

**MUDHARABAH FINANCING AND MUSYARAKAH FINANCING  
APPLICATIONS AT BANK JATENG SYARIAH**

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***Abstract***

*According to the provisions of Law Number 21 of 2008 regarding sharia banking, sharia banks are defined as banking institutions that are subject to the same legal regulations as conventional banks, but in their operational activities, they follow the principles of Islamic sharia. As the banking sector continues to develop, competition becomes increasingly fierce, and every bank must provide quality service and add types of products desired by customers. This study examines the application of sharia accounting for mudharabah and musyarakah financing in Bank Jateng Syariah based on PSAK No. 105 and PSAK No. 106. Sharia banks are subject to the same legal regulations as conventional banks, but their operational activities follow Islamic sharia principles. The discussion focuses on the practice of mudharabah and musyarakah financing at Bank Jateng Syariah. This study uses a qualitative descriptive method by using data from published financial reports. The results show that the application of mudharabah and musyarakah financing in Bank Jateng Syariah is in accordance with PSAK No. 105 and PSAK No.106, with various adjustments made to the provisions issued by the Financial Services Authority.*

**Keywords:** *Mudharabah Financing, Musyarakah Financing, Sharia Bank*

## **1. INTRODUCTION**

According to Law Number 10 of 1998 concerning Banking, Banks are business institutions that collect money from the public in the form of deposits, then redistribute it back to the public in the form of credit or loans in order to improve the standard of living of the public. Puteri et al. (2014) stated that Islamic banking is basically a banking system that is based on the principles of Islamic law or sharia, referring to the Quran and Hadith, operating in accordance with Islamic sharia provisions, especially concerning business transactions, for example, by avoiding practices that contain elements of usury and conducting investment activities based on profit sharing financing. According to Law Number 21 of 2008 concerning Islamic banking, Islamic banks are also defined as banking institutions as regulated by laws and regulations, but in their operational activities, they are adapted to the principles of Islamic sharia. Suryani (2017) explained that the development of the banking sector has created fierce competition that requires each bank to provide quality services and offer the types of products desired by customers.

In the current era of Indonesia, the Islamic financial system has developed rapidly, and even Islamic businesses have spread in various fields, especially in banking and commerce. Islamic banking in Indonesia was pioneered by Bank Muamalat Indonesia in 1992. According to Rachmadi Usman (2022), the basis for the development of Islamic banking thinking is based on the principle of profit sharing, which is a banking product service for the Indonesian people, especially those who are Muslim, because in its

operations, Islamic banking does not use an interest-based system, but uses the principle of profit sharing in the form of partnerships or cooperation (*musyarakah*). Islamic banking is one of the Sharia businesses that has attracted the interest of various segments of society, both to start private Islamic banking businesses and to conduct banking transactions in accordance with Islamic principles (Nafi'Addawami & Zamzami, 2022). Along with the development of existing Islamic banks and in response to the desires and needs of the public for Islamic banking, Bank Jateng has established a Sharia-based business unit, namely Bank Jateng Syariah, which is intended for customers who want to use Islamic banking services.

The banking sector is an interesting topic as evidenced by the many articles and scientific papers discussing Islamic banking. The researchers' discussions are diverse and interesting for further analysis, such as the investigation of *mudharabah* and *musyarakah* financing as attractive Islamic banking products.

Based on the above background discussion, this research aims to determine the application of Sharia accounting for *mudharabah* and *musyarakah* financing based on PSAK No. 105 and PSAK No. 106 at Bank Jateng Syariah.

## **2. LITERATURE REVIEW**

### **2.1. *Mudharabah* Financing**

According to Hidayatullah (2020), *Mudharabah* comes from the word dharb, which means to strike or to walk. The meaning of striking or walking is more precisely the process of someone striking their feet in running a business. According to Faizal (2017), *Mudharabah* is a partnership contract based on profit sharing, in which someone provides their capital to another party to conduct business, and both parties share the profits and/or losses based on the agreed-upon terms of the joint contract. The first party, the owner of the capital, is called the *shahibul mal*, and the second party, the manager, is called the *mudharib*. Technically, *al-mudharabah* is a business cooperation agreement between two parties, where the first party (*shahibul maal*) provides all the capital, while the other party becomes the manager (*mudharib*). The profits from the business under *mudharabah* are divided according to the agreed-upon terms in the contract, while if there is a loss, it is borne by the owner of the capital as long as the loss is not due to the manager's negligence. If the loss is caused by the manager's fraud or negligence, the manager is responsible for the loss incurred.

