000).
- c. The mudhrabah financing customer have to commit financial data transparency by preparing periodic reports for top business financed by funds mudharaba. Customer financing is need to have a genuine will to maximize the benefits for both parties, either for himself and for Islamic banking as parties to work together. The mudhrabah financing customer will present a financial report correctly about the project mudharabah and they will be ready to be monitored and audited by the Islamic banking as the parties on joint business association.

### ***Improving the Quality of Transparency in Minimizing the Asymmetric Information that have Relevance to the Mudharabah Implementation***

In mudaraba financing, Islamic banking provides full power to the customer on the capital management mudharabah considering Islamic banking is not every day can monitor mudharabah business activities. Thus, the customer has full power and knowledge in mudhrabah business. This condition allows the asymmetric information. As a full ruling in the management of the activities carried out, the mudharabah customer can restrict access Islamic banking to get mudharabah business information. Islamic banking does not have sufficient information on the business financed except the information that is provided by the customer. Therefore, in that case when the customer provides information on the profits generated, the information is not sufficient to allow the profits earned by the Islamic banking so that Islamic banking will get lower profit than the market (Syafei, 2012).

According to Muhammad asymmetric information in practice may include activities and information. Issues relating to the activities of so-called hidden action, whereas the problems relating to the information referred to hidden information. Hidden action will bring up moral hazard and Hidden action will bring up adverse selection. In other words, Asymmetric information is a condition in the contract's financial that is usually in the form of moral hazard and adverse selection (Muhammad, 2008).

In mudharabah contract, the customer must show the good attitude to fulfill his obligation that have been agreed with Islamic banking by giving all of information regarding the mudharabah business in accordance with what is stated in the mudharabah agreement completely such as the time period, the profit sharing ratio, colletaral, etc. In addition, mudhrabah customers must be going to be monitored about financing project activities and all of costs incurred as a good faith customers in managing Islamic banking funds (Antonio, 2001).

Access to impartial information given by the customer to the Islamic banking institution is expected to reduce the intensity of moral hazard and adverse selection in the process of determining the optimal transaction. Making detailed mudharabah contract made by customers with Islamic banking is expected to be a solution in supporting transparency of information to minimize the risk of financing.

Mudhrabah financing consumer have to place forward good business ethics in developing trust of Moslem law bank by respect carefulness principle, sincerity, trust, information transparency, etc. In the other hand, customers of mudharabah financing should have a good faith to synergize with Islamic banking in maximizing profits on mudaraba project by providing impartial information so that the risk of financing such as moral hazard, adverse selection and Asymmetric information can be pressed as minimally as possible.

## **Conclusion**

Mudharabah is one of the financing agreement in Islamic banking which has a high risk because of mudharabah financing will make the asymmetric information between the customer and Islamic banking. the mudharabah financing customer is possible to have more information than Islamic banking because Islamic banking can not oversee business mudharabah everyday. Asymmetric information will cause the happening of moral hazard and adverse selection in the execution of mudharabah financing. Customers of mudharabah financing must have good business ethics in developing trust of Islamic banking and also in pushing applying of mudharabah agreement in islamic banking. One of the consumer ethics from mudharabah financing can be realized by implementing honesty in business activities, take responsibility to manage the funds of Islamic banking (shahibul mal) and have a quality of transparency in managing and maximizing the Islamic banking funds in achieving the advantage of both parties. The good mudharabah customer having good faith in managing the funds of Islamic banking is expected to minimize the risk of financing and encourage the application of mudharabah financing agreement in Islamic banking institutions.

