Islamic finance offers a wide range of contracts that adhere to shariah principles, by promoting fairness, transparency, and ethical financial practices. They include, but are not limited to Mudharabah, Musharakah and Ijarah.

Mudharabah

Mudharabah is a partnership in profit where one partner provides capital and the other provides expertise. The partner providing capital is referred to as the Rabb ul māl whereas the partner doing labour is the mudharib, thus the contract is called Mudharabah.

Example

Khalid wants to open a furniture store after developing carpentry skills and earning years of experience in the trade. However, he lacks the funds to do so and approaches his friend Muhammad who has the necessary finances to open a store. They form a mudharabah contract whereby Khalid is the mudharib and Muhammad is the Rabb ul māl.

Musharakah

Musharakah is derived from the Arabic word شَرِكَ (sha-ri-ka), which is associating partners. In this type of contract, partners agree to combine their assets, labour or liabilities in order to induce a profit.

Note: It is important to note the distinct difference between the type of partnership in a mudharabah and musharakah contract. Mudharabah is based on different partners taking up roles according to their skills complimented by a partner providing finance as opposed to musharakah, where there is a combination of assets and liabilities.

Example

A group friends have saved their allowances throughout high school and would like to open a bakery to earn a profit on their savings. They agree that each partner is entitled to a percentage profit according to their contributions to maintain fairness. A musharakah contract is formed where each partner contributes capital and provide their expertise within the business.

Ijarah

Ijarah is a contract in which the lessor, who owns the asset, gives the lessee, who pays the rent, the right to use the asset for a predetermined amount of time.

Example

Zaid is a surgeon who goes to different hospitals within his country to train interns. On his way to a hospital, his car breaks down and the mechanic, fixing his car, offers Zaid a vehicle for the duration of his stay at a cost of $50 per day.

Meanings of the above financial contracts are based upon the definitions outlined in the AAIOFI Shariah Standards.

Islamic financial products

At Rihlat Muzdahira, Islamic financial contracts are utilised to generate profits. Using the concept of mudharabah, Rihlat Muzdahira goes into a partnership with clients where the partner provides capital and the expertise at Rihlat are applied to allow that capital to bloom. Rihlat Muzdahira and their partners then share the profits accordingly.

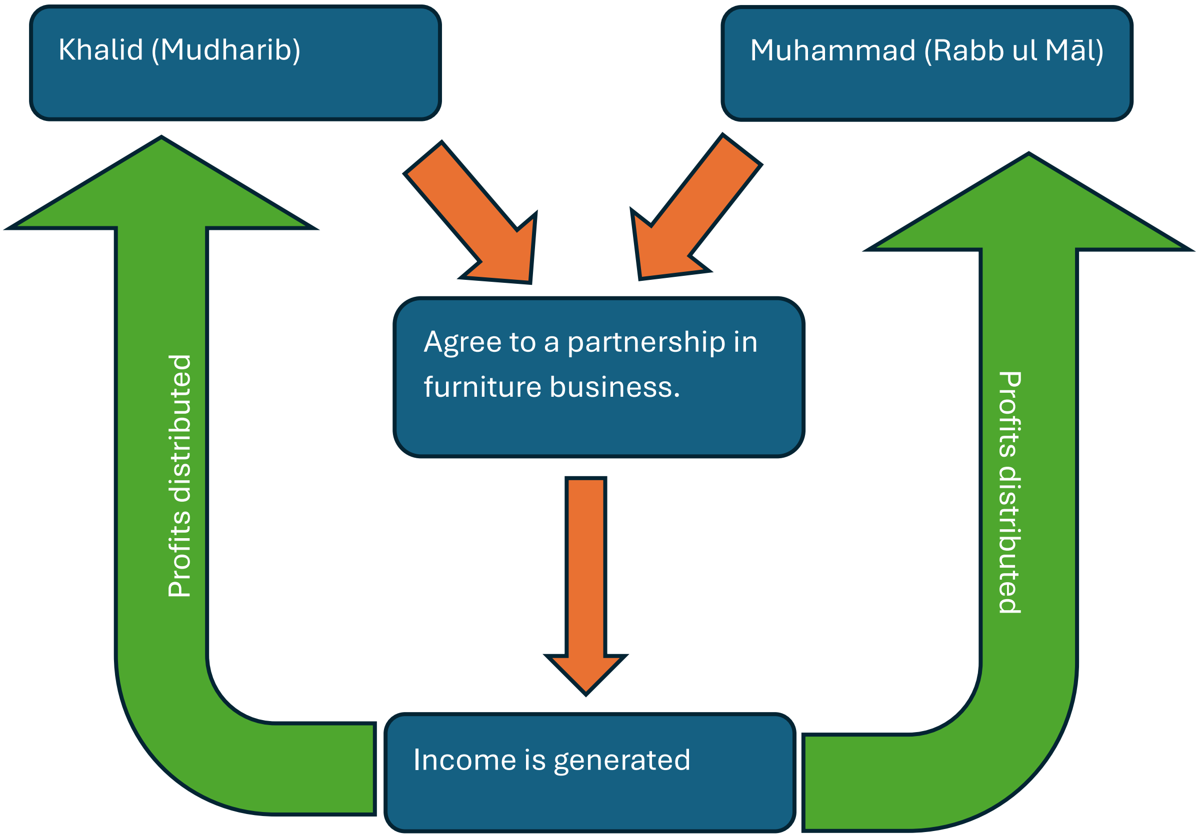
The 4 available products are as follows:

