

The background features several large, stylized, overlapping swirls in shades of green, purple, and blue. Scattered throughout are numerous small, yellow, triangular shapes, some pointing towards the center and others away, creating a dynamic and festive feel.

# *Musharakah Tutorial - chart*

*Dr. Hasan Lahsasna*

*hasan@inceif.org*

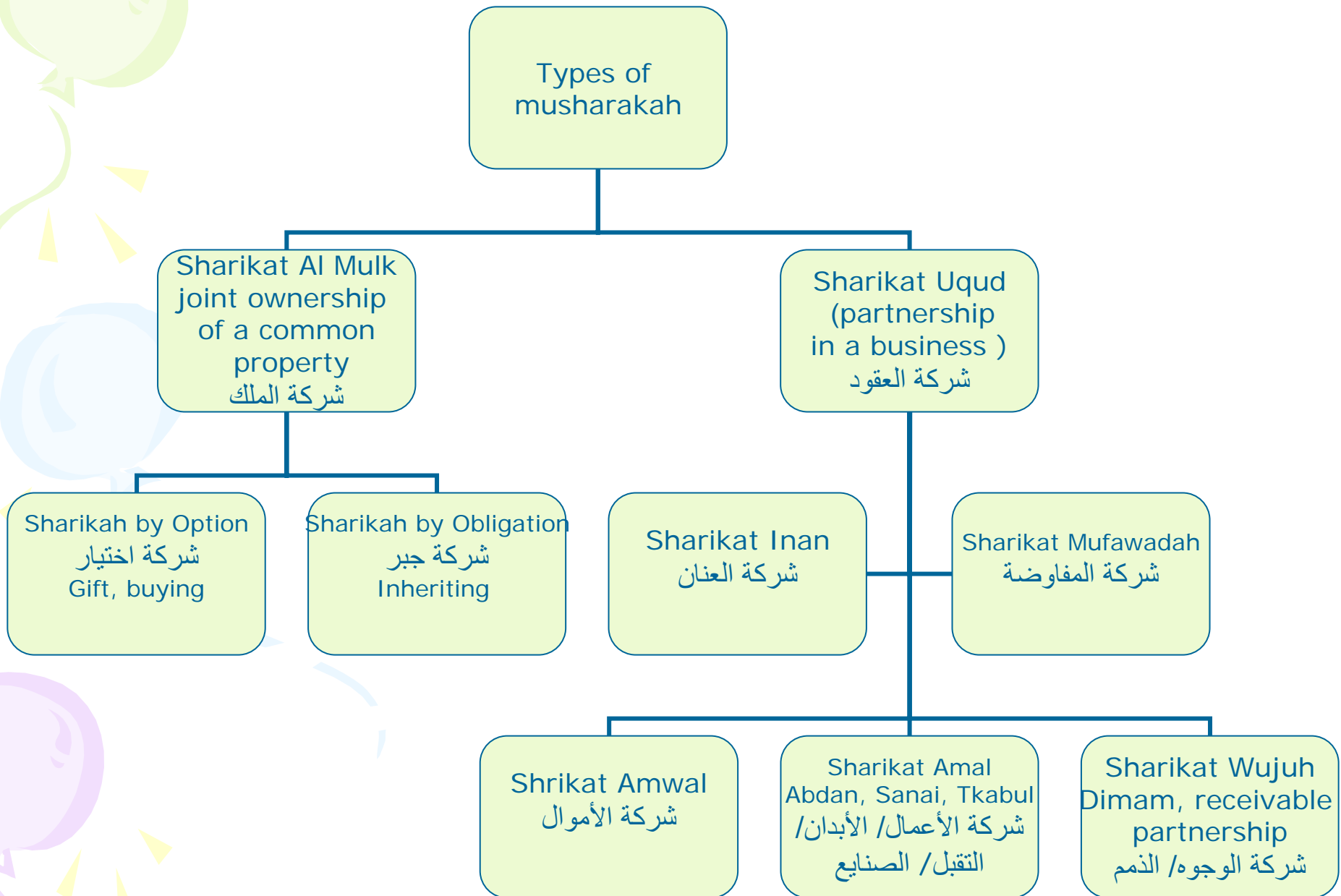
*INCEIF, Kuala Lumpur, Malaysia*

# Definition

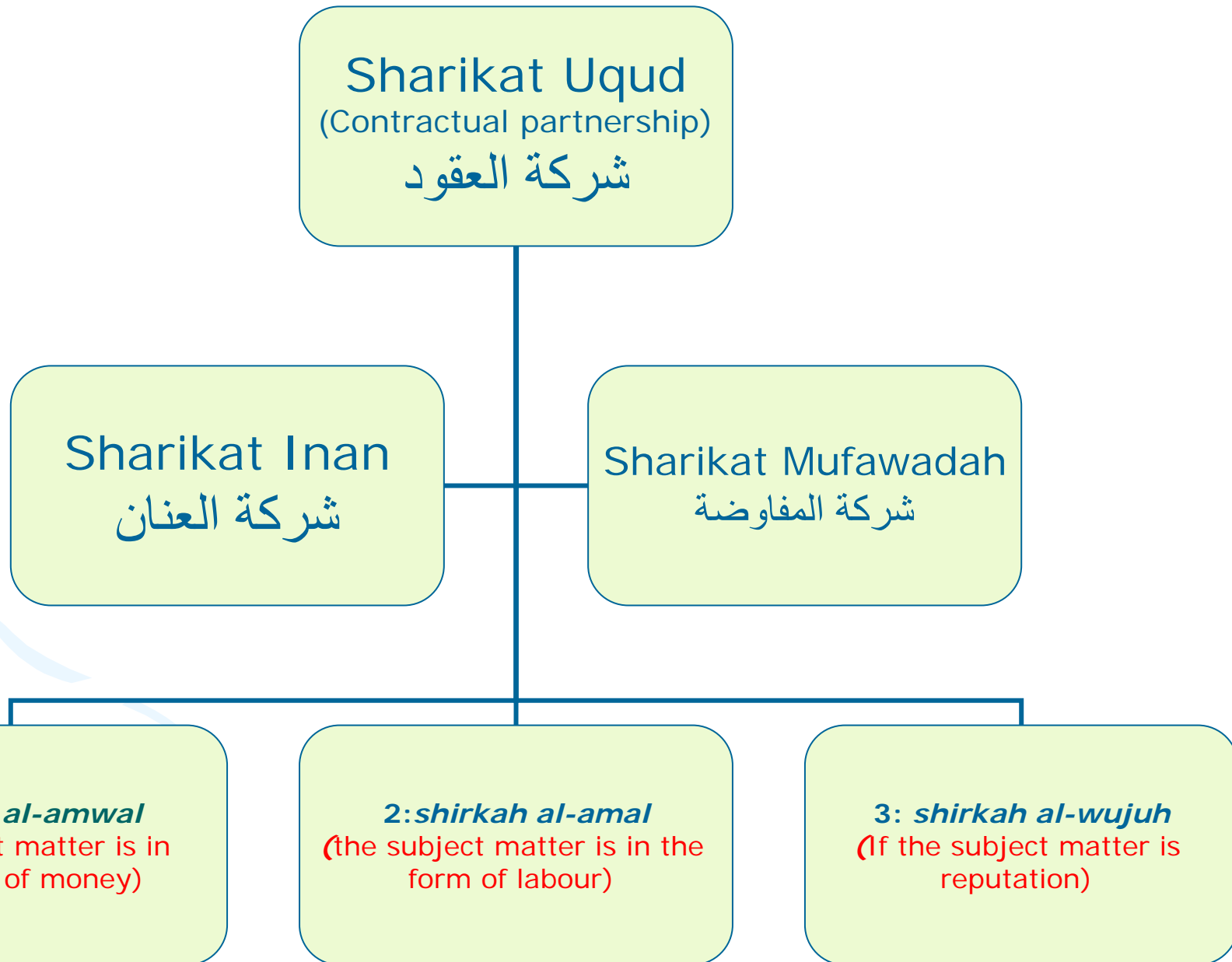
The word *musyarakah* in Arabic is a derivative from ***syaraka*** الشركة which means mixing, joint.

