

MINIMIZING AGENCY PROBLEMS IN MUDHARABAH CONTRACTS THROUGH THE PRINCIPLE OF TAUHID

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ABSTRACT

This research aims to minimize the agency problem in mudharabah contract through tawhid principle. This research works with qualitative approach which applies the method of library research by implementing the literature review. Agency theory focuses on two aspects, the principal and the agent where the principal as the owner (shahibul maal) and the agent as the manager (mudharib). Agency problem takes place after the work, there are three conflicts during the agency problem; purpose conflict, behavior conflict, and asymmetric information conflict. Mudharabah is the corporation system which has declared position in Islam. Mudharabah is basically a contract of profit and loss sharing in which one side trusts some capitals to an investor. As the result, he will get what has been determined from the profit/loss of the business invested. This kind of contract requires transparency of the businessman. If one of the main sides especially mudharib does not report everything transparently, there will be activities called adverse selection and moral hazard. The mudharabah contract is a finance contract full of asymmetric information. The effort of minimizing the agency problem is inserting the Tawhid principle where Allah is the truest witness of all contracts. Based on the Tawhid principle and ethics considering the purpose or maqashid al-syariah; Keeping religion (Faith), keeping the wealth, keeping mind, keeping souls and children. The tawhid values must be implemented in our daily muamalah such as honesty, transparency, trusty, and well-believed in economic activity.

Keywords: *Agency Problem, Mudharabah, Tawhid Principle.*

ABSTRACT

This research aims to minimize agency problems in mudharabah contracts through the principle of monotheism. This study uses a qualitative approach by applying a literature research method using literature review. *Agency theory* focuses on two individuals, namely the principal and the agent, where the principal is the owner (shahibul maal) and the agent is the manager (mudharib). *Agency problems* occur after work, there are three conflicts that occur in agency problems, namely goal conflicts, behavioral conflicts and information asymmetric conflicts. Mudharabah is a system of cooperation that has been established in Islam. *Mudharabah* is basically a *profit and loss sharing* contract in which one party entrusts a certain amount of capital to an investor in exchange for obtaining a predetermined share of the profits/losses of the capitalized business. Contracts like this demand transparency on the part of business actors. If one of the main parties is the mudharib does not convey transparently, there will be *adverse selection activities and moral hazards*. Mudharabah contracts are financial contracts that are loaded with *asymmetric information activities*. Efforts to minimize agency problems by incorporating the principle of *Tawheed*, where Allah is the witness of all contracts. Based on the principles of Tawheed and ethics refer to the goals of sharia or maqashid al-sharia, namely: Maintaining Religion (Faith), preserving property, preserving intellect, preserving the soul and preserving posterity. The values of monotheism must be implemented in our daily muamalah for example in economic activities such as honesty, fairness, trust, and transparency.

Keywords: *Agency problem, Mudharabah, Principles of Tawhid*

INTRODUCTION

Islam is a religion whose rahmatan lil "âlamin applies to all conditions, situations and times both past and future. The ability of Islamic teachings to socialize in the face of the times and the needs of mankind is one of the interesting phenomena to be studied. Leaving the details to man's ability to read every event, change and problem, while still being attached to God's revelation makes the teachings of Islam different from the teachings of other religions.¹ From the beginning, Islam emphasized the importance of relationships as stated by Allah swt in surah al-Imran verse 173. This verse provides an understanding that any relationship in this world, especially for Muslims, must begin with a relationship with Allah (*hablumminnalallah*), a relationship with man (*hablumminannas*) and a relationship with nature (*hablumminnal alam*).