*Mudharabah* financing is regulated in Financial Accounting Standards Statement No. 105 on *Mudharabah* Accounting. Based on PSAK No.105, *mudharabah* is a business cooperation agreement between two parties, where the first party (the capital owner) provides all the funds, while the second party (the fund manager) acts as the manager, and the profits are divided among them according to the agreement, while financial losses are borne only by the capital owner. In this standard statement, *mudharabah* is classified into three types: *mudharabah mutlaqah*, *mudharabah muqayyah*, and *mudharabah musytarakah*. In principle, there is no guarantee in *mudharabah* financing, but to prevent fund managers from deviating, the capital owner may request a guarantee from the fund manager or a third party. This guarantee can only be cashed if the fund manager is proven to have violated the agreed-upon terms in the agreement. The distribution of profits from *mudharabah* business can be based on the profit-sharing principle or the profit-sharing

ratio principle. If the profit-sharing principle is used, the basis is gross profit, not total business income. While the profit-sharing ratio principle is based on net profit, which is gross profit minus expenses related to *mudharabah* fund management.

## 2.2. *Musyarakah* Financing

According to Pratama et al. (2017), *musyarakah* financing is a cooperation contract between two or more parties in conducting business, where each party contributes funds. The profits in *musyarakah* are divided based on a joint agreement, while the losses are divided based on the contribution of the funds. Wahyuningsih (2019) states that *musyarakah* transactions are based on the willingness of the parties to work together to increase the value of shared assets. Such a form of cooperation needs to combine various forms of tangible and intangible sources of funding. The composition of the capital issued may vary. However, some of the capital issued becomes a reference for determining the portion of profit-sharing ratios. Faradilla et al. (2017) explain that the indicator used to measure *musyarakah* financing is the comparison between the amount of *musyarakah* financing and the total amount of financing obtained from the financial statements of Islamic commercial banks.

PSAK 106 regulates the recognition, measurement, presentation, and disclosure of *musyarakah* transactions, but does not cover the accounting treatment of Sharia bonds (*sukuk*) that use *musyarakah* contracts. This statement explains that *musyarakah* is a cooperation agreement between two or more parties for a specific business, where each party contributes funds on the condition that profits are shared based on an agreement, while losses are based on the proportion of the contribution of the funds (including cash or non-cash assets allowed by Sharia). This statement also provides provisions for accounting recognition for active and passive partners, at the time of the contract, during the contract, and at the end of the contract. PSAK 106 also provides minimum presentation requirements for active and passive partners. To support transparency in reporting, partners must disclose information related to *musyarakah* transactions, such as the main agreement of the *musyarakah* business, business management, and disclosure in accordance with PSAK 101: Financial Statement Presentation.

## 2.3. Bank Jateng Syariah

Bank Jateng Syariah is a business unit established by Bank Jateng to meet the needs of the community for Sharia-based banking products and services. The Sharia Business Unit of Bank Jateng was founded and opened on April 26, 2008, with its headquarters located on the fourth floor of the Grinata Building, Jl. Pemuda No.142 Semarang, in the city of Semarang. As of October 2016, Bank Jateng Syariah has established or operationalized four Sharia branch offices, nine Sharia sub-branch offices, seven Sharia cash offices, and 145 Sharia services located throughout Central Java.

### **3. RESEARCH METHODS**

The type of research used is field research. According to Rachmawati (2017), field research is research that involves collecting data directly from activities carried out in the research field. The researcher conducted a study on *mudharabah* and *musyarakah* financing at Bank Jateng Syariah. The research approach used in this study is a descriptive qualitative approach. The data collection method used is through interviews, which involves directly asking questions to respondents to obtain the required data. The data analysis method used is descriptive qualitative analysis.

