Journal of Information Systems Engineering and Management
2025, 10(47s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

The Implementation of Psak 105 as Profit-Sharing Recognition; The Implementation Financing Mudharabah Islamic Banks

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ARTICLE INFO

Received: 18 Dec 2024

Revised: 10 Feb 2025

Accepted: 28 Feb 2025

ABSTRACT

This study aims to examine and determine the extent to which profit-sharing from Mudharabah financing is recognized in Islamic commercial banks, with a particular focus on Bank Jabar Banten Sharia. A qualitative descriptive method is employed using a case study approach and a phenomenological perspective. Data is gathered from both primary and secondary sources. The recognition of operating income from Mudharabah financing at Bank BJB Sharia is not fully aligned with the guidelines set out in PSAK No. 105. According to paragraph 22 of PSAK No. 105, the recognition and measurement of operating income should be based on realized income, not projections. In practice, however, profit-sharing income is recorded based on reports of realized profits submitted by the Fund Manager. Islamic banks are not permitted to recognize income based on projected profits. The study finds that, generally, Islamic commercial banks in Indonesia, including Bank Jabar Banten Sharia, do not fully comply with PSAK 105 in recognizing revenue from Mudharabah arrangements. Fund customers (as Fund Managers) distribute profits to Islamic banks (as Fund Owners) based on actual business results, but these are often projected as fixed monthly amounts. This practice may not reflect actual performance, as it depends on the Fund Manager's monthly income. In practice, profit-sharing is reported monthly based on the actual operational income realized by the Fund Manager. At Bank Jabar Banten Sharia, there is no requirement to recognize income based on projected earnings, and fixed monthly recognition is not emphasized. Operationally, the profit-sharing income is determined from the Fund Manager's accounting records, which are maintained separately and reported monthly to the Fund Owner—Bank Jabar Banten Sharia. This ensures transparency and compliance with the actual financial performance rather than estimated figures. This paper analyzes the gaps in the existing literature on Mudharabah financing in Sharia banks in general and in particular in Bank Jabar Banten Sharia. It is hoped that this will provide useful information for policymakers and sharia bankers in developing objective and fair financing products. In addition, these recommendations are outlined in the paper to improve the current Mudharabah financing product so that it is fair and just for the contracting parties.

Keywords: PSAK, Profit Sharing, Mudharabah.

INTRODUCTION

A Sharia-compliant bank operates as a financial institution that mobilizes public funds through deposits and channels them back into the community via financing arrangements grounded in Islamic principles. These banks earn revenue primarily through a profit-sharing model rather than interest. Various financing schemes are utilized, including *Mudharabah*, *Musyarakah*, *Murabahah*, *Salam*, *Istishna*, *Ijarah*, and *Qard*. The distribution and trends of these financing types within Islamic commercial banks and Sharia business units over the past five years are illustrated in Table 1 below.

Journal of Information Systems Engineering and Management
2025, 10(47s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/ **Research Article**

Table 1 Composition of Financing at Islamic Commercial Banks and Sharia Business (Billion rupiahs).

No.	Akad name	2019	2020	2021	2022	2023
1.	Mudharabah	5.413	4.098	3.629	3,623	5,198
2.	Musharakah	84.582	92.279	95.986	121.389	**154.152**
3.	Murabahah	122.725	136.990	144.180	183.286	191.795
4.	Salam					
5.	Istishna	11	21	4	3	2
6.	Ijarah	3,138	2.720	2,024	2,813	4.039
7.	Qard	9.276	10.425	10.396	11,486	13.190
8.	Other					
	Total	225.145	246.533	256.219	322,600	368.376

Source: Sharia Banking Statistics – Bank Indonesia.

Table 1 illustrates that *Mudharabah* financing held a prominent share among the financing types offered by Islamic commercial banks and Sharia business units in Indonesia. It experienced notable growth from 2016 to 2020, with its contribution reaching a peak in 2020, highlighting its increasing importance within the overall financing portfolio.