Agency theory focuses on two individual parties, namely the principal and the agent. In the theory of agency, several characteristics can be found, including principals and agents are assumed to act rationally, both aim to maximize utility or personal interests and in general as if they maximize each other's profits (principals-agents) and there is no cooperative behavior of the group. The consequence of all of this is agency costs. The principal and the agent act rationally, meaning that it is a common thing for the principal to act to profit from every rupiah he invests by maximizing the monitoring of every action taken by the agent. In other words, it cannot tolerate the slightest mistake made by the agent that causes investment losses. On the other hand, the agent will not do the actual best he has to provide a profit for the principal. But what he did was nothing more than how he could also make a big profit from the *risk and work averse*.²

Agency problems can come in many forms. In the context of the relationship between the company owner and the manager, agency problems can be in the form of excessive use of company funds for the purchase of managerial facilities, withholding of company profits for unprofitable investments, and various frauds that can reduce the company's profits or assets such as selling company products at low prices to other companies that turn out to belong to the manager.³ One form of financial or financing

¹Aswadi Lubis, 'Agency Problem in the Application of Akad Mudharabah Financing in Sharia Banking', *Alqalam Journal*, 33.1 (2016), 46–62 <<https://doi.org/10.32678/alqalam.v33i1.384>>.

²Ahmad Uzaimi, 'Theory of Agency in an Islamic Perspective', *Indonesian Journal of Accounting and Finance*, 1 (2017), 71–78.

³Zaenal Arifin, 'The Effect of Asymmetric Information on the Effectiveness of Agency Problem Reduction Mechanisms', *Journal of Synergy of Business and Management Studies*, 9.2 (2007), 167–77 <<https://journal.uii.ac.id/Sinergi/article/view/56/154>>.

contract developed to replace the interest mechanism in conventional financial or financing contracts is the mudharabah contract. These forms are based on the profit-loss sharing relationship between funders (shahibul mal) and entrepreneurs (mudharib) who use the funds to invest in various projects. Financial contract relationships as in mudharabah are usually known as agency contractual relationships. Therefore, contracts like this demand transparency on the part of business actors. If one of the parties (especially the customer) does not convey transparently about matters related to the acquisition of results, there can be *adverse selection and moral hazard activities*. In financial transactions, the problem of *adverse selection and moral hazard* is a problem of *asymmetric information*. Mudharabah contracts are financial contracts that are loaded with *asymmetric information activities*.⁴

Wahyuni in his journal criticized that the concept of agency theory that looks at the relationship between the owners and managers of companies operating in Indonesia, solely business relationships, is not appropriate.⁵ It is strengthened by Misnen's research which says that although theoretically there is a clear difference between the conventional transaction paradigm and sharia, in reality many sharia transactions are still thick with the conventional mindset, namely the existence of *information asymmetry* between one party as an agent and the principal on the other hand which causes *adverse selection* behavior and *moral hazard*.⁶ Based on the description above, it will be discussed how to minimize *the agency problem* in *mudharabah contracts* through the principle of *monotheism*.

THEORETICAL FOUNDATION

1. *Agency Problem*

At first, agency conflicts are seen as conflicts between people who own the company and agents as managers of the company's business on behalf of the principal. These two parties are under the same company but have different and opposite goals and desires, so there is a conflict and this conflict is referred to as an agency problem. Over time, agency issues are not only limited to principals and agents, but develop to include other parties such as creditors, majority shareholders and minority shareholders. This development then gave

⁴Muhammad, 'Agency Problem Adjustment in Mudharabah Financing Contracts', 1–19 <<https://journal.uii.ac.id/Unisia/article/download/143/107>>.

⁵Andi Sri Wahyuni, 'Criticism of Agency Theory in Accounting Articles: The Indonesian Context', *Journal of Accounting and Information Technology (JATI)*, 12.2 (2018), 2–14 <<http://journal.ubaya.ac.id/index.php/jati/article/view/2463/1941>>.