*Al-Shirkah* covers both ***shirkah al-mulk*** a joint ownership of a common property as well as ***shirkah al-aqad*** or a partnership in a business as a consequence of a mutual contract. The term *musyarakah*, as it is used in modern financing, is confined to the second type of *al-shirkah* only, that is, contractual partnership. The Hanafi scholars define *musyarakah* as a contract between partners on both capital and profit.

# TYPES OF *MUSYARAKAH*



# Type of Sharikat Uqud (Contract)



1.

# Inan(Unequal Shares Partnership)

شركة العنان

This contract means two or more people commit themselves to paying a specified share into a capital which is to be used in trade and profit would be divided between them according to a specified rate agreed upon by them.

Equality in investment Amount is not require

Equality of personal status or distribution of profit and liabilities among the partners is not a requirement.

each partner is considered as an agent of the other concerning the capital of the company and trade transactions.

each partner transact with capital according to the terms of the partnership agreement.

each one of them must act to serve the best interest of the company.

each of the partners will not guarantee the liabilities of the other partners.

The contract of this company is not binding

## 2. Mufawadah (Equal-Shares Partnership)

شركة المفاوضة

Meaning

In this company  
each one of the  
partners has a  
share equal to  
that of his  
Colleague

Characteristic

Equal in

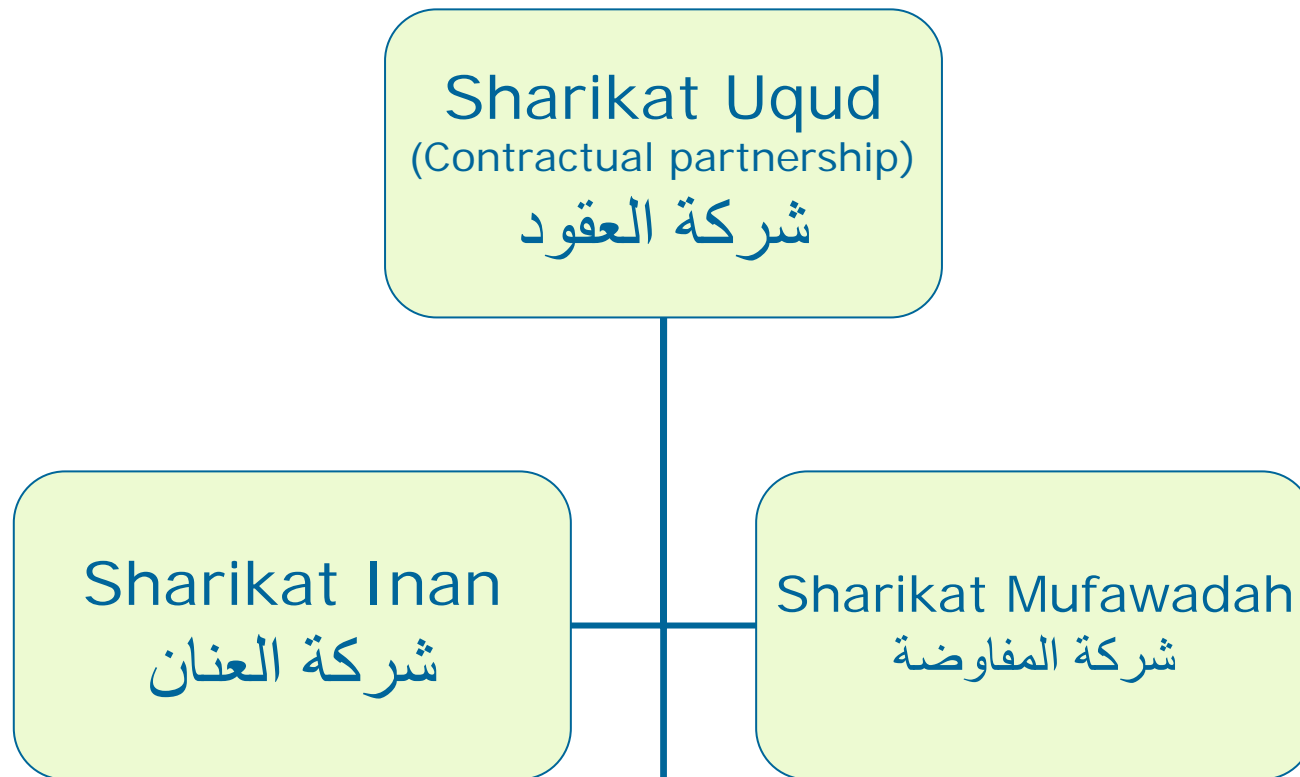
capital

profit

Liability

each partner is  
an agent for  
the partnership  
Business. and  
stands as  
guarantor  
for the other  
partners.