Bank Jabar Banten Syariah, commonly known as BJB Sharia, is one of Indonesia's Islamic commercial banks. Operating in accordance with Sharia principles, the bank provides financing services and mobilizes public funds through various Islamic financial instruments. In terms of collecting funds, BJB Sharia Bank collects funds from customers with *Wadi'ah* contracts by demand deposits and savings, other for Mudharabah contracts in the form of Savings and Deposits. On the distribution side of funds, the BJB sharia *Musyarakah* and *Mudharabah* use the profit-sharing principle, namely *Musyarakah* and *Mudharabah*, *Murabahah* uses the sale and purchase principle, *Salam* and *Istishna* contracts use the *ujroh* principles with *Ijarah* and IMBT (Ijarah Muntahiah bit Tamlik) contracts. In addition to channeling and collecting funds, BJB Syariah bank also carries out *Wakalah* (transfer) as other financial service activities.

Table 2

Financing Composition at BJB Sharia bank from 2016 to 2020 (Billion rupiahs)

No.	Akad name	2016	2017	2018	2019	2020
1.	Mudharabah	224	156	127	178	166
2.	Musharakah	831	810	1.132	1,541	**1,693**
3.	Murabaha	7,462	4.372	3.313	3,602	3,751
4.	Regards					
5.	istishna	1	3	4	3	
6.	Ijarah	0.4	31	17	22	21
7.	Qard	0.7	66	67	79	150
8.	Other					
	Total	8,519	5.438	4.660	5.425	5.781

Source: Annual Report Bjb Sharia.

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2025, 10(47s)
e-ISSN: 2468-4376
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As shown in Table 2, *Mudharabah* financing at Bank Jabar Banten Syariah (BJB Sharia) has experienced a consistent decline from 2016 to 2020. By 2020, the total *Mudharabah* financing stood at Rp. 166,000,000,000. This observation is supported by insights from both *Mudharabah* financing customers and analysts at BJB Sharia. Despite the nature of profit-sharing arrangements, the recognition of income transferred from Fund Managers to Fund Owners remains largely static, showing minimal fluctuation. This raises questions about whether the implementation aligns with Sharia principles and the guidelines outlined in PSAK 105, which governs *Mudharabah* financing. The author emphasizes the importance of assessing whether current practices reflect the theoretical provisions, as there appears to be a gap between regulatory expectations and practical application.

Research purposes

This study seeks to evaluate the conformity of accounting practices in recognizing profit-sharing from *Mudharabah* financing with the standards outlined in PSAK No. 105. The research aims to enrich the understanding of Islamic finance, particularly in the context of *Mudharabah* contracts. Additionally, it offers valuable insights for Islamic commercial banks, especially BJB Sharia as a basis for assessing and improving the implementation of Sharia-compliant financial practices in line with PSAK No. 105.

Theory Overview

Islamic banking (Arabic: المصرفية الإسلامية al-Mashrafiyah al-Islamiyah refers to a financial system that functions in compliance with Islamic law. This system is founded on the prohibition of *riba* (the practice of charging or paying interest on loans) and the restriction against investing in businesses deemed unlawful (*haram*), such as those involving alcohol, pork, gambling, or non-Islamic entertainment. Unlike conventional banking, which may engage in such investments, Islamic banking ensures that all financial activities align with ethical and religious principles as outlined in *sharia* law (Wiroso, 2011: Accounting for Islamic Transactions).

These principles have existed in the history of Islamic economics, then at the end of the 20th century, the establishment of Islamic banks began to be applied in private and semi-private commercial institutions in the world of Muslim community.

Islamic banks are also referred to by various other names, such as non-interest banks, Sharia-compliant banks, or usury-free financial institutions (Nurul and Fitriyanti, 2010: 52).

Article continued at First paragraph 7 of Law no. 21 of 2008, “Islamic banks types consist of Sharia Commercial Banks (BUS) and Sharia Rural Banks (BPRS). Sharia principles are the principles of Islamic law in their banking business activities based on fatwas issued by institutions that have the authority to stipulate fatwas in the field of Sharia.”