1. Asset and vehicle finance
2. Commodity and trade finance
3. Rental property
4. Agrifund

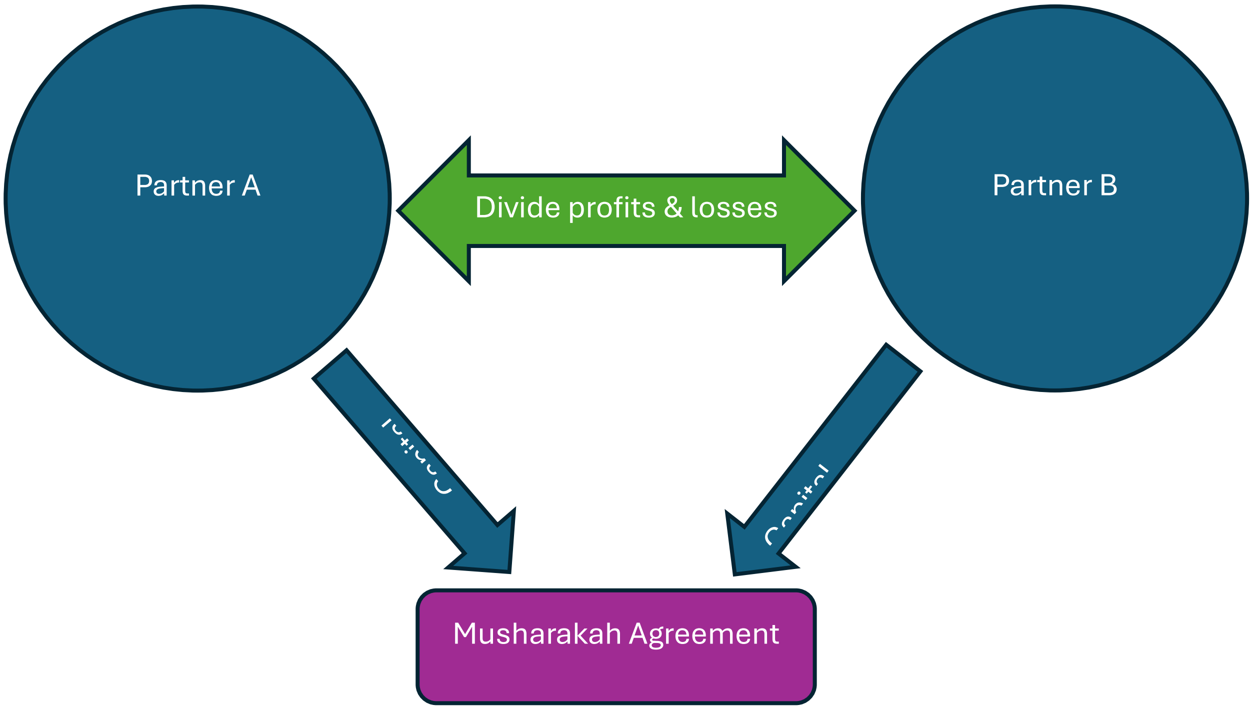
Shariah compliance

The products offered by Rihlat Muzdahira are have been thoroughly reviewed by the Shariah board, which continues to oversee each products' assets, clients to respective products, compliance of documents, profits and distribution of profits.

Process flow Mudharabah



Process flow Musharakah



Ijarah Process flow