# Type of Sharikat Uqud (Contract)

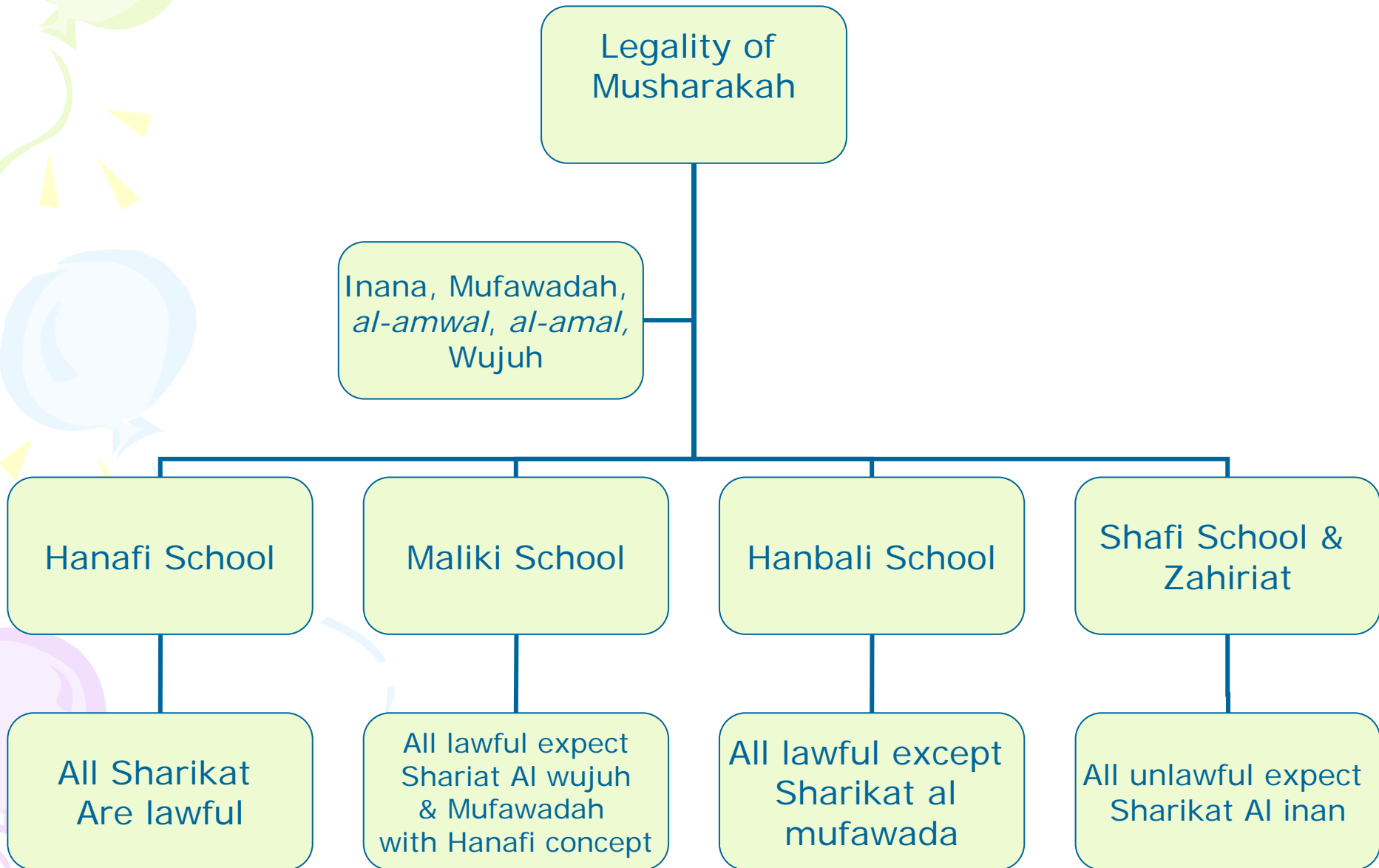


***shirkah al-amwal***  
(the subject matter is in  
the form of money)  
where all the partners  
invest some capital into  
the commercial enterprise.

**2: *shirkah al-amal***  
(the subject matter is in the  
form of labour) the partners  
undertake some services to  
the customers, the income  
generated will be distributed

**3: *shirkah al-wujuh***  
(If the subject matter is  
reputation) whereby the  
parties purchase commodities  
on a deferred price and sell  
them on the spot. The profit  
will be distributed