Sharia Bank Products

In conducting their operations, Islamic banks engage in various activities, including:

1) Fundraising

According to the fatwa issued by the National Sharia Council (DSN), there are two main principles used in fund mobilization, namely:

(a) The Wadiah Principle

Wadi'ah refers to a deposit made by one party to another, whether an individual or a legal entity, with the obligation for the recipient to safeguard and return it whenever requested by the depositor. Wadi'ah is categorized into two types: *Wadi'ah Yad Dhamanah* and *Wadi'ah Yad Amanah*. *Wadi'ah Yad Dhamanah* is a deposit that, if not returned by the trustee after a long period, may be used by the recipient. On the other hand, *Wadi'ah Yad Amanah* requires the recipient to hold the deposit without utilizing it until it is reclaimed by the depositor. The Wadi'ah principle most commonly applied is *Wadi'ah Yad Dhamanah*, which is used in fundraising activities such as demand deposits and savings.

(b) Fundraising with the Mudharabah Principle

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e-ISSN: 2468-4376
https://www.jisem-journal.com/

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Mudharabah is a business partnership agreement where one party provides capital (*shahibul maal*) and the other party is responsible for managing the business (*mudharib*). There are three types of Mudharabah: *Mudharabah Muthlaqah, Mudharabah Muqayyadah*, and *Mudharabah Musytarakah*. *Mudharabah Muthlaqah* allows the *mudharib* more flexibility and freedom to manage the business without restrictions. *Mudharabah Muqayyadah* involves the fund owner placing specific conditions on the business, such as the type of business, location, suppliers, and customers. *Mudharabah Musytarakah* is a form where the fund manager also contributes their own capital or funds as part of the investment cooperation.

2) Distribution of Funds (Direct and Indirect)

According to Riza (2012: 76), Islamic banks use several principles in distributing funds, including the principles of buying and selling, investment, and leasing.

(a) Buying and Selling Principle

Three schemes used in buying and selling, which include the *murabahah, the salam,* and *the istishana* scheme.

Bai' Al-Murabahah is a form of fund distribution based on buying and selling. In this arrangement, the bank purchases goods requested by the customer and resells them at a higher price, which includes a profit margin determined by the bank. The customer then pays for the goods in installments, with the installment amount fixed at the outset of the contract. The total amount paid by the customer is the cost of the goods plus the agreed-upon margin. For example, if the price of a house is 500 million and the bank's profit margin is 100 million, the customer will pay 600 million, which can be settled through installments as agreed between the bank and the customer.

Bai' As-Salam is an agreement in which the bank purchases goods to be delivered at a future date, with payment made in advance. The goods must be clearly specified in terms of quantity and quality, and the purchase price is agreed upon by both parties. For example, this type of financing is used for short-term needs of farmers (2-6 months), where the goods (such as rice, corn, or chilies) are not intended to be held as inventory. In this case, the bank enters into a Bai' As-Salam agreement with a second buyer, such as Bulog or wholesalers. Another example is in the garment industry, where the seller, bank, and partners recommended by the seller enter into a similar arrangement.

Bai' Al-Istishna' is a particular form of the As-Salam contract in which payment for goods can be made either upfront, in installments, or at a later agreed-upon time. Unlike *As-Salam*, where all parties are bound by the contract from the beginning, *Bai' Al-Istishna'* involves separate obligations for the buyer and seller. In this arrangement, the bank, acting as the party procuring the goods, is responsible for any defects in the work and is liable for any guarantees related to the transaction.

(b) Principles of Investment and Profit Sharing.

Investments can be made through either the *Mudharabah* or *Musyarakah* schemes. According to Wiyono and Maulamin (2012: 47), Mudharabah is an agreement where the capital owner provides funds to a worker to manage in a specific business, with profits shared based on a mutually agreed ratio, while the capital owner bears the losses. On the other hand, *Musyarakah* is a collaborative partnership where two or more parties come together to engage in a permissible and fruitful business venture. In this arrangement, profits are shared based on a pre-agreed ratio, and risks are distributed in proportion to each participant's contribution.

The profit-sharing principle can be implemented through the *Al-Muzara'ah* and *Al-Musaqah* schemes. According to Syafi'i Antonio, Muhammad (2001), *Al-Muzara'ah* involves a bank providing financing to customers involved in agriculture or plantations, with profits shared from the harvest. Al-Musaqah, on the other hand, is a simplified version of *Al-Muzara'ah*, where the customer's responsibility is limited to watering and caring for the crops, and in return, they receive a predetermined share of the harvest.