⁶Misnen Ardiansyah, 'The Shadow of Agency Theory in Sharia Banking Financing Products', *IJTIHAD Journal of Islamic Law and Humanitarian Discourse*, 14.2 (2014), 251–69 <<https://doi.org/10.18326/ijtihad.v14i2.251-269>>.

birth to 3 (three) types of agency relationships. The first type is the issue of agency between the owner and the manager in the organization, the second type is the conflict of agency between the interests between the majority shareholders and the minority shareholders, the third type is the conflict between the owners and creditors.⁷

Agency conflicts occur after work, In this case there are three conflicts, the first is the conflict of objectives, it occurs when the principal and the agent have different goals and objectives. For example, the agent wants to have a high income and the principal wants to maximize his profits, the second behavioral conflict, arises when the principal cannot perfectly monitor the actions, efforts and behavior of the agent, in this case it raises moral problems to the principal which will pose a risk of losses related to the invested capital. Third, asymmetric conflicts arise in the case of principal-agent relationships when the principal does not have access to all the information that occurs at the time the decision is made by the agent. As with conventional financial institutions, Islamic financial agencies are also involved with conflicts of purpose, behavior and information asymmetry.⁸

Likewise, the entity theory recognizes the existence of separate management between the company and its owners. The founders do not need to be identified with the company's existence. This means that in the company's daily operations, it is handed over to other parties and they have the authority to make decisions on the company's continuity in achieving the company's goals. Looking at the rules of this theory, it implies that between the owner and the manager (management) are recognized as separate parties and each has different rights and responsibilities. In the context of supervision and accountability, carried out by publishing financial and non-financial reports, it is a mediation that has been considered effective.⁹

2. *Mudharabah Contract*

In terminology, mudharabah is according to four madzab, namely: a. Madhhab hanafi, mudharabah is a contract for a company in profit with property capital from one party and with employment (effort) from the other.b. The madhhab maliki, mudharabah is the handing over of money in advance by the owner of the capital in the amount of money

⁷Syarifuddin and M. Wahyuddin Abdullah, 'Mitigating Agency Conflicts in the Perspective of the Qur'an', *Scientific Journal Academies*, 16.4 (2019), 543–58 <<https://doi.org/10.37476/akmen.v16i4.805>>.

⁸Zelhuda and Abdul Ghafar Ismail Shamsuddin, 'Agency Theory in Explaining Islamic Financial Contracts', *Middle East Scientific Research Journal*, 15.4 (2013), 530–45 <<https://doi.org/10.5829/15.4.2361>>.

⁹Nor Hadi and Chadhiq Umar, 'Offering the Extent of Disclosure to the Creation of Optimal Pareto in Agency Problems (Agency Theory and Asymmetry Information Theory Perspective)', *The Journals of the Magazine*, 1.2 (2008), 1–16.

in exchange for a part of the profit. c. Madhab Shafi'i, mudharabah is a contract that contains the handing over of capital to others to work on it and the profits are shared between the two of them. d. The hanbali school, mudharabah is the handing over of an item or similar in a clear and certain amount to the person who cultivates it by getting a certain share of the profit.¹⁰

Mudharabah is a partnership contract between two parties where the first party as the owner of capital contributes a contract in the form of working capital and the second party as an entrepreneur contributes aqad in the form of expertise in managing the party's capital. The business results in this contract are divided according to the agreement, while if there is a loss as long as it is not due to negligence or error of the management, it is fully borne by the capital owner. This contract is regulated in the fiqh of muamalah and has a legal basis in Islam. To be able to carry out the mudharabah contract, it must meet several pillars or conditions, first, the contract actor has at least two parties who act as the owner of the capital (shahib al-maal) and the business executor (mudharib). Second, the object of mudharabah where the object of shahib al-maal is in the form of working capital while the object of mudharib is expertise, skills, selling skills, management skills, and others. Third, an agreement between the two parties without any coercion to be bound by the mudharabah contract in accordance with their respective functions and responsibilities. These four reflect the benefits obtained from the distribution of each party in the mudharabah. Fifth, the profit sharing ratio, which is the right to receive business results for each party.¹¹