# Legality of Musharakah





# ELEMENTS & CONDITIONS

Condition of  
subject matter  
of the contract

Capital contributed  
shall be in cash  
Or asset

Shafi'is and Malikis  
require capital to  
be commingled.

Hanafis do not  
stipulate  
this condition  
provided the  
capital was  
in cash.

The Hanbalis  
do not require  
commingling  
of capital at all.

# THE BASIC RULES OF *MUSYARAKAH*

Basic shariah  
rules

**Distribution  
of Profit**  
(according  
to agreed  
Ratio)

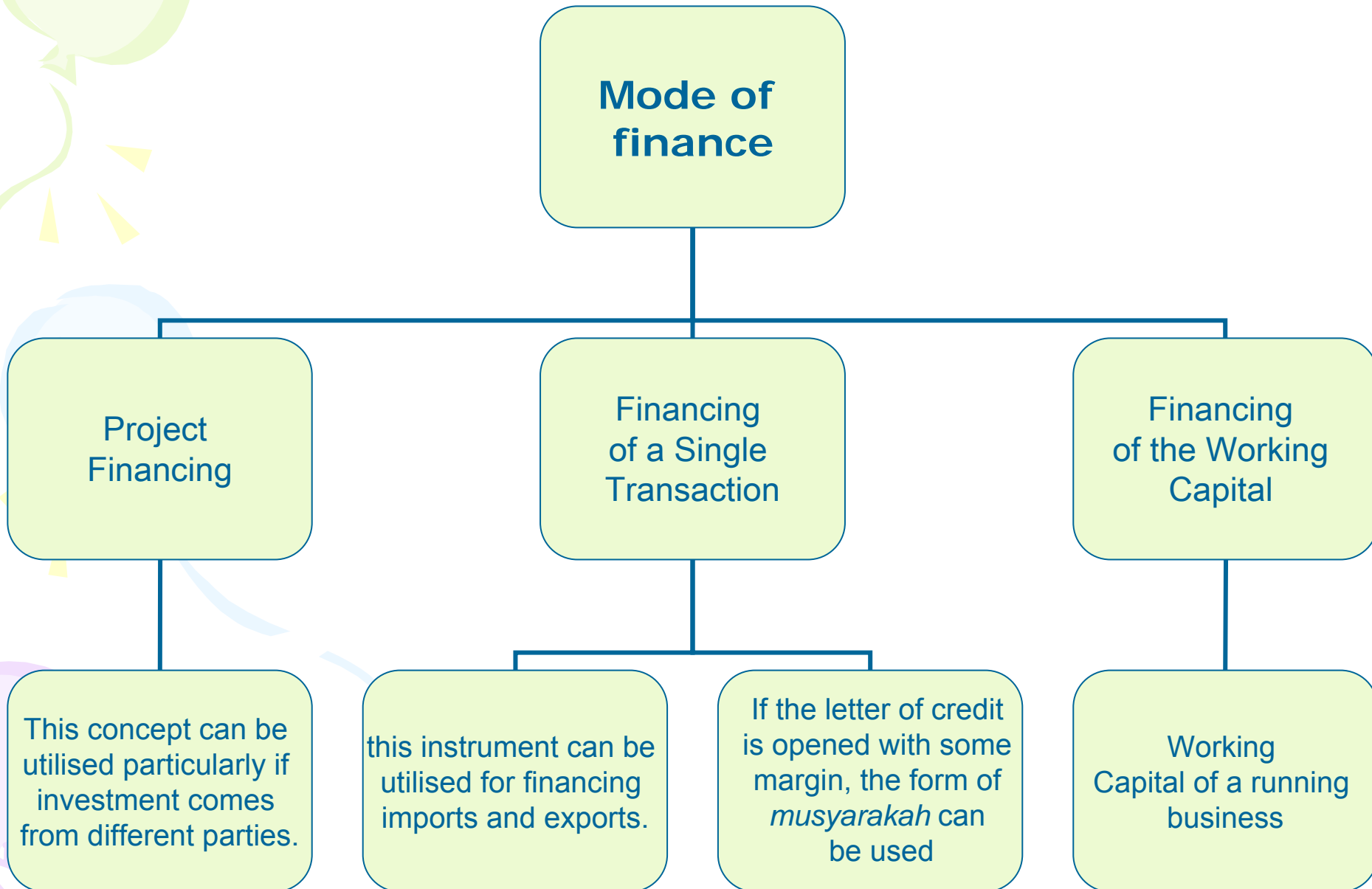
**Sharing of Loss**  
(according to the  
ratio of  
investment)