(c) Lease Principle

Leasing activities are generally carried out through two schemes: *ijarah* and *ijarah wa iqtina* (ijarah with transfer of ownership). The ijarah scheme refers to a transaction where the usufruct (benefits) of goods and services is transferred for a specified period in exchange for rent or wages, without transferring ownership. *Ijarah wa iqtina*

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e-ISSN: 2468-4376
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combines leasing *(ijarah)* with a sale or gift, where the party leasing the goods promises to sell or donate the leased items at the end of the lease term (Utama, 2009:46).

3) Services

Islamic banks offer various banking services based on contracts such as Wakalah, Hawalah, Kafalah, Rahn, and Qord. According to Wiyono and Maulamin:

Al-Wakalah is a contract used in Islamic banking, where one party (the agent) is granted the authority to act on behalf of another party (the principal) to carry out a particular task or service. This contract allows one party to delegate authority to another to perform duties on their behalf.

Al-Hawalah, on the other hand, is a contract for transferring debt. It involves the transfer of a debt obligation from the debtor to another person who assumes responsibility for paying the debt, such as in a debt transfer arrangement. In a Hawalah transaction, one party lends an amount of money to take over the receivables or debts owed by another party.

Al-Kafalah is a guarantee provided by an insurer to a third party, ensuring that the obligations of another party will be fulfilled. It involves transferring the responsibility of one person to another, with the latter acting as a guarantor. A Kafalah transaction occurs when one party offers a guarantee for specific future events.

Ar-Rahn is a Sharia-compliant contract involving pawn transactions. In a Rahn arrangement, one party lends money to another, secured by a collateral or guarantee.

Al-Qardh is a contract under the Islamic banking system where loans are provided in the form of money or other assets, without expecting any reward or interest. This type of loan is intended to help and is based on social rather than commercial motives.

Definition of Mudharabah

According to the FATWA of the NASIONAL SHARIA BOARD, Mudharabah (Qiradh) financing is financing channeled by LKS (Islamic Financial Institutions) to other parties for a productive business. (DSN-MUI/IV/2000 No. 7)

Nurhayati & Wasilah (2015: 146) define mudharabah as a cooperation contract between two parties, namely shahibul maal as the property owner who provides funds for the business and mudharib. As the manager of funds property with profits or profits divided based on an agreement or an agreed profit-sharing ratio between the two parties and if there is a financial loss will be carried by Shahibul Maal.

Mudharabah is a collaborative business arrangement between two parties, where one party provides the capital, and the other manages the business. The profits are distributed based on the agreed terms, while any financial losses are borne entirely by the capital provider (SAKS, 2017: PSAK 105).

Statement of Financial Accounting Standards (PSAK) 105

Principle of Profit-Sharing

PSAK 105 states that the distribution of operating results can be done in 2 ways by revenue -revenue-sharing and profit-sharing. The basis of distribution for sharing profit is gross profit while the basis of distribution for profit-sharing is net income.

Recognition and Measurement for Fund Owners.

Recognition and Measurement for Fund Owners are regulated in PSAK 105 of paragraphs 12-19 which states that "Mudharabah Funds distributed by Fund owners are recognized as mudharabah investments at the time of cash payment or delivery of non-cash assets to the Fund Manager.

a. Mudharabah investment in cash is measured at the amount of cash paid.

b. Mudharabah investment in the form of non-cash assets is measured at the fair value of non-cash assets at the time of delivery."

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e-ISSN: 2468-4376
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If the fair value surpasses the carrying amount, the difference is recorded as a deferred gain and amortized throughout the Mudharabah contract. Conversely, if the fair value falls below the carrying amount, the difference is recognized as a loss. In cases where the Mudharabah investment's value drops before the business begins due to damage, loss, or other reasons not caused by the Fund Manager's negligence, the decrease in value is treated as a loss, reducing the balance of the investment. If the investment loses value after the business has started, without any fault from the manager, the loss is calculated once the profit-sharing starts, after the capital is received by the Fund Manager. In investments involving non-cash assets, the value decreases when the assets are utilized in the business, but the loss is only calculated during the profit-sharing distribution, not immediately deducted from the investment. Negligence or mistakes by the Fund Manager may include failure to meet contractual terms, conditions outside the contract's scope (force majeure), or decisions made by an authorized institution. If the Mudharabah contract expires or matures and the Fund Manager has not made the required payment, the investment is recognized as a receivable.

