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The Implementation of PSAK 106 on Profit-Sharing Recognition in *Musyarakah* Financing: A Case Study at Bank BJB Syariah

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Abstract

Background: *Musyarakah* financing has experienced significant growth in Indonesian Islamic banking; however, the implementation of PSAK 106 in profit-sharing recognition remains inconsistent. Fixed profit-sharing practices that do not reflect actual business income may reduce transparency and sharia compliance.
Objective: This study examines the implementation of PSAK 106 in recognizing profit-sharing for *Musyarakah* financing at Bank BJB Syariah.
Methods: A qualitative case study and phenomenological approach were employed. Data were collected through in-depth interviews with three financing analysts and two *Musyarakah* customers, supported by financial document analysis from 2016–2020. Data were analyzed by comparing PSAK 106 requirements with actual banking practices, with validation conducted through member checking and source triangulation.
Results: The findings reveal that *Musyarakah* profit-sharing recognition at Bank BJB Syariah has not been fully aligned with PSAK 106. The bank applies fixed monthly profit-sharing payments, whereas PSAK 106 requires recognition based on actual realized business income. The main discrepancy occurs in operating income recognition, where fixed percentages replace income-based calculations.
Conclusion: Improving compliance with PSAK 106 is necessary to strengthen transparency, fairness, and accountability in *Musyarakah* financing practices within Islamic banking.

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INTRODUCTION

Islamic banking institutions serve as financial intermediaries that mobilize funds from the public and distribute them through profit-sharing-based financing mechanisms in accordance with Sharia Banking Law No. 21 of 2008. Unlike conventional banks, Islamic banks prohibit interest (*Riba*) and instead rely on contractual profit-sharing arrangements such as *Musyarakah* and *Mudharabah*. According to OJK Islamic Banking Statistics (2023), total Islamic banking assets in Indonesia reached IDR 802.79 trillion as of December 2023, with *Musyarakah* consistently representing the largest share of total financing disbursements (OJK, 2023).

Table 1
Composition of Financing in Sharia Commercial Banks and Sharia Business Units (Billion Rupiahs)

No.	Name of Agreement	2016	2017	2018	2019	2020
1	Mudharabah	15,292	15,984	14,940	13,176	11,854
2	Musyarakah	78,421	95,097	121,914	150,522	174,919
3	Murabahah	139,536	145,301	151,580	158,725	174,301
4	Salam	–	–	–	–	–
5	Istishna	878	1,189	1,609	2,097	2,364
6	Ijarah	9,150	8,535	9,288	9,450	8,635
7	Qardh	4,731	6,346	7,665	10,031	11,872
8	Others	–	–	–	–	–
Total		248,008	272,452	306,996	344,001	383,945

According to OJK (2023), *Musyarakah* financing reached IDR 242.3 trillion, approximately 41% of total Islamic bank financing, up from IDR 99.2 trillion in 2016. Table 1 below presents the development of *Musyarakah* financing at Bank BJB Syariah from 2016–2020 (replacing the original schematic image).

Bank BJB Syariah also known as Bank Jabar Banten Syariah, is Islamic banking institution which doing financing activity and collecting fund from community based on sharia principle. In collecting fund side, the bank use Wadi'ah contract for giro and saving account, while *Mudharabah* agreement used for some saving products from customer. In distribution activity, the bank applies profit sharing system through *Musyarakah* and *Mudharabah* contract, also using buying and selling principle and *Ujroh* principle with Ijarah and IMBT (Ijarah Muntahiah bit Tamlik) agreement. However, profit-sharing paid by active partners to the bank as passive partner remains fixed monthly, regardless of actual business performance, directly contradicting PSAK 106 paragraph 26.