3. The Principles of Tawheed

The word tawheed comes from the Arabic language, namely the words *wabbada*, *yuwabbidu*, *tauhid*, which means to impress. Meanwhile, according to the term, *monotheism* is to praise Allah swt in Uluhiyah, Rububiyah, His names and attributes. As for monotheism, it is that Allah SWT is One in His Dzat, not divided. One in His noble qualities is incomparable to Him, and One in His deeds has no ally for Him.¹²

The principle of monotheism that teaches humans that in human relationships, it is as essential as a relationship with Allah. Thus, the process of economic activities is always

¹⁰Vista Firda Sari, 'The Legal Basis of Mudharabah', *AL WATHAN Journal of Sharia Sciences*, 1–11 <<https://jurnal.stisda.ac.id/index.php/wathan/article/view/10/8>>.

¹¹Satia Nur Maharani, 'Reducing Agency Problems in Mudharabah Contracts through the Perspective of Trust Metaphor', *National Seminar and Call For Papers on Sharia Economics 'Indonesia as the Mecca of Sharia Economy'*, 1986, 135–56 <http://digilib.mercubuana.ac.id/manager/tl@file_artikel_abstrak/Isi_Artikel_778089239774.pdf>.

¹² Ifdlolul Maghfur, 'Building the Economy with the Principle of Tawheed', *MALIA Journal*, 7.2 (2016), 213–40 <<https://jurnal.yudharta.ac.id/v2/index.php/malia/article/view/379/284>>.

based on the monotheistic system in the form of social justice sourced from the Qur'an and Sunnah.¹³

RESEARCH METHODS

This research uses a qualitative approach by applying the library research method. Literature-based research is a form of research that uses literature review as the object of study ¹⁴.

The data used in this study is in the form of secondary data, namely books, magazines and written documents. In addition, articles taken from other research journals related to the topic of the problem are also used.

DISCUSSION

1. *Agency Theory*

Agency theory focuses on two individual parties, namely the principal and the agent. A principal is defined as a party who gives a mandate to another party called an agent, to be able to act on behalf of that agent. The agent, as the party entrusted to run the funds from the owner (principal) must be accountable for what has been entrusted. On the other hand, the principal as the trustee will provide incentives to agents of various kinds of facilities, both financial and non-financial. Problems arise when both parties have different perceptions and attitudes in terms of providing information that will be used by the principal to provide incentives to agents. Agency theory uses three assumptions of human nature, namely, first, humans are generally self-interested, second, humans have limited rationality regarding the perception of the future (bounded-rationality), and third, humans always do not like risks (risk-averse).¹⁵

As for the basis of the principle of agency theory in Islam is *unity*, the problem of agency can also be reduced through the concept of unity. Unity means cooperation and participation in an organization that does not exist in conventional agency theory. *Caliph*, Another concept that is directly related to monotheism. *Ihsan*, another concept that is

¹³St. Saleha Madjid, 'The Principles (Principles) of Muamalah', *Journal of Sharia Law and Economics*, 2.1 (2018), 15–28 <<https://media.neliti.com/media/publications/288528-prinsip-prinsip-asas-asas-muamalah-aoceeedd.pdf>>.

¹⁴ Miles Matthew B and Huberman A Michael, 'Qualitative Data Analysis', 1, 1994.

¹⁵ Mariska Dewi Anggraeni, 'Agency Theory in Islamic Perspective', *Journal of Islamic Law (JHI)*, 9.2 (2011), 272–88 <<http://e-journal.iainpekalongan.ac.id/index.php/jhi/article/view/593/885>>.

consistent with the concept of the caliphate is the concept of *ihsan*. *Amanah*, this is about agents (representatives) who believe in faith and practice Islamic ethics. *Shura* (joint consultation), another crucial issue in agency contracts is when there is a difference in purpose between the agent and the principal.¹⁶