**Management of  
*Musyarakah***  
(all partners have  
a right to take  
part in the  
Management)

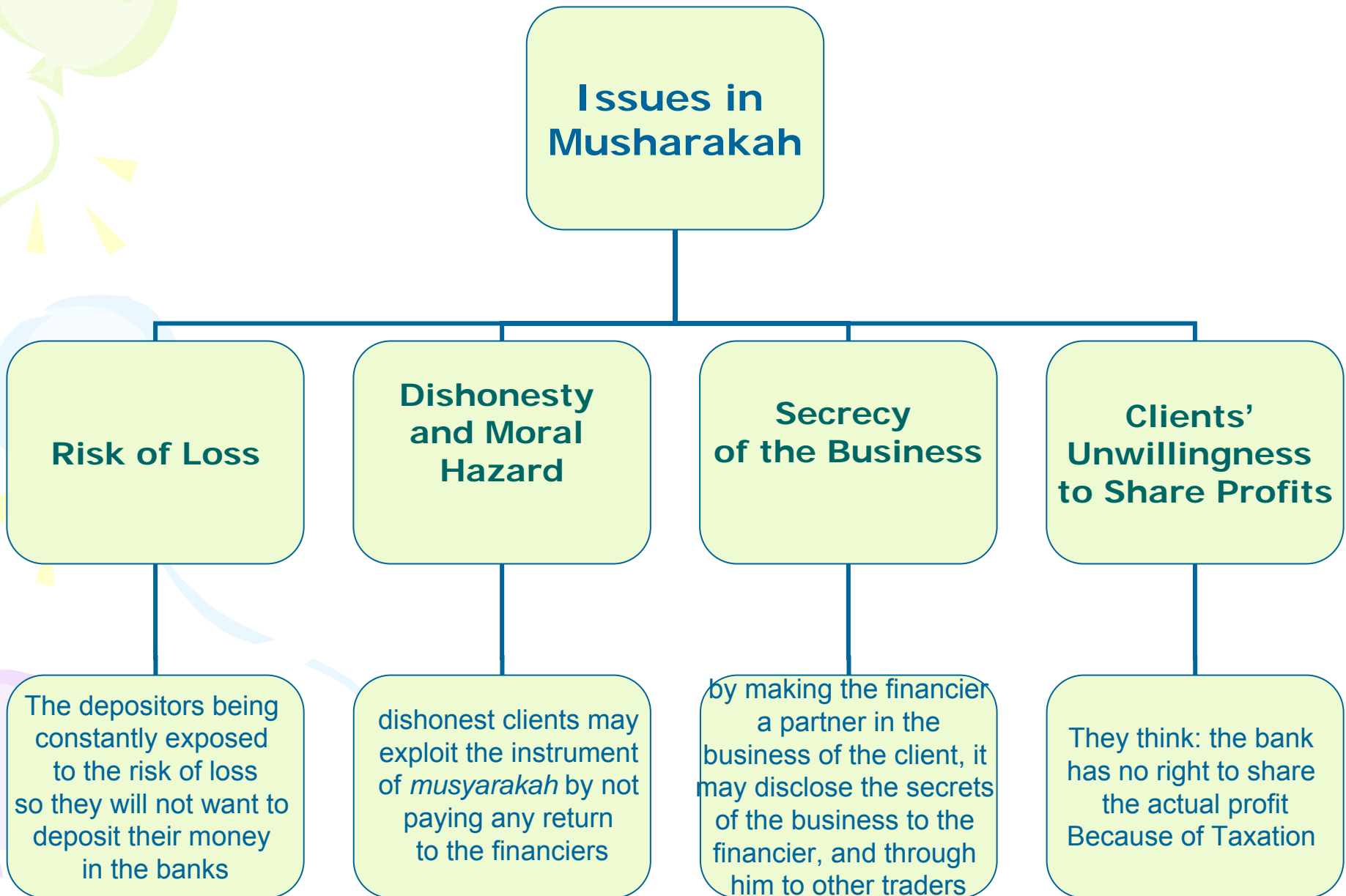
**Termination of  
*Musyarakah***  
can be terminated  
in any one:  
1: By giving notice  
2: If any one  
passes away.  
3: If any one  
becomes insane