Recognition and Measurement for Operating Income

Recognition and measurement for operating income are regulated in PSAK 105 from paragraphs 20 to 24, if the Mudharabah investment exceeds one reporting period, operating income is recognized when the profit-sharing rights occur by the agreed ratio, losses and forms of provision for investment losses. The difference between Mudharabah contract:

a. Mudharabah investment less of investment loss allowance

b. Mudharabah investment returns are recognized as gain or loss.

In practice, the recognition of Mudharabah operating income is based on the profit-sharing report from the Fund Manager's actual performance. Projected operating results cannot be used to recognize income. Any losses arising from the negligence or misconduct of the Fund Manager are solely the responsibility of the Fund Manager and do not impact the Mudharabah investment. Additionally, any unpaid portion of operating income by the Fund Manager is recognized as receivables.

Recognition and Measurement for Fund Managers

Recognition and measurement for fund managers are outlined in PSAK 105, paragraphs 25 to 30. It states that "funds received from Fund Owners in Mudharabah contracts are recognized as temporary partnership funds, either in cash or at fair value if the investment is in non-cash assets. At the end of the period, the temporary partnership value is recorded at its carrying amount. If the Fund Manager distributes the temporary partnership funds, the Fund Manager recognizes it as an asset" according to the provisions outlined in paragraphs 12-13.

"The Fund Manager recognizes income or the distribution of temporary partnership funds on a gross basis, before deducting the Fund Owner's share of the rights. Mudharabah profit sharing can be carried out using two principles: profit sharing or profit-sharing," as outlined in paragraph 11. Third-party rights to profit sharing and temporary partnership funds that have been calculated but not yet distributed to the fund owners are recognized as liabilities or debts in the amount of profit-sharing, as they form part of the Fund Owner’s rights. Losses caused by the Fund Manager’s errors or omissions are recognized as a burden for the Fund Manager.

The recognition and measurement of the Fund Manager's accounting for Mudharabah Musytarakah are outlined in PSAK 105, paragraphs 31-35, which state that "if the Fund Manager participates in the Mudharabah business, the distribution of funds belonging to the Fund Manager is recognized as a Mudharabah investment. Mudharabah Musytarakah contract is a combination of Mudharabah contract and Musyarakah contract." In Mudharabah Musytarakah, the fund manager (based on the Mudharabah contract) also includes the funds in joint investment (based on the Musyarakah contract). The owner of the Musyarakah Fund (Musytarik) gets a share of the operating results according to the portion of the funds deposited. The distribution of operating results between the Fund Manager and the Fund Owner is equal to the result of the Musyrakah business after deducting the portion of the Fund Owner as the owner of the Musyarakah fund.

The results distribution of the Mudharabah Musytarakah investment elaborate as follows:

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2025, 10(47s)
e-ISSN: 2468-4376
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a. The investment returns are divided between the Fund Manager (Mudharabah) and the Fund Owner (shahibul Maal) following the agreed ratio, the share of investment returns after deducting for the Fund Manager is divided between the Fund Manager (as musytarik) and the Fund Owner according to their respective capital portions.

b. The investment returns are divided between the Fund Manager (as musytarik) and the Fund Owner by their respective capital portions. the portion of the investment return after deducting for the Fund Owner (as musytarik) is divided between the Fund Manager (as mudharib and the Fund Owner following the agreed ratio). If the loss is on an investment, then the loss is divided according to the share of the musytarik's capital.

Presentation

The presentation of the Mudharabah contract report is regulated in PSAK 105 paragraphs 36 and 37 states that "the Fund Owner presents the Mudharabah investment in the financial statements at the carrying amount. The Fund Manager presented Mudharabah transactions in the financial statements by:

(a) Temporary syirkah from the Fund Owner presented at their carrying value for each type of Mudharabah, and

(b) Profit-sharing from syirkah funds temporarily, which have been calculated but not delivered yet to the Fund Owner presented as profit-sharing items that have not been distributed to liabilities."