2. Agency Relationship Problems in Mudharabah Contracts

The existence of *agency problems* and the possibility of the emergence of *managerial moral hazards* that are beyond the ability of shareholders to supervise it are clearly not beneficial to the company, so it needs to be minimized. Efforts to minimize *agency problems* will give rise to *agency costs* that must be provided by shareholders in a large amount. *These agency costs* include the purpose of monitoring the manager's performance in accordance with *the wishes of the stockholder*, including auditing and internal control costs, providing incentives or compensation to managers, and contracts with third parties to anticipate the possibility of dishonest managers that bring losses to the company in the future.¹⁷ Agency fees are the costs incurred by companies to monitor manager behavior.¹⁸ Agency *costs* consist of: a. The monitoring expenditures by the principle. Monitoring costs are incurred by the principal to monitor agent behavior, including efforts to control agent behavior through budget restrictions, and compensation policies. b. The bonding expenditures by the agent. The bonding cost is incurred by the agent to guarantee that the agent will not use certain actions that will harm the principal or to guarantee that the principal will be compensated if he or she does not take many actions. c. The residual loss which is a decrease in the level of welfare of the principal and agent after the existence of *an agency relationship*.¹⁹

Mudharabah is basically a profit and loss sharing contract where one party entrusts a certain amount of capital to an investor in exchange for obtaining a predetermined share of the profits/losses of the capitalized business.²⁰ Muhammad explained that the financial contract relationship as in this mudharabah is usually known as the agency contractual

¹⁶Sham Shamsuddin, Zelhuda and Abdul Ghafar Ismail, 'Agency Theory in Explaining Islamic Financial Contracts', *Middle East Journal of Scientific Research*, 15.4 (2013), 530–45.

¹⁷Moh Khoiruddin, 'Minimizing Agency Problems and Agency Costs by Using the Islamic Concept of Companies: Between Theory and Practice', *Journal of Islamic Economics & Finance*, 1.2 (2011), 149–67 <<https://journal.uii.ac.id/JEKI/article/view/8755/7438>>.

¹⁸Andi Nurwanah, 'Uncovering the Strength and Problematics of Agency Theory Reviewed from an Islamic Perspective', *Journal of Assets*, 6.1 (2016), 1–10 <<http://103.55.216.56/index.php/assets/article/view/1596/1548>>.

¹⁹Arifah, Dista Amalia, 'The Practice of Agency Theory in Public and Non-Public Entities', *Journal of Achievement*, 9.1 (2012), 85–95.

²⁰Asfi Manzilati, 'Institutional Agreement of Mudharabah Contracts in the Framework of Agency Theory', *Journal of Finance and Banking*, 15.2 (2011), 281–93 <<http://jurnal.unmer.ac.id/index.php/jkdp/article/view/1023/664>>.

relationship. Therefore, contracts like this demand transparency on the part of business actors. If one of the parties (especially the customer) does not convey transparently about matters related to the acquisition of results, there can be adverse selection and moral hazard activities. In financial transactions, the problem of adverse selection and moral hazard is a problem of asymmetric information. Mudharabah contracts are financial contracts that are loaded with asymmetric information activities.

Information asymmetry is a condition caused by the unequal distribution of information between principals and agents. The principal should have obtained the information needed to measure the level of results obtained from the agent's business, but it turns out that the measures of success obtained by the principal are not entirely transparent so that the information obtained by the principal is still unable to explain the relationship between the success that has been achieved and the effort that has been made by the agent. This asymmetric information condition can cause problems. First, moral hazard is when the agent does not carry out the things that have been mutually agreed upon in the employment contract. Second, adverse selection is a situation in which the principal cannot know whether a decision taken by the agent is really based on the information he has obtained, or occurs as a negligence in the task.²¹