### **4. RESULTS AND DISCUSSION**

#### **4.1. *Mudharabah* Financing Application at Bank Jateng Syariah**

The implementation of *mudharabah* financing at Bank Jateng Syariah has been presented in accordance with PSAK 105 on *Mudharabah* Accounting. *Mudharabah* is defined as the placement of funds from the fund owners to the fund managers for specific activities, using a profit-sharing or revenue-sharing method between the two parties based on the agreed-upon ratio. *Mudharabah* financing is stated as the financing balance minus the provision for losses. The determination of the provision for losses is based on the quality of the financing, as reviewed for each financing balance.

There are various types of *mudharabah* financing at Bank Jateng Syariah, such as non-binding investments in the form of *mudharabah* savings and non-binding investments in the form of *mudharabah* term deposits. Non-binding investments in the form of *mudharabah* savings refer to customer funds that provide customers with a profit-sharing ratio based on the income of the Shariah Business Unit (*Unit Usaha Syariah*) from the use of the funds, which is determined and agreed upon in advance. Meanwhile, non-binding investments in the form of *mudharabah* term deposits refer to customer funds that provide customers with a profit-sharing ratio based on the income of the Shariah Business Unit (*Unit Usaha Syariah*) from the use of the funds, which is determined and agreed upon in advance.

The principle of Sharia financing (*mudharabah*) is also applied in the issuance of securities, namely *Mudharabah* Medium Term Notes (MTN), which are recognized separately from conventional MTNs. Income or profit-sharing from *mudharabah* financing is recognized when installments are received in cash basis. The profit-sharing financing will certainly result in expenses, which in Bank Jateng Syariah is referred to as sharia expenses, defined as profit-sharing for third-party funds using profit-sharing principles based on agreed-upon profit-sharing ratios based on the principle of *mudharabah mutlaqah*. Under the principle of *mudharabah mutlaqah*, there are no restrictions on the bank in using the funds raised. Customers do not give any requirements to the bank regarding the business in which their deposited funds will be channeled, or establish the use of certain agreements or require their funds to be allocated to specific customers. This means that the bank is free to channel these funds to any profitable business without customer requirements. Bank Jateng Syariah applies this principle to produce two products, namely non-binding investments in the form of *mudharabah* savings and non-binding investments in the form of *mudharabah* term deposits, as explained above. The Financial Services Authority also explains the general provisions of these products.

- 1) Banks are required to notify the owner regarding the ratio and procedures for notification of profits and/or risk sharing of profits that can arise from depositing funds. If an agreement has been reached, then it is included in the contract.
- 2) For *mudharabah* savings, banks can provide savings books as proof of deposit, as well as ATM cards and or other withdrawals to depositors. For *mudharabah* deposits, banks are required to provide depositors with certificates or deposit slips.
- 3) *Mudharabah* savings can be withdrawn at any time by savers in accordance with the agreed agreement, but are not allowed to experience a negative balance.
- 4) *Mudharabah* deposits can only be disbursed in accordance with the agreed timeframe. Deposits that are extended after maturity will be treated the same as new deposits, but if an automatic extension has been stated in the contract, then there is no need to make a new contract.
- 5) Other provisions relating to savings and time deposits remain in effect as long as they do not conflict with sharia principles.

Bank Jateng Syariah also has policies on Sharia receivables and financing, which explain that if part of the *mudharabah* financing is lost before the start of the business due to damage or other reasons without any negligence or fault of the fund manager, then the loss will reduce the balance of the *mudharabah* financing and will be recognized as the bank's loss. If part of the *mudharabah* financing is lost after the start of the business without any negligence or fault of the fund manager, then the loss will be calculated at the time of profit-sharing. Financing losses resulting from the negligence or fault of the fund manager will be charged to the fund manager and will not reduce the financing balance.

In Islamic economics, the duration of the *mudharabah* financing is also determined by the fund manager, and the fund owner only acts as a provider of funds. And for the profits obtained from the business, the profit-sharing will be divided according to the initial agreement during the continuation of the *mudharabah* agreement.

This is in line with the theory that financing contracts are agreements between two parties bound by an agreement regarding the time of the contract or financing agreement. There are two differences of opinion among schools of thought regarding the determination of the duration of *mudharabah* financing. The Maliki and Shafi'i schools of thought hold the opinion that the *mudharabah* agreement should not include a specific time limit clause in the cooperation process, while the Hanafi and Hambali schools of thought allow for a clause regarding the duration of the financing agreement (Almahmudi, 2022).