Disclosure

The Fund Owner is required to disclose information related to Mudharabah transactions, which includes, but is not limited to:

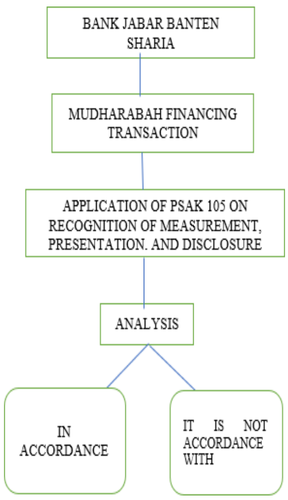
a. The terms of the main agreement for the Mudharabah business, such as the allocation of funds, the distribution of profits from business activities, and other relevant details.

b. A breakdown of the Mudharabah investment by type.

c. Provisions for potential losses from Mudharabah investments by type.

d. Disclosures required in accordance with PSAK 101 for the presentation of Islamic financial reports.

Framework:



RESEARCH METHODS

1. Research Design

This study adopts a qualitative descriptive approach with a case study method to examine the implementation of PSAK No. 105 in Mudharabah financing at BJB Sharia Bank. The case study design allows for an in-depth and contextualized understanding of accounting practices related to profit-sharing recognition.

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2. Data Sources

The research utilizes two types of data:

Primary Data: Collected through semi-structured interviews with financing analysts and Mudharabah customers at BJB Sharia Bank Bandung.

Secondary Data: Sourced from the bank's internal financing documents and annual reports over the period 2016–2020.

3. Data Collection Techniques

Primary data was obtained via in-depth interviews, guided by an instrument aligned with PSAK 105 compliance indicators. Secondary data was collected through documentation of official bank records and publicly available financial reports.

4. Data Analysis Technique

A content analysis approach was employed to interpret qualitative data, focusing on patterns of recognition, measurement, presentation, and disclosure of Mudharabah contracts. Additionally, a comparative analysis was conducted by matching empirical findings with PSAK 105 standards.

Each compliance component was scored and converted into a percentage to assess the level of conformity.

5. Validity and Reliability

To enhance the credibility of the findings, triangulation was applied by cross-verifying interview responses with documented financial data. All instruments were reviewed by experts in Islamic finance and accounting to ensure construct validity.

Table 1

Questionnaire Guide

Standard	Sub Variable	Indicator	No Item
PSAK 105 about Mudharabah accounting	Confession	1) The cash distributed is recorded as a mudharabah investment. 2) Non-cash assets provided are recognized as mudharabah investments. 3) A decrease in the value of the investment before the business begins is recognized as a loss. 4) If the fund manager has not made the payment by the end of the contract, the mudharabah investment is considered receivable. 5) Operating income is noticed by the agreed profit-sharing ratio 6) and losses occur in the contract period. 7) Revenues that remain unpaid by the fund manager are recorded as receivables. 8) Mudharabah operating income is determined based on the profit-sharing reports reflecting the actual operating income realized by the Fund Manager.	1 to 8
	Measurement	9) Mudharabah investment in cash is measured by the amount of cash disbursed. 10) Mudharabah investment in the form of non-cash assets is valued at fair value.	9 to 112

		11) A portion of the investment lost after the business has started, not due to negligence, is calculated during the profit-sharing period. 12) Losses resulting from the fund manager's negligence are the responsibility of the fund manager and do not decrease the mudharabah investment.	
	Presentation	13) Mudharabah investments are presented in the financial statements at their carrying amount.	13
	Disclosure	14) Reveal the content of the main deal 15) Revealing the specifics of the mudharabah investment amount. 16) Disclosure of investment loss allowance 17) Disclosures are required according to PSAK 101	14 to 17

RESULTS AND DISCUSSION

Mudharabah Financing at Bjb Sharia

The Musyarakah financing process at BJB Sharia Bandung involves several steps: Prospective customers apply for financing by filling out a financing application form and agreeing to meet the requirements set by BJB Sharia Bank. Once the requirements are fulfilled, the bank conducts a survey of the business location and the prospective customer's residence to verify the data provided and ensure it matches the actual conditions. If everything is in order, a BJB Sharia Bank analyst assesses the suitability of the Mudharabah financing and determines the financing amount, the duration, and the monthly principal installments and profit-sharing. Once the business is deemed eligible, the bank sends an approval notification letter (SP4) to the prospective customer. The customer reviews the terms in the letter, and if agreed upon, they sign it, affix a stamp, and return it to the bank. After receiving the signed SP4, BJB Sharia Bank prepares a cover letter to send to a notary for the contract preparation. This process is repeated to ensure that all aspects are thoroughly reviewed before finalizing the contract.