As for Moral Hazard according to the Islamic view, it is related to bad behaviors that appear in humans, in the form of mental and related to psychological matters. Morals that humans have can be formed naturally and habits, for example, one of the habits is through television media that provides teachings to do bad, then it will have the potential to give ideas to do bad. So that habit will be attached and turn into a character in oneself. So this bad character needs to be eliminated. Moral hazard is viewed from several Sharia financial institutions, namely Moral hazard is not only found in bad morals, but in Islamic business ethics which is included in moral hazard there are five categories consisting of: violation of the law, violation of information transparency, violation of the principle of responsibility, violation of the principle of honesty and violation of the principle of empathy.²² This is based on the basic assumption of human nature, namely that humans are generally self-

²¹Eeng Juli Efrianto, 'The Influence of Risk Management, Profit Levels, and Contract Understanding on Agency Problems', *Aghinya Stiesnu Journal Bengkulu*, 2.1 (2019), 54–67.

²²Mirna Rahayu Sirojuddin, Abdurrahman, and Bayuni Eva Misfah, 'Moral Hazard in Sharia Financial Institutions According to Islamic Views', *Journal of Islamic Finance and Banking Proceedings*, 4.1 (2018), 326–33 <<http://karyailmiah.unisba.ac.id/index.php/hukum> Sharia Economics/Article/View/8833>.

interested, both humans have limited rationality regarding the perception of the future (bounded-rationality), and three humans always do not like risk (risk-averse).

3. The Position of Mudharabah in Islam

The trade/cooperation system that is allowed in Islam is Mudharabah, because the contract is in accordance with the purpose of the existence of shari'a (maqashid as-shari'ah). Looking at its history, Mudharabah is a system of cooperation in business that existed before the Prophet Muhammad (saw) was appointed as a messenger, which was then determined in Islam. The provisions of Islamic law related to muamalah are partly a determination and reaffirmation of practices that have taken place in the pre-Islamic era. This is because the muamalah is in harmony with Islamic principles and contains great benefits. Mudharabah based on the profit and loss sharing principle is one of the right alternatives for Islamic financial institutions that avoid the interest (interest free) system which is considered by some scholars to be the same as prohibited usury.²³

Mudharabah in principle is profit sharing based on business management with the main philosophy of partnership and togetherness (sharing), where there are elements of trust (amanah), honesty and agreement. The mudharabah system has been regulated in the Qur'an, Al Hadith, ijma', qiyas and several schools that allow mudharabah. In the Mudharabah system, the financing provided must be clear in nominal amount. Several factors that are able to change the mudharabah system include social changes and the development of the times which are gradually able to change the trading system of the community.²⁴

4. Efforts to Minimize Agency Problems Through the Principle of Tawheed

Religion has three main foundations, namely Faith, Islam and Ihsan. In the current context, Faith is often referred to as theology, kalam science, aqidah, or monotheism. As for Islam, it is often equated with sharia or fiqh. While Ihsan is sometimes termed Sufism or morality. Faith or monotheism itself is the main element in a religion. The essence of monotheism in Islam itself is a complete surrender to the will of Allah, both in terms of worship and muamalah. In Islamic economic development based on the principles of Tawheed and ethics refers to the goals of sharia or maqashid al-shariah, namely: Preserving Religion (Iman), preserving wealth, preserving intellect, preserving the soul and preserving posterity. This concept is evidence that explains that the concept and economic system of Islam should start with the building of a belief (faith) and end with wealth. The values of

²³ Sari.

²⁴ Sari.

monotheism must be implemented in our daily muamalah for example in economic activities such as honesty, fairness, trust, and transparency.²⁵

Zelhuda and Abdul Ghaffar in their research on agency theory in explaining Islamic financial contracts seek to see the Islamic paradigm in agency relations which can certainly solve agency problems compared to conventional agency theories by including the principle of *Tawheed* as one of the elements in the form of agency contracts, especially those related to the contracts of Islamic financial institutions, that Allah is the witness of all contracts. *Tauhid* as a principle in agency contracts has great potential to create different relationships between the parties in agency contracts because the governance mechanism will add significant value to the economic activities of Islamic Financial Institutions.

