

Musharakah (Joint Venture Partnership)

STATUTORY MANDATE & CORE PROTECTION RULE

Profit in Musharakah is shared strictly according to the capital contributed, while

What is Musharakah?:

Musharakah is a contract based on partnership between the bank and the other entity (Joint venture) whereby they both share profit and loss. A percentage of the profit is determined based on the ratio of investment and mutual agreement by both parties.

Key Principles of Musharakah:

Unlike conventional debt lending, Musharakah is true equity financing. Both parties contribute capital to a business, infrastructure project, or commercial development.

Loss Allocation Rule

Under Sharia law, while profit sharing can be negotiated based on management contribution, any financial losses must strictly correspond to the percentage of capital contributed by each partner.