The implementation of Mudharabah financing at Bank Jabar Banten Sharia (BJB Sharia) reveals both operational opportunities and systemic limitations. While PSAK 105 mandates the recognition of income based strictly on realized profit (DSAK-IAI, 2017), BJB Sharia often applies a fixed-return approximation akin to Murabahah margins, which contradicts the foundational principles of profit-sharing (Effendi, 2014). This indicates a misalignment between accounting practices and the intended risk-sharing structure of Mudharabah.

Mudharabah, by nature, is a trust-based contract requiring transparency and robust financial reporting from the mudharib (fund manager) to the shahibul maal (capital provider). In practice, however, BJB Sharia faces challenges in ensuring reliable monthly financial disclosures, often due to the limited accounting capabilities of SMEs, which are the dominant recipients of Mudharabah financing (Pertiwi & Sapari, 2017). The reliance on monthly projected margins rather than actual profit records undermines both accountability and Sharia compliance.

Empirical studies have shown that the effectiveness of Mudharabah depends heavily on the financial literacy of the fund manager and the monitoring capacity of the bank (Sakib, 2015; Ireland & Diazari, 2017). BJB Sharia's partial compliance, especially in recognition and measurement, could hinder its potential to foster equitable wealth distribution and promote ethical financing. Institutions like BPRS Madina Mandiri Sejahtera have addressed similar gaps by integrating standardized bookkeeping assistance, improving transparency (Ireland & Diazari, 2017).

To enhance conformity with PSAK 105 and Islamic finance principles, BJB Sharia should consider implementing structured financial reporting training for mudharib parties and deploying accounting support services. Additionally, increased supervisory mechanisms and periodic audits could ensure income recognition remains reflective of actual performance, reinforcing the credibility of Islamic financial instruments in Indonesia.

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e-ISSN: 2468-4376
https://www.jisem-journal.com/ **Research Article**

Table 2

Percentage Level of Accordance with The Implementation of Psak 105

Standard	Sub Variable	Achievement Score Calculation	Results
PSAK 105 about Mudharabah accounting	Confession	7/8 X 100%	87%
	Measurement	4/3 X 100%	75%
	Presentation	1/1 X 100%	100%
	Disclosure	4/4 X 100%	100%

Table 2 illustrates the percentage conformity of BJB Sharia's Mudharabah financing practices with PSAK 105. The recognition (confession) aspect scored 87%, indicating partial compliance, particularly in income recognition still resembling Murabahah margin methods. Measurement achieved 75%, showing discrepancies in loss recognition when not due to customer negligence. Both presentation and disclosure received full compliance scores (100%), reflecting that BJB Sharia accurately presents Mudharabah investments and discloses required information. These findings suggest that while reporting and transparency are strong, operational adherence to accounting principles—especially in income and loss recognition—still requires improvement for full alignment with PSAK 105.

Confession

The accounting treatment for recognition at Bjb Sharia bank is not fully appropriate. The discrepancy that occurred at BJB sharia bank was due to the profit-sharing of Mudharabah financing still using margin as was the case with Murabahah contract with a margin of 16% per year. In practice, the recognition of Mudharabah operating income is based on the actual profit-sharing report from the Fund Manager's operating income. Projected operating results cannot be used to recognize income.

The "confession" component in PSAK 105 requires Mudharabah income to be recognized based on actual profit - sharing outcomes, not projections. At BJB Sharia, this principle is only partially implemented. Although the bank collects monthly reports from fund managers, income recognition often still reflects a fixed percentage similar to Murabahah, compromising the essence of risk-sharing. This approach undermines Sharia compliance and may lead to misrepresentation of financial performance. Full adherence would involve recognizing income solely after actual profits are realized and reported. Strengthening internal controls and requiring standardized monthly profit reports from fund managers could enhance compliance with this principle.