Table 2
Composition of Financing at Syariah BJB Bank for the Period 2016 to 2020 (Billion Rupiahs)

No.	Agreement Name	2016	2017	2018	2019	2020
1	*Mudharabah*	224	156	127	178	166
2	*Musyarakah*	831	810	1,132	1,541	1,693
3	*Murabahah*	7,462	4,372	3,313	3,602	3,751
4	*Salam*	–	–	–	–	–
5	*Istishna*	1	3	4	3	–
6	*Ijarah*	0.4	31	17	22	21
7	*Qardh*	0.7	66	67	79	150
8	*Others*	–	–	–	–	–
Total		8,519	5,438	4,660	5,425	5,781

Table 2 above explain that *Musyarakah* financing from 2016 until 2020 always showing stable increase in financing composition distributed by Bank BJB Syariah. In year 2020, position of *Musyarakah* financing reached around Rp 1.6 trillion. Information also obtained from *Musyarakah* financing customers and analyst in Bank BJB Syariah. Based on their recognition, profit sharing paid from active partner to passive partner still fixed and not fluctuating. This issue encouraged the authors to make sure whether the implementation already suitable with sharia principle and PSAK 106 regulation about *Musyarakah* financing which currently applied. The practice of profit-sharing system still show difference between theory or existing regulation and implementation in actual banking activity.

Even though *Musyarakah* financing gives many advantages in Islamic banking activity, this contract also has bigger risk compared with other sharia contracts. Research from Khan (2001) explained that *Musyarakah* financing has high possibility of financing problem and uncertainty. Based on information from Bank Indonesia in 2016, *Musyarakah* became one of biggest contributor for Indonesia. Although this financing is more widely used than *Mudharabah* contract, the high-level risk in *Musyarakah* make Islamic banking industry need more attention and stronger risk management for future financial exposure.

Internal factors such as expected return, proportion of Musyarakah financing in total financing, and financing distribution in high-risk sectors become the main causes influencing Musyarakah risk (Pramudita & Aji Purba Trapsila, 2025; Ramli et al., 2020). Meanwhile, from external factor side, only growth of national GDP showed significant effect toward *Musyarakah* financing risk. Critically, the failure to recognize income based on actual business performance, as required by PSAK 106, compounds these risks by obscuring the true financial condition of business partners, impairing the bank's credit risk assessment and sharia compliance oversight (Warninda, 2019).

The purpose of this research is to know and analyze the suitability of accounting implementation in recognition of revenue sharing from *Musyarakah* financing based on PSAK No. 106. The research also aims to examine whether the application in banking practice already follows the accounting standard used in Islamic financial institution. Theoretically, this study expected to give additional understanding and knowledge in sharia finance field, especially related with *Musyarakah* contract and profit-sharing system. Besides that, this research also gives contribution for sharia commercial banks generally and especially for Bank BJB Syariah as evaluation material in applying effective sharia banking practice according to PSAK No. 106.

The research urgency lies in the growing scale of *Musyarakah* financing and the systemic risk posed by non-compliance with PSAK 106 profit-sharing recognition standards. The novelty of this study is its combined case study and phenomenological inquiry to capture practitioners' lived experiences in implementing PSAK 106, a methodological combination underutilized in existing Islamic accounting literature. Specific objectives: (1) analyze conformity of *Musyarakah* accounting at Bank BJB Syariah with PSAK 106; (2) identify factors driving non-compliance in operating income recognition; (3) provide evidence-based recommendations to strengthen sharia accounting compliance. The findings are expected to benefit Islamic banking regulators, practitioners, and contribute to theoretical development of sharia accounting standards in Indonesia.

Literature Review

Islamic Banking is banking system which implementation based on sharia law and Islamic principle. The establishment of this banking system comes from prohibition in Islam against lending or taking loan with interest system known as *Riba* or usury. Besides that, Islamic law also prohibit investment in business activities considered haram or not allowed in Islam. Because of that, conventional banking system is seen cannot fully guarantee absence of prohibited transaction or investment, such as business related with haram food and drink production, non-Islamic entertainment and media, and other activities not suitable with sharia values. Islamic banking developed as alternative financial system which prioritizes fairness, *Halal* transaction, and compliance with sharia principles. Islamic banking developed as an alternative financial system prohibiting *Riba*. Indonesian Islamic banks are governed by Law No. 21 of 2008, which also mandates accounting compliance under IAI standards and