

Two-Tier Mudarabah in Islamic Banks: Fiqh Transformation in Business

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Abstract : Conceptually, mudarabah is the practice of fiqh (jurisprudence) in the bank institutions business that became the basis of the economic development model of modern Islamic financial system. In mudarabah, profit and loss sharing mechanism are integrated between mudarabah on liability side (funding) with mudarabah on the asset side (financing). Islamic (Sharia) Bank is positioned as an intermediary institution like investment manager, although the bank is also involved in direct investment based on bank equity. In practice, mudarabah cannot be done as much as effective at financing because the dominance of debt-financing products. This is a major criticism among experts and Islamic banks practitioners. Ironically, the criticism gets less attention by practitioners of Islamic banks due to many factors. The epistemologies of Islamic banks prioritize shareholder values than stakeholder values, and social culture that has not been ready with the mudarabah totally.

Keywords : two tier mudarabah, intermediary institution, shareholder value, stakeholder value

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