Measurement

The discrepancy at BJB Sharia Bank arises because when a Mudharabah asset is lost or damaged without customer negligence, the loss is not entirely the responsibility of the bank and is not considered during the distribution of profits. This occurs because BJB Sharia Bank tends to provide more financing to customers who already have an established business.

The "measurement" principle in PSAK 105 emphasizes that Mudharabah investments must be valued accurately cash investments at disbursed amounts, and non-cash assets at fair value. At BJB Sharia, partial non-compliance is observed, particularly when losses from non-negligent events are not properly accounted for in profit-sharing calculations. The bank often avoids adjusting for such losses, potentially misrepresenting investment performance. This indicates a gap between PSAK 105 guidelines and field application. To improve accuracy, BJB Sharia should enhance its risk assessment procedures and loss provisioning frameworks, ensuring all investment value fluctuations are measured and reported in accordance with PSAK 105's accounting standards.

Presentation

BJB Sharia Bank presents Mudharabah financing in the financing account on the current assets side of the balance sheet financial statements at the carrying amount.

The "presentation" aspect of PSAK 105 requires Mudharabah investments to be reported in the financial statements at their carrying amount, ensuring clarity and consistency. At BJB Sharia, this requirement is fully implemented, with Mudharabah financing presented under current assets in the balance sheet. This reflects a strong adherence to transparency and proper classification of Islamic financial instruments. Accurate presentation allows stakeholders to assess the bank's financial health and exposure to profit-sharing contracts. However, to enhance financial reporting quality, BJB Sharia should ensure that all disclosures accompany the presentation, including detailed notes on contract terms, associated risks, and performance metrics.

Disclosure

The implementation of PSAK 105 disclosures at BJB Sharia Bank involves providing information on the main agreement, detailing the amount of Mudharabah investment, and disclosing the allowance for investment losses.

The "disclosure" requirement under PSAK 105 mandates Islamic banks to transparently reveal key information related to Mudharabah contracts, including the terms of agreements, investment amounts, risk provisions, and profit-sharing mechanisms. BJB Sharia demonstrates full compliance in this area by clearly disclosing these elements in its financial reports. Such transparency is essential for building stakeholder trust and ensuring accountability in profit-sharing arrangements. Comprehensive disclosures help investors and regulators evaluate the bank's adherence to Sharia principles. To maintain and strengthen this compliance, BJB Sharia should continue updating disclosure practices in line with evolving financial reporting standards and stakeholder information needs.

Limitations and Directions for Future Research

This study is limited by its focus on a single institution BJB Sharia restricting the generalizability of findings across other Islamic banks in Indonesia. The qualitative method, while providing in-depth insights, may not capture broader patterns or statistical significance. Furthermore, the study relies heavily on interviews and document analysis, which may be influenced by respondent bias or incomplete data. Future research should expand the sample to include multiple Islamic banks for comparative analysis. Additionally, incorporating a mixed-methods approach—combining quantitative analysis with qualitative insights—could offer a more comprehensive understanding of Mudharabah implementation and PSAK 105 compliance across the industry.

CONCLUSION

The study concluded that BJB Islamic Bank has not fully implemented Mudharabah in accordance with PSAK No. 105. While recognition, measurement, presentation, and disclosure practices generally align, the recognition of operating income does not fully comply with PSAK No. 105. According to PSAK No. 105, recognition and measurement of operating income are outlined in paragraph 22. In practice, BJB Islamic Bank recognizes operating income based on profit-sharing projections calculated using a predetermined percentage established at the start of the contract, which is not allowed by PSAK No. 105. This study is limited to PSAK No. 105 and does not compare its adherence to the MUI DSN Fatwa. Future research could focus on examining the alignment between Mudharabah implementation and the MUI DSN Fatwa.

The practical implications suggest that operating income should be reported monthly based on the profit-sharing report from the Fund Manager, which is then shared with the Fund Owner, in this case, Bank Jabar Banten Sharia. The Fund Owner should remain proactive, reminding the Fund Manager to report the net operating income or net profit monthly as the basis for profit-sharing distribution. If the Business Manager lacks accounting knowledge or resources, they can consider using an affordable Accounting Firm (KJA) to assist with the necessary bookkeeping.

Journal of Information Systems Engineering and Management
2025, 10(47s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

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