As in the principle of *mudharabah* financing, the principle of sharing profits among the parties involved in the *mudharabah* contract is applied. The net profit earned must be shared fairly between the fund provider and the fund manager according to the agreed-upon ratio between both parties. This profit sharing must be done after deducting costs and after the fund provider's capital has been fully returned. There is also the principle of sharing losses between the parties involved in the contract. In *mudharabah*, the principle of balance and justice lies in sharing the loss if the business run by the fund manager suffers a loss. This loss can be borne by the fund provider, but if there is evidence of negligence on the part of the fund manager, then the fund manager will bear the loss (Nurhasanah, 2015).



#### **4.2. *Musyarakah* Financing Application at Bank Jateng Syariah**

In the *musyarakah* application, Islamic banks issue *musyarakah* certificates similar to *mudharabah* bonds. These certificates have varying prices and different maturity periods to ensure the required distribution for the project. However, as is known, *musyarakah* is not the same as *mudharabah*, either in terms of the amount or the type of financing. There are several applications of *musyarakah* financing in Islamic banking. The first is permanent *musyarakah*, where the bank is a partner in the project/business. This model is rarely used, but permanent capital investment is a very attractive investment portfolio for Islamic investors.

In this case, the bank requires that *musyarakah* partners be directly involved in profitable ventures as much as they desire. However, this system has limitations and the bank may relinquish control and focus on their core business. Specifically, *musyarakah* projects are different from the bank's core business capacity and sustainability, and the bank must also allocate certain resources that may be limited. Secondly, *musyarakah* applies to working capital loans. The bank is a partner in the initial stages of the business process. In this case, the bank provides capital to purchase assets, production facilities, and other partners. Hasanah & Ichfan (2021) explain that when the business portion of business operations and manufacturing facilities decrease by how many times they are bought by other partners and eventually become zero, this funding model is often referred to as *musharraqa* mining and this applies well to Islamic banks.

The implementation of *musyarakah* financing at Bank Jateng Syariah is presented in accordance with PSAK 106 on *Musyarakah* Accounting. *Musyarakah* is a cooperation agreement between capital owners to combine capital and conduct business together in a partnership, with a profit-sharing ratio according to agreement, while losses are borne proportionally according to the contribution of capital. On the financial position report date, *musyarakah* financing is stated as the financing balance minus the reserve balance for the loss of value formed based on the management's review of the existing financing quality. Bank Jateng Syariah recognizes *musyarakah* financing at the time of installment received in cash (Cash basis). According to Qintharah & Khomsiyah (2022), Cash basis is a recording method in accounting, which only records transactions if there is cash inflow or outflow. *Musyarakah* financing is presented on the balance sheet at fair value and if fair value is greater than book value, the difference is recognized as deferred profit and amortized during the contract period or recognized as loss at the time of occurrence if the fair value is lower than the recorded value. At Bank Jateng Syariah, *musyarakah* financing does not have its own principles in conducting financing like *mudharabah* financing, which uses the principle of *mudharabah mutlaqah*.

As a form of trust, collateral is not required in *musyarakah*, as determined in Fatwa DSN no 3, paragraph a, point 3 of Fatwa DSN No. 8 of 2000 on *Musyarakah* Financing, in principle, there is no collateral in *musyarakah* financing, but to avoid deviation, LKS can request collateral.

Thus, Shariah banks in providing financing must have the conviction that the funds to be channeled to customers can be returned. This conviction can be obtained by the Shariah bank by conducting an analysis of the character, ability, capital, collateral, and business prospects of prospective financing customers.

## 5. CONCLUSION

In the practice of applying Shariah accounting, especially in *mudharabah* financing and *musyarakah* financing, Bank Jateng Syariah has implemented or practiced them in accordance with the applicable accounting standards, namely PSAK 105 on *Mudharabah* Accounting and PSAK 106 on *Musyarakah* Accounting and in accordance with the provisions issued by the Financial Services Authority. In *mudharabah* financing, Bank Jateng Syariah uses the principle of *Mudharabah* Mutlaqah, while in *musyarakah* financing, it uses the principle of profit sharing in general. *Musyarakah* and *mudharabah* financing are recognized using the cash basis method.

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