

# Analysis of the Implementation of Mudharabah and Musharakah Financing Based on Profit Sharing

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**Abstracts**—This study examines the practice of mudharabah and musharakah financing at BMT Makin Amin, an Islamic savings and loan and financing cooperative in Kamal District, Bangkalan. Mudharabah financing is a partnership between a fund provider and a business manager, while musharakah financing involves a partnership between two parties who both provide funds and manage the business. Both types of financing operate on the principle of profit sharing, where profits and losses are shared based on an agreed ratio. The objectives of this study are to Analyze how general journal transactions reflect the principle of profit sharing and its effect on financial performance, Assess the impact of profit-sharing-based financing on the development of UMKM and the economic welfare of the community, and Provide recommendations to improve transparency and accountability in Islamic financing. The methodology used is descriptive qualitative research, with data collection through observation, in-depth interviews with BMT management, and documentation. The data analyzed includes primary and secondary data. The results showed that KSPPS BMT Makin Amin successfully implemented mudharabah and musyarakah financing in accordance with sharia principles, which contributed significantly to operating income and showed fluctuations during the research period.

**Keywords:** Mudharabah; Musharakah; Profit Margin; Profit Sharing; Sharia Financing

## 1. INTRODUCTION

In this modern era, Islamic financing activities have become an alternative that is in great demand by Muslim communities around the world, including in Indonesia, where the majority of the population is Muslim. Islamic banks offer financial products that are in accordance with Islamic law including profit-sharing-based financing. (Budiono, 2017) Sharia financing is not only applied in Islamic Banking but also applied in Non-Bank Islamic Financial Institutions such as Baitu Mal Wat Tamwil (BMT) Makin Amin Kamal. KSPPS BMT Makin Amin Kamal is an Islamic microfinance institution engaged in savings and loans and productive financing for micro, small and medium enterprises (UMKM). This BMT is one of the financial institutions that applies sharia principles by using the Mudharabah and Musyarakah Financing mechanisms.

Mudharabah and Musyarakah financing are two types of financing based on the principle of profit sharing in the Islamic financial system. Mudharabah financing is a form of cooperation between capital managers and capital owners with the distribution of profits and losses agreed by both parties. This agreement is often used in business development by cooperating in the management of community-owned businesses. This cooperation is usually needed by entrepreneurs with the help of financial institutions that are directly involved in developing community-owned businesses. However, there are still many people who have not been able to fulfil what has been required by Islamic financial institutions to the community, such as providing financial reports every month, in order to see the profits or losses that have been made by entrepreneurs (Pradesyah, 2021). Mudharabah financing involves two parties, the first is shahibul maal (owner of funds), and the second is Mudharib (manager). Shahibul Maal submits all funds to be managed by Mudharib, which then generates profits. The profit ratio will be divided according to the agreement of both parties. Mudharabah financing involves two parties, the first is shahibul maal (owner of funds), and the second is Mudharib (manager). Shahibul Maal submits all funds to be managed by Mudharib, which then generates profits. The profit ratio will be divided according to the agreement of both parties.

In Arabic, Musyarakah is derived from the word Al-Syirkah which means Aliktilah (mixing) or the merging of two or more things that are difficult to distinguish. For example, joint ownership or joint business. Terminologically, musyarakah is unification, mixing or union. Musyarakah in English means partnership. Musyarakah is a form of cooperation between two or more parties who include capital and skills in a business and share profits and losses according to a previously agreed ratio. (Hidayatullah, 2020). Musyarakah is a cooperation contract implemented by capital owners (musyarakah partners) to pool their capital to run a business together. Profit sharing is in accordance with the agreement and losses are borne in accordance with the capital contribution (Rizky et al., 2021).

In the business project, there are two contributing partners. The first partner acts as an active partner, while the second partner acts as a passive partner. In Islamic financial institutions, banks usually occupy the role of second partners (passive partners), while customers act as active partners. After the business project is running, profits and losses will be divided according to the capital contribution of each syarik partner. The second party's capital will be returned after the business cooperation project is completed, so the contract ends. Mudharabah and musyarakah financing have many advantages such as improving economic welfare, reducing moral risk and bad selection, and fostering entrepreneurial spirit and social responsibility. Mudharabah and musyarakah financing also face various challenges, such as difficulty in determining profit margins, risk of fraud and irregularities, and lack of transparency and accountability.