**Termination  
of *Musyarakah*  
without Closing  
the Business**  
(By purchasing  
the share)

# MUSYARAKAH AS MODE OF FINANCING



# Some Issues in *Musyarakah* Financing



# Diminishing *Musyarakah*

*musyarakah  
Mutanaiqisah  
(under  
Sharikat Inan)*

## Concept:

the Islamic bank transfer gradually to the partner share in the *musyarakah*, so that the Islamic bank's share Declines, the other partner's share increases until becomes the sole proprietor of the venture.

The requirement  
Of DM

Should not be a finance base on credit, must be Real partnership, sharing Losses & profit

The bank should have full ownership on its Shares, with right of Management in the Venture.

# Illustration of D M

**DM  
comes in  
banking  
in 3 forms**

**1**

the Islamic bank transfer gradually to His partner share in the *musyarakah*, so that the Islamic bank's share Declines, the other partner's share increases until becomes the sole proprietor of the venture.

**2**

The partner take over the remaining Shares from the Bank during the contract or at The end of the contract by buying Banks shares with an Independent contract.

**3**

The profit will be divided to 3 Portions, the first goes to the bank as return for its Investment, the second to bank for payment Settlement of MD, the third to the partner.

- To the bank as profit
- To the bank for payment
- To the partner

The case here is  
buying a car with  
RM 100,000.00

Demising MU  
Buying a Taxi  
A Partner 20%  
& b: Bank 80%  
Partnership:  
100% (20%+80%)

## Diminish Musharaka

### Increase of A shares & decline of Shares B

This process will go on until the expiry of two years (duration agreed) whereby the whole taxi will be owned by 'A' and 'B' will take back his original investment along with income distributed to him as mentioned in this case.

Income  
for the taxi  
1000 Ringgit  
is earned on  
a daily basis

Car value  
RM 100,000.00  
A: RM 20,000.00  
B: 80,000.00

A: partner  
Gets: 20 %  
(RM 200)  
/Day

B: bank  
Gets: 80 %  
(RM 800)  
/Day

A' purchases units from the share of 'B' gradually

Bank share of 'B' is divided into eight units

Every three  
months  
The partner A  
Buys shares  
From B Till 100%  
ownership

Partner A  
Shares  
Increase  
gradually

Bank sale every  
Months shares  
To A till  
Full transfer  
Of ownership

Bank shares  
Decline  
gradually

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00

10%  
RM 10,000.00



*Thank you*

شكرا جزىلا

*hasan@inceif.org*