

Mudarabah (Profit-Sharing Partnership)

STATUTORY MANDATE & CORE PROTECTION RULE

Mudarabah is provided by the entrepreneur with the capital provided by the agreed

What is Mudarabah?:

Mudarabah is a form of a business contract whereby one person brings the capital and another person the manpower (effort). The bank offers the capital and the entrepreneur is considered as a Mudarib (managing trustee).

Profit & Loss Sharing Rules:

All the profit & loss is shared by both parties; through an agreement a percentage is stated for profit distribution. In case of commercial loss not caused by negligence, the capital loss is borne by the capital provider, while the entrepreneur loses their time and effort.

Somaliland Banking Benchmark

Banks in Somaliland typically get an annual profit rate of 9% to 12% for Mudarabah commercial financing portfolios.