Although Islamic financing has been widely researched, there is still a lack of literature on the practical application of Mudharabah and Musyarakah financing in Islamic microfinance institutions, particularly in the Indonesian context. Previous research often focuses on large Islamic banks, while BMTs such as Makin Amin Kamal that cater to UMKM have not received much attention. In addition, existing studies often do not combine analyses of general journal transactions with an in-depth understanding of how profit-sharing principles are applied in day-to-day operations. Therefore, it is necessary to analyse the application of mudharabah and musyarakah financing at BMT Makin Amin as an interesting subject to explore the strategies, challenges and impacts of implementing profit sharing by conducting an in-depth analysis of how the application of Mudharabah and Musyarakah Financing with Profit Margin based on profit sharing at BMT Makin Amin, Kamal sub-district, Bangkalan district. Through this case study, it is necessary to study how the Mudharabah and Musyarakah Financing mechanisms are applied in real practice, as well as how the calculation of profit margins and profit sharing between BMT and customers. (Putri Geta Sahani & Mashudi, 2023). Profit sharing is a term that refers to the provision of a portion of profits to employees of a company in the form of net profits, performance incentives, and so on. Therefore, profit sharing is a system that regulates the way in which business results are distributed (Andriani & Halmawati, 2019).

The concept of profit sharing is a concept that regulates how to divide profits and losses between the parties involved in a business or financing based on sharia principles. This concept requires cooperation and participation between fund providers and fund managers. This concept also encourages equitable economic growth and social welfare (Ardiansyah & Agustin, 2022). The way to determine the ratio of profit sharing that is fair and in accordance with sharia principles is based on mutual agreement between shahibul maal and mudharib based on the principles of justice, cooperation, and participation. Based on the proportion of capital, labour, or management contributions made by each party. Based on the level of risk, performance, and business results generated by each party (Mujahidin & Id, 2021).

This article contributes to the literature by providing an in-depth analysis of the Mudharabah and Musyarakah financing mechanism at BMT Makin Amin Kamal, which includes analysis of general journal transactions and practical interpretation of the tables. This will help fill the gap in understanding the application of Islamic financing theory in real practice, especially in Islamic microfinance institutions. The gaps identified include a lack of transparency in financial reporting and difficulties in determining a fair profit margin. This study aims to explain how BMT Makin Amin Kamal overcomes these challenges and how they apply the principle of profit sharing in real conditions, able to investigate how BMT Makin Amin Kamal applies Mudharabah and Musyarakah financing in practice, Analyse how general journal transactions reflect the principle of profit sharing and its effect on financial performance, Assess the impact of profit-sharing-based financing on the development of UMKM and the economic welfare of the community, and Provide recommendations to improve transparency and accountability in Islamic financing

The results of this study are expected to provide an in-depth understanding of the application of Mudharabah and Musyarakah Financing with profit margins based on profit sharing at BMT Makin Amin Kamal. This research can also be a reference for other Islamic financial institutions in developing financing products that are in accordance with sharia principles as well as providing benefits for people who will utilise financial services in a halal manner. This article also provides theoretical and practical contributions in the development of mudharabah and musyarakah financing in Islamic financial institutions. Theoretically, this article develops a model of mudharabah and musyarakah financing with profit-sharing-based profit margins that can overcome some of the problems faced by conventional mudharabah and musyarakah financing (Abdul et al., 2022). Practically, this article provides an overview of the application of mudharabah and musyarakah financing with profit-sharing-based profit margins at BMT Makin Amin Kamal which can be used as an example for other Islamic financial institutions

## 2. RESEARCH METHODS

The research method used in this research is descriptive analytical, quoting from a book entitled *Qualitative Research Methods* by (Widiyani et al., 2021) where it is said that in qualitative research, document analysis requires that data be examined and interpreted to obtain meaning, understanding, and develop Empirical knowledge. this method is carried out by collecting primary and secondary data. Primary data was obtained through in-depth interviews with two members of the management of BMT Makin Amin Kamal who have been running mudharabah or musharakah financing products for at least one year. Observations were also made to further understand the practice of this financing. Management selection criteria were based on adequate knowledge and experience in the application of both types of financing. Secondary data was collected from literature and documents related to profit-sharing-based financing practices at BMT Makin Amin Kamal. These include, but are not limited to, relevant policy documents, financial statements, and transaction records.

The conceptual framework of this research is based on the understanding that Mudharabah and Musyarakah financing are independent variables that affect the economic welfare of UMKM (dependent variable). This relationship will be explored through analysis of transaction data and interviews with BMT Makin Amin Kamal staff. Mudharabah financing variables are measured through the amount of funds disbursed, the agreed profit-sharing ratio, and the profit generated. Meanwhile, Musyarakah financing variables are measured through capital contributions by each party and profit sharing in accordance with these contributions.