## References

- Adiwarman A. Karim. (2000). *Incentive Compatible Constraints For Islamic: Banking Some Lessons From Bank Muamalat*, United Kingdom : Fourth International Conference On Islamic Economics And Banking Loughborough University.
- Adiwarman A. Karim. (2010). *Bank Islam: Analisis Fiqih dan Keuangan* (4th ed.). Jakarta: PT Raja Grafindo Persada
- Antonio, M. S. (2001). *Bank Syariah Dari Teori Ke Praktik*. Jakarta: Gema Insani.
- Ahmed Tahriqullah Khan Dan Habib Akmed. (2008). *Manajemen Risiko Lembaga Keuangan Syariah*, Jakarta : Bumi Aksara.
- Bank Indonesia. (2003), Peraturan Bank Indonesia Nomor: 5/ 9 /PBI/2003 Tentang Penyisihan Penghapusan Aktiva Produktif Bagi Bank Syariah.
- Cecep Maskanul Hakim. (2011), *Belajar Mudah Ekonomi Islam: Catatan Kritis Terhadap Dinamika Perkembangan Perbankan Syariah Di Indonesia*, Banten : Shuhuf Media Islami.
- Dahlan, A. (2012). *Bank Syariah: Teoritik, Praktik, Kritik* (1st ed.). Yogyakarta: Teras.
- Djakfar, H. Muhammad. (2012). *Etika Bisnis: Menangkap Spirit Ajaran Langit Dan Pesan Moral Ajaran Bumi*. Jakarta: Penebar Plus
- Ernawan, E. R. (2011). *Buiness Ethics: Etika Bisnis*. Bandung: Alfabeta.
- Gemala Dewi, Widyaningsih, Y. S. B. (2006). *Hukum Perikatan Islam Indonseia* (1st ed.). Jakarta: Kencana
- Haris, Abdul. (2010). *Etika Hamka: Konstruksi Etis Berbasis Rasional Religius*. Yogyakarta: Lkis Yogyakarta.
- Ikatan Akuntansi Indonesia. (2007). *Pernyataan Standar Akuntansi Keuangan Nomor 106 Tentang Akuntansi Mudharabah*.
- Indonesia, T. P. K. B. B. (1994). *Kamus Besar Bahasa Indonesia*. Jakarta: Balai Pustaka.
- Karim, H. (1993). *Fiqh Muamalah*. Jakarta: PT Raja Grafindo Persada.
- Kettel, B. (2011). *Introducing to Islamic Banking And Finance*. United Kingdom: A John Wiley And Sons, Ltd.
- Muhammad. (2004). *Etika Bisnis Islam*. Yogyakarta: Upp Amp Ykpn.
- Muhammad. (2005). *Manajemen Pembiayaan Bank Syariah*. Yogyakarta: UPP AMP YKPN.
- Muhammad, (2008). *Penyesuaian Masalah Agensi (Agency Problem) Dalam Kontrak Pembiayaan Mudharabah, Unisia: Jurnal Ilmu-Ilmu Sosial*, Vol 31, No 68 Tahun 2008.

- Rizal Yahya, Aji Erlangga Martawireja, A. A. (2009). *Akuntansi Perbankan Syariah: Teori Dan Praktik Kontemporer*. Jakarta: Salemba Empat.
- Rukmana Dan Amir Machmud. (2010). *Bank Syariah: Teori, Kebijakan, Dan Studi Empiris Di Indonesia*, Jakarta : Erlangga.
- Suhendi, H. (2010). *Fiqh Muamalah: Membahas ekonomi Islam, Kedudukan Harta, Hak Milik, Jual Beli, Bunga Bank dan Riba, Musyarakah, Ijarah, Koperasi, Asuransi, Etika Bisnis dan Lain-Lain*. (6th ed.). Jakarta: PT Raja Grafindo Persada.
- Suyanto. (2008). *Muhammad Business Strategy And Ethics: Etika Dan Bisnis Nabi Muhammad Saw*. Yogyakarta: Cv Andi Offset.
- Syafei, A. W. (2012). Indeks Transparansi Mudharib : Upaya Menurunkan Resiko Pembiayaan Mudharabah, *Jurnal Al-Azhar Indonesia Seri Pranata Sosial*, Vol. 1, No. 3, Maret 2012.
- Tariqullah Khan, H. ahmed. (2001). *Risk Management an Analysis of Issues in Islamic Financial Industry*. Jeddah: Islamic Research and Training Institute, Islamic Development Bank.
- Umam Khaerul. (2013). *Manajemen Perbankan Syariah*, Bandung : Cv Pustaka Setia.
- Statistik Perbankan Syariah, dari <http://www.ojk.go.id/data-statistik-perbankan-syariah>, diakses pada tanggal 16 Januari 2015.
- Fatwa Dewan Syari'ah Nasional No: 07/DSN-MUI/IV/2000 Tentang Pembiayaan *Mudharabah (Qiradh)*.
- Lampiran Surat Edaran Bank Indonesia No. 10/31/Dpbs Tahun 2008 Tentang Kodifiiksi Produk Perbankan Syariah
- Peraturan Bank Indonesia Nomor: 10/16/PBI/2008 Tentang Perubahan Atas Peraturan Bank Indonesia Nomor 9/19/PBI/2007 Tentang Pelaksanaan Prinsip Syariah Dalam Kegiatan Penghimpunan Dana Dan Penyaluran Dana Serta Pelayanan Jasa Bank Syariah
- UU No. 10 Tahun 1998 Tentang Perubahan atas Undang-Undang No.7 Tahun 1992 Tentang Perbankann yang Mengatur *Mudharabah* Sebagai Instrumen Tabungan.
- UU Nomor 21 Tahun 2008 tentang Perbankan Syariah.