In an effort to overcome or reduce agency problems, one of the assumptions of agency problems is about *asymmetric information* between principals and agents, Mahmudatus who said that efforts to reduce agency problems in mudharabah contracts are monitoring and incentives.²⁶ Manzilati revealed that monitoring is an important symbol in interaction in mudharabah cooperation. So that to produce trustworthy cooperation, the character of prospective customers is an important determinant of the creation of a contract. Thus, Maharani said that *the mandate* is trusted and responsible. Agency problem is an action that is not in line with the interests or goals of one party in the form of information asymmetry and moral hazard, therefore the agency problem has an untrustworthy attitude. So one way to minimize agency problems is to include the principle of monotheism, one of which is the mandate in carrying out the contract.

As in the concept of Sharia enterprise theory, this concept requires that the welfare created by the company be distributed to those who have the right, namely stakeholders in a broad sense. The theory of sharia enterprise is not only concerned with the interests of individuals (in this case shareholders), but also other parties. Therefore, the theory of sharia enterprise has great concern for a wide range of stakeholders. According to the sharia enterprise theory, stakeholders include God, humans, and nature. God is the highest party and the only purpose of human life.²⁷

²⁵Maghfur, Ifdlolul, 'Building an Economy with the Principle of Tawheed', *Journal of MALIA*, 7.2 (2016), 213–40.

²⁶Mahmudatus Sa'diyah and Huda Nurul, 'Strategy for Handling Agency Problems in Mudharabah Financing at BMT', *Journal of Islamic Economics and Business (JEBI)*, 3.2 (2018), 172–83.

²⁷Ahmad Roziq, 'Uncovering the Problem of Profit-Sharing System Financing and Islamization of Agency Theory', *Darussalam Journal: Journal of Education, Communication and Islamic Legal Thought*, XI.2 (2020), 464–78 <<http://ejournal.iaida.ac.id/index.php/darussalam/article/view/817/573>>.

CONCLUSION

Agency problems occur after work, there are three conflicts that occur in agency problems, namely conflict of purpose, behavioral conflict and information asymmetric conflict. Mudharabah is a system of cooperation in business that existed before the Prophet Muhammad (saw) was appointed as a messenger, which then established his abilities in Islam. In this mudharabah contract, it must meet the pillars and conditions, namely, the contract of both parties, the object of mudharabah, the agreement of both parties, reflecting the benefits and profit sharing ratio. In the agency mudharabah contract, the problem that occurs with the asymmetry of information. *Information asymmetry* is a condition caused by the unequal distribution of information between principals and agents. This asymmetric information condition can cause problems. First, *moral hazard* is when the agent does not carry out the things that have been mutually agreed upon in the employment contract. Second, *adverse selection* is a situation in which the principal cannot know whether a decision taken by the agent is really based on the information he has obtained, or occurs as a negligence in the task.

In minimizing agency problems in mudharabah contracts through the concept of Islam, namely by including the principle of Tawheed where Allah is the witness of all contracts. The essence of monotheism in Islam itself is a complete surrender to the will of Allah, both in terms of worship and muamalah. In Islamic economic development based on the principles of Tawheed and ethics refers to the goals of sharia or maqashid al-shariah, namely: Preserving Religion (Iman), preserving wealth, preserving intellect, preserving the soul and preserving posterity. The values of monotheism must be implemented in our daily muamalah for example in economic activities such as honesty, fairness, trust, and transparency. Thus the results of research from various sources of efforts in reducing agency problems in mudharabah contracts by conducting monitoring and intensive. Likewise, the attitude of trust that needs to be instilled in everyone who makes a contract.

Efforts to minimize agency problems are supported by the concept of sharia enterprise theory which not only cares about the interests of individuals (in this case shareholders), but also other parties. Therefore, the theory of sharia enterprise has great concern for a wide *range of stakeholders*. According to the sharia enterprise theory, stakeholders include God, humans, and nature. God is the highest party and the only purpose of human life.

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