Data analysis was conducted using both qualitative and quantitative approaches. The qualitative approach involved content analysis techniques, which were used to analyse interview transcripts and describe in detail the implementation

process of mudharabah and musharakah financing. Interviews were conducted using semi-structured guidelines that allowed respondents to share their experiences in depth. General journal transactions were analysed using document analysis methods to identify patterns in profit and loss sharing. This includes understanding how decisions are made, how risks are assessed, and how profits and losses are shared between BMT and customers. The quantitative approach uses descriptive analysis techniques to calculate the profit margins earned from mudharabah and musharakah financing. This approach also involves assessing the profit-sharing structure between BMT and customers to ensure that the sharing is in accordance with sharia principles. This analysis aims to identify patterns, trends and relationships in the data that can provide insights into the effectiveness and fairness of the financing practices implemented by BMT Makin Amin Kamal.

Overall, the research method was designed to provide a comprehensive understanding of how mudharabah and musharakah financing is implemented at BMT Makin Amin Kamal and its impact on the financial institution's operations and the well-being of its customers. By combining qualitative and quantitative analyses, the research sought to capture the complex nuances of Islamic financing and provide recommendations that could help BMT Makin Amin Kamal improve its practices and better serve its customers.

### 3. RESULTS AND DISCUSSION

KSPPS BMT Makin Amin which is located at Jl. Jambu Raya No.79, Kamal Housing, Banyu Ajuh, Kec. Kamal, Bangkalan Regency, East Java 69162 has become one of the financial institutions that apply the principles of Islamic financing using the Mudharabah and Musyarakah mechanisms. Based on the results of interviews with Aqidatul Annisa as Admin and Ach. Arif as Media and communication at BMT Makin Amin Kamal, he revealed that the application of Mudharabah and Musyarakah financing is in accordance with sharia principles, it can be proven in the analysis of the application of Mudharabah and Musyarakah financing with profit sharing-based profit margins at BMT Makin Amin Kamal.(A. Annisa & Arif, 2023)

The result of the interview at KSPPS BMT Makin Amin Kamal is that BMT has succeeded in implementing Mudharabah and Musyarakah financing effectively in various financing products, by ensuring compliance with Islamic principles by determining margins consisting of Mark-uppricing is the determination of price levels by marking up the production costs of the commodities concerned, Mark-up pricing is a method of determining margin by adding a certain percentage of the cost of producing commodities sold as profit(Hakim et al., 2022). Sharia profit margin is the share or amount of profit obtained by Islamic financial institutions from income derived from financing products based on the principle of profit sharing, such as mudharabah and musharakah. Sharia profit margin must be in accordance with sharia principles and does not contain elements of usury, gharar, and maysir. Sharia profit margin is different from the interest charged by conventional banks. Interest is a fixed reward charged on borrowing money regardless of the results of the business or the condition of the borrower. Interest is considered riba which is forbidden in Islam because it contains injustice and exploitation(Lena et al., 2022).

#### 3.1 Mudharabah Financing at KSPPS BMT Makin Amin

BMT Makin Amin Kamal provides business capital to customers as mudharib in accordance with the agreement at the beginning of the contract. However, before BMT Makin Amin hands over funds, there are stages of submission by customers, risk assessment, surveys and interviews, supervision, and profit sharing agreed by both parties, so that it can be ensured that the funds are handed over to the right hands.

BMT Makin Amin Kamal provides business capital to customers as mudharib in accordance with the agreement at the beginning of the contract. However, before BMT Makin Amin hands over funds, there needs to be stages of submission by customers, risk assessment, surveys and interviews, supervision, and profit sharing agreed by both parties, so that it can be ensured that the funds are handed over to the right hands. The mechanism of mudharabah in BMT Makin Amin is as follows:

1. Customers who want to get working capital financing with a mudharabah contract must fill out a form and meet the requirements determined by BMT Makin Amin.
2. BMT Makin Amin will conduct a business feasibility analysis of customers by considering factors such as character, capacity, capital, conditions, and collateral(Masykurah & Sartika, 2024)
3. If the customer is declared eligible, BMT Makin Amin will hand over capital in cash to the customer, both in the form of money and goods needed for business. The amount and timing of the capital handover must be clear and agreed upon from the beginning of the contract.
4. The customer as a mudharib is responsible for managing the capital properly and returning it in accordance with the agreed profit sharing ratio. The profit sharing ratio can be calculated based on revenue sharing or profit sharing of the customer's business
5. BMT Makin Amin as shahibul maal is entitled to a share of business results in accordance with the agreed ratio. The distribution of business results is carried out every month or in accordance with the agreement. BMT Makin Amin also bears all business losses, except if caused by negligence, misappropriation or misuse of funds by customers
6. BMT Makin Amin has the right to supervise the customer's business, but may not interfere with the customer's business operations.

7. If the customer violates the promise or deliberately fails to pay obligations or delays payment, BMT Makin Amin can provide administrative sanctions to the customer (Nurhidayati et al., 2022)

BMT Makin Amin conducts an open profit sharing agreement so as to avoid Maysir, Gharar, and Riba. BMT Makin Amin determines the amount of profit sharing derived from net profit of 30% for BMT and 70% for customers during 1 loan period. Every month the customer will pay in instalments equal to the capital given per 1 period plus the results of the profit sharing calculation, meaning that if the customer borrows 10 million within 10 months, every month the customer must pay in instalments of 1 million plus the agreed profit sharing of 30%.

$$\text{Instalments} = (\text{Capital}/\text{loan period}) + \% \text{ profit sharing} \tag{1}$$

$$\begin{aligned} \text{Instalments} &= (\text{IDR } 10,000,000/10 \text{ months}) + 30\% \\ &= \text{IDR } 1,000,000 + 30\% \end{aligned}$$

In Islamic Accounting, Mudharabah funds disbursed by shahibul maal are recognised as mudharabah investment upon payment of cash or delivery of non-cash assets to mudharib. Meanwhile, mudharabah investment in the form of cash is measured at the amount paid (Jannah et al., 2021). Mudharabah funds play an important role channeled by shahibul maal (capital providers) to engage in mudharabah contracts. A mudharabah contract is a unique financial arrangement in which one party provides capital (shahibul maal), and the other party (mudharib) manages the investment. The profits generated from this venture are divided between the two parties based on a pre-agreed ratio.

When shahibul maal disburses these funds, they are recognized as mudharabah investments. This recognition occurs at a certain moment: either during cash payments or when there is a handover of non-cash assets to the mudharib. In other words, when the funds are transferred, they become part of the mudharabah investment pool. When a mudharabah investment is in cash, its value is easily determined. This investment is measured at the amount paid by shahibul maal. For example, if shahibul maal donates \$10,000 in cash, then that becomes the initial investment amount. The measurement of cash-based mudharabah investment is relatively simple because the value directly corresponds to the value of the money transferred (Lestary et al., 2024). This openness ensures transparency and facilitates accurate recording within the framework of Sharia Accounting. In summary, the recognition and measurement of mudharabah funds is a critical step in ensuring adherence to the principles of Islamic finance. By acknowledging these investments and measuring their value appropriately, practitioners maintain the integrity of the mudharabah system. The following is an analysis of the calculation and writing of journals in accounting at BMT Makin Amin Kamal.

On April 1, 2023, Mrs. Maya Sofiana applied for mudharabah financing of 10 million for the business capital of the seblak stall at BMT Makin Amin. BMT has approved the provision of mudharabah muthlaqah facilities for Mrs. Maya engaged in culinary with the following agreements:

1. Ceiling : IDR 10.000.000,00
2. Object of profit sharing: Net profit sharing
3. Ratio: 70% for virtual mothers and 30% BMT Makin Amin
4. Period : 10 months (due February 12, 2024)
5. Administration fee: IDR 40.000,00 (paid when the contract is signed)
6. Repayment : Return of principal per month until the end of the period
7. Remarks : The capital from BMT will be given in cash on April 12, 2023
8. Reporting and revenue sharing payments are made every 12th starting in May

In this case, BMT acts as the owner of the fund while Maya Sofia's mother is the fund manager. The 100% capital contribution of BMT Makin Amin Kamal, the profit sharing ratio agreed by both parties is 70%:30%, meaning that the profits obtained from the results of each month's business will be divided 70% for virtual mothers and 30% for BMT Makin Amin Kamal. The following transactions are related to mudharabah financing. The journal entries made by BMT Makin Amin to record mudharabah are:

**Table 1.** Transactions are related to mudharabah financing

No.	Account Name	Debit	Credit
1	Db. Opposite Post Liability	IDR 10,000,000.00	
	Kr. Commitment Obligation		IDR 10,000,000.00
2	Db. Cash	IDR 40,000.00	
	Kr. Administration Income		IDR 40,000.00
3	Db. Commitment Obligation	IDR 10,000,000.00	
	Kr. Opposite Post Liability Financing Administration Commitment		IDR 10,000,000.00
4	Db. Mudharabah investment	IDR 10,000,000.00	
	Kr. Cash		IDR 10,000,000.00
5	Db. Cash	IDR 600,000.00	
	Kr. Mudharabah profit sharing		IDR 600,000.00

No.	Account Name	Debit	Credit
	income		
6	Db. Mudharabah profit sharing income receivable	IDR 300,000.00	
	Kr. Mudharabah profit sharing income		IDR 300,000.00
7	Db. Cash	IDR 300,000.00	
	Kr. Profit sharing income receivable		IDR 300,000.00
8	Db. Temporary shirkah fund	IDR 10,000,000.00	
	Kr. Cash		IDR 10,000,000.00
9	Db. Mudharabah receivables- due	IDR 10,000,000.00	
	Kr. Mudharabah Investment		IDR 10,000,000.00

As illustrated in table 1 this can be analyzed as follows::

1. Signing the contract: before receiving business capital from BMT Makin Amin, customers must go through the agreement stage, namely signing the contract. In the journal what will be written is the amount of capital that BMT will hand over to the customer at a cost of IDR 10,000,000.00. Then on the debit side must be written Pos Lawan obligation commitment financing administration and on the credit side must be written obligation commitment financing administration.
2. Administrative expenses: recording the receipt of administrative expenses is part of the general journal. there are two accounts, namely. Db. Cash shows a debit of IDR 40,000.00 and Kr. Administration Income shows a credit of IDR . 40,000.00
3. Reversal of commitment obligation: The journal entry to be made by BMT Makin Amin reverses the commitment obligation account that was recorded in the first stage.
4. Record of fund disbursement by BMT: A journal that must be kept by the fund owner to record the disbursement of funds to the fund manager in cash.
5. Journal of profit sharing receipts: Payment of profit sharing received by BMT Makin Amin from fund managers is made on the same date as the reporting date(Affandi, 2021)
6. According to the initial agreement, if the mudharib gets a profit, it will be divided by 70%: 30% with the profit sharing calculation formula: net income x 30% for BMT Makin Amin and net income x 70% for Mrs Maya Sofiana. IDR 2,000,000.00 x 30% = IDR 600,000.00.
7. Late payment: if Mudharib is late in payment of profit sharing, meaning that the payment is made on a different date from the reporting date, while reporting a profit of IDR 1,000,000.00. The calculation is IDR 1,000,000.00 x 30% = IDR 300,000.00.
8. Late payment of profit sharing: if the mudharib has paid the profit sharing that must be received by BMT Makin Amin Kamal on a different date.
9. Return of mudharabah capital: when the contract has ended, there are two alternatives for recording, namely: (1) if the virtual mother is able to return the mudharabah capital:
10. (2) if the virtual mother is unable to return the mudharabah capital. The inability of the mudharib to return the capital that has been managed due to several reasons, one of which is that expenses exceed income so as not to get a profit in the mudharabah.

### 3.2 Musyarakah Financing at KSPPS BMT Makin Amin

The musyarakah financing mechanism at BMT Makin Amin consists of several stages.

1. Customers apply for musharakah financing and fill out the required forms. The form along with other supporting documents are submitted to BMT for eligibility evaluation. If the customer and his business meet the requirements, then the customer signs a musharakah agreement with BMT.
2. BMT and customers both provide capital according to the agreement and customers as active partners run their business according to the initial contract.
3. The customer's business results are evaluated according to the schedule determined by the agreement. The profits obtained by BMT and customers are divided according to the agreed ratio. Usually, BMT Makin Amin determines profit sharing with a margin of 30% for BMT and 70% for customers. However, this determination is not patent or can change according to the agreement of both parties. Losses are borne jointly according to the initial capital if not due to customer negligence. If the loss is due to the customer's negligence, then the customer bears all losses.
4. BMT and customers receive their respective profit sharing according to the agreed calculation method.
5. The customer returns BMT's capital. If all BMT capital has been returned, then the business becomes the full property of the customer.(Mustofa & Khoir, 2020)

In this financing scheme, customers are required to report their business to BMT so that BMT can determine the profit sharing for the business. On June 2, 2022, Andika signed a business financing agreement for the manufacture of household products from aluminum with BMT Makin Amin Kamal with the following musharakah agreement.

1. Project Value : IDR 80.000.000,00
2. BMT Contribution : IDR 60.000.000,00 (payment made on June 10)

3. Andika's Contribution : Rp20.000.000,00
4. Profit Sharing Ratio: Andika 70% and BMT 30%
5. Period : 10 months
6. Administration Fee : IDR 40.000,00
7. Profit Sharing Object: Net profit
8. Principal Repayment Scheme: Permanent Musharakah – paid off when the contract ends on April 2, 2023
9. The reporting scheme and payment of the BMT profit sharing portion are carried out every 2nd of the month. The first reporting and payment was made on July 2, 2022

**Table 2.** Transactions are related to musharakah financing

No.	Account Name	Debit	Credit
1	Db. Contra liability for Musyarakah Financing Commitment	IDR 60,000,000.00	
	Kr. Musyarakah Financing Commitment Liability		IDR 60,000,000.00
2	Db. Cash	IDR 40,000.00	
	Kr. Administration Income		IDR 40,000.00
3	Db. Musyarakah Financing Commitment Liability	IDR 60,000,000.00	
	Kr. Contra liability for Musyarakah Financing Commitment		IDR 60,000,000.00
4	Db. Musyarakah investment	IDR 60,000,000.00	
	Kr. Cash/Customer's Account		IDR 60,000,000.00
5	Db. Cash	IDR 1,500,000.00	
	Kr. Musyarakah profit sharing income		IDR 1,500,000.00
6	Db. Profit sharing income receivable	IDR 2,400,000.00	
	Kr. Musyarakah profit sharing income		IDR 2,400,000.00
7	Db. Cash	IDR 2,400,000.00	
	Kr. Profit sharing income receivable		IDR 2,400,000.00
8	Db. Cash	IDR 60,000,000.00	
	Kr. Musyarakah Investment		IDR 60,000,000.00
9	Db. Musyarakah Receivables - Matured	IDR 60,000,000.00	
	Kr. Musyarakah Investment		IDR 60,000,000.00

As illustrated in table 2 this can be analyzed as follows:

1. Signing the musyarakah contract. before receiving business capital from BMT Makin Amin, customers must go through the agreement stage, namely signing the contract. In the journal, what will be written is the amount of capital that BMT will hand over to the customer of IDR 60,000,000.00. Then on the debit side must be written contra obligation commitment of musyarakah financing administration and on the credit side must be written obligation commitment of musyarakah financing.
2. In addition, BMT records an administrative fee receipt journal. The journal of administrative fee receipts is a journal that records cash receipts from administrative fees. In the journal there are accounts involved in the transaction, there are 2 accounts involved in the transaction, namely Account Db. Cash is recorded at IDR 40,000.00 and Kr account. Administration Income is recorded at IDR 40,000.00. In other words, the administrative fee receipt journal is a journal that records cash receipts from administrative fees and records the accounts involved in the transaction(Trisnawati, 2022)
3. Reversing a commitment obligation account: reversing a commitment obligation account in accounting means cancelling or deleting a transaction that has been recorded in the ledger. In this case, Reversing a financing commitment obligation account means cancelling or deleting a financing commitment obligation that has been recorded in the ledger. In the table, it is written Db. Musyarakah Financing Commitment Obligation shows the amount of financing commitment obligation recorded as debit in the ledger. Meanwhile, Kr. Contra Musyarakah Financing Commitment Obligation indicates the amount of financing commitment obligation recorded as credit in the ledger(Asrianto, 2022)
4. Recording musyarakah investment payments to active partners (customers). This means recording musyarakah investment payments made by BMT Makin Amin to active partners (customers). The payment of the musyarakah investment is recorded in the Db. Investasi Musyarakah account of IDR 60,000,000.00 and the Kr. Cash / Customer Account of IDR 60,000,000.00.(Gojali et al., 2022).
5. Andika makes reporting and payment to BMT Makin Amin simultaneously. If Andika reports a profit of IDR

5,000,000.00 and the BMT portion is 30%. Then the profit sharing calculation formula for BMT Makin Amin is Net income x 30%.

6. The following month Andika gave a report of his business results to BMT with a profit of IDR 8,000,000.00. Andika only made payments to BMT on different dates in the same month.
7. Next, record the journal entry when you make the profit-sharing payment,
8. When the contract comes to an end, there are two alternatives for the journal entry, namely: (1) the active partner is able to return the musyarakah capital,
9. (2) Active partners are unable to repay the musyarakah capital. In this case, BMT will record it as a musyarakah receivable due.

An analysis of the application of Mudharabah and Musyarakah financing with profit margin based on profit sharing at BMT Makin Amin Kamal shows the effective application of these financing methods in accordance with Islamic principles. The study highlights the successful application of Mudharabah and Musyarakah mechanisms, adherence to Shariah guidelines in risk assessment and supervision, and fair profit sharing. The findings of this study contribute to a deeper understanding of the implementation of profit-sharing-based financing at BMT Makin Amin Kamal. In addition, the results of this study can be a reference for other Islamic financial institutions in developing financing products that are in accordance with Islamic principles. Finally, this study provides benefits for individuals seeking halal and ethical financial services by providing insight into the application of profit-sharing-based financing (Putriandini & Irianto, 2012).

### 3.3 Discussion

This study aims to analyse the implementation of Mudharabah and Musyarakah financing with profit margin based on profit sharing at BMT Makin Amin Kamal. The findings and implications of the study will be discussed, as well as the problems faced and potential improvements in profit-sharing-based financing. The analysis of the implementation of Mudharabah and Musyarakah financing at BMT Makin Amin Kamal revealed several important findings. Firstly, BMT Makin Amin Kamal has successfully applied these financing methods well, providing access to sharia-compliant financing for various types of customers, including micro businesses and individuals. The institution has successfully implemented both Mudharabah and Musyarakah mechanisms, ensuring fair sharing of profits and losses between BMT and customers (Sugianto & Sriwahyuni, 2024). The findings highlight the institution's commitment to Islamic principles and its ability to provide sharia-compliant financial solutions. Compliance with Shariah Principles: One important aspect of profit-sharing based financing is compliance with sharia principles. BMT Makin Amin Kamal demonstrates a strong commitment in ensuring that its Mudharabah and Musyarakah financing practices conform to the guidelines set by Islamic law. This includes conducting proper risk assessment, accurate performance appraisal of the financed project, and effective monitoring of the project. The institution's commitment to Shariah compliance is critical in maintaining the trust and confidence of customers seeking Islamic financial services (Kurniawati & Nasution, 2021).

Calculation and Distribution of Profit Margin: Calculation and distribution of profit margin plays an important role in profit-sharing based financing. BMT Makin Amin Kamal applies a transparent and agreed methodology to determine the profit margin in Mudharabah and Musyarakah financing (Audina, 2021). This calculation considers factors such as the amount of capital invested, the performance of the financed project, and the agreed profit sharing ratio. Fair profit sharing between BMT and the customer reflects the principles of fairness and shared responsibility inherent in Islamic finance. The profit obtained by the customer as Shahibul maal (in a mudharabah deposit contract) and the customer as mudharib (mudharabah financing) is fair according to the agreement of both parties without any coercion. Deposits are a form of savings that have a certain minimum amount, a certain period of time and the yield is higher than savings. Customers open deposits with a certain minimum amount with an agreed period of time, so that customers cannot withdraw their funds before maturity. This fundraising product is usually chosen by customers who have excess funds so that in addition to aiming to save their funds, it also aims as a means of investing (Mariam et al., 2022).

Mudharabah deposits are one type of third party funds collected by Islamic banks from customers. The more third party funds that are deposited in the form of mudharabah deposits, the more likely it is for Islamic banks to increase mudharabah financing. the more third party funds deposited in the form of mudharabah deposits can increase mudharabah financing at Islamic banks. opening (R. Annisa et al., 2021). Deposits based on Mudharabah Principles in the transaction the customer acts as a shahibul maal or owner of funds, and BMT Makin Amin acts as a mudharib or fund manager. In its capacity as a mudharib, BMT can carry out various kinds of businesses that are not contrary to Sharia Principles and develop them, including Mudharabah with other parties. Capital must be stated with the amount in cash and not receivables, In the world of Islamic banking, the principles of transparency and fairness are prioritised. Therefore, the capital invested by the customer must be in cash and not in the form of receivables (Pascadinianti & Margono, 2024). This is important to ensure that all parties have the same understanding of the actual value deposited and avoid uncertainty or gharar which is prohibited in sharia. Furthermore, the profit sharing must be stated in the form of a clear ratio and must be included in the account opening contract. This ratio determines how the profit will be divided between the customer and the bank, which in this case is BMT (Baitul Maal wat Tamwil). Thus, both parties can understand their share from the start and avoid disputes at a later date (Nurmalia, 2021).

The BMT, acting as mudharib or fund manager, has the responsibility to bear the operational costs of the deposit. These costs should be covered using the profit ratio to which the BMT is entitled in return for its management. This indicates that the BMT must be efficient in its operations and must not burden customers with additional costs that were not agreed upon. BMT is also not allowed to reduce the customer's profit ratio without the customer's consent. This is a

form of protection for customers and ensures that they get their fair share according to the initial agreement. Any change in the ratio must be done transparently and must be approved by the customer in advance, thus maintaining trust and integrity in the relationship between the customer and the BMT. By applying these principles, BMT can ensure that its operations are not only compliant with sharia principles, but also build strong and fair relationships with its customers (Lestary et al., 2024).

The calculation in mudharabah deposits uses the profit sharing calculation formula, namely: (Total deposits / overall average deposits) X percentage of nisbah or profit sharing X bank profit in the current month. For example, if a customer deposits 30 million with a tenor of 1 month, the ratio or profit sharing received will be calculated based on the formula.

Total deposits: IDR 20,000,000.00

Average 1 month deposit funds: IDR 900,000,000.00

Profit sharing ratio: 70% customer and 30% BMT

BMT profit in the current month: IDR 20,000,000.00

Then the calculation is:  $(Rp. 30,000,000.00 / Rp. 900,000,000.00) \times 70\% \times Rp. 20,000,000.00 = Rp. 4,200,000.00$ . The customer as shahibul maal will get a profit sharing of IDR 4,200,000.00. If in the investment the BMT experiences a loss or does not get a profit, then the customer as shahibul maal does not get the amount of profit sharing but the customer's funds remain in the amount / do not decrease.

**Challenges and Potential Improvements:** Although BMT Makin Amin Kamal has successfully implemented Mudharabah and Musyarakah financing, some challenges may arise in practice. These challenges include the complexity of risk assessment, the need for accurate performance measurement of the financed projects, and ensuring effective communication and collaboration between BMT and customers. Addressing these challenges can improve the implementation of profit-sharing-based financing and increase customer satisfaction.

**Implications and Further Research Directions:** The findings of this study have implications for BMT Makin Amin Kamal as well as other Islamic financial institutions. The successful implementation of Mudharabah and Musyarakah financing at BMT Makin Amin Kamal can serve as an example for other institutions looking to adopt profit-sharing-based financing practices. The study also emphasises the importance of transparency, compliance with sharia principles, and effective risk management in ensuring the success of such financing methods. Future research could focus on exploring customer perceptions and experiences regarding Mudharabah and Musyarakah financing at BMT Makin Amin Kamal. In addition, a comparative study could be conducted to analyse the implementation of profit-sharing-based financing in other BMTs or Islamic banks, thus providing a broader perspective on this topic

## 4. CONCLUSIONS

In this study, the authors have analysed the application of Mudharabah and Musyarakah financing with profit margins based on profit sharing at BMT Makin Amin Kamal. Based on the findings and analyses conducted, several important conclusions can be drawn. Firstly, BMT Makin Amin Kamal has successfully implemented Mudharabah and Musyarakah financing methods. Through the application of these mechanisms, BMT Makin Amin has provided access to financing in accordance with sharia principles for various types of customers, including micro businesses and individuals. This success demonstrates the institution's commitment to providing sharia-compliant financial solutions. BMT Makin Amin Kamal has demonstrated a strong commitment to compliance with sharia principles in the application of Mudharabah and Musyarakah financing. In conducting risk assessment, project performance assessment, and monitoring of financed projects, the institution follows the guidelines set by Islamic law. This is very important to maintain customer trust and confidence in Islamic financial services. BMT Makin Amin Kamal applies a transparent profit margin calculation agreed between the institution and the customer. Factors such as the amount of capital invested, the performance of the project, and the profit-sharing ratio are agreed upon to ensure fair profit sharing between the BMT and the customer. This principle of fairness is in accordance with the concept of profit-sharing-based financing in Islamic finance. This research can serve as a basis for further studies on the effectiveness and efficiency of Mudharabah and Musyarakah financing in practice. Future research could explore the impact of this financing on customers' economic growth and its contribution to micro and macro economic development. In addition, more in-depth research on customer perceptions of profit-sharing mechanisms and institutional transparency could provide valuable insights for future service improvements. This study has some limitations in that the analyses conducted are limited to the data available from BMT Makin Amin Kamal and may not reflect practices in other Islamic financial institutions. This study did not include the customers' perspective directly, thus could not fully capture the customers' experience and satisfaction with the financing received and this study did not evaluate the long-term impact of Mudharabah and Musyarakah financing on customers' welfare and the growth of their business. Therefore, future research is needed to address these limitations and provide a more comprehensive understanding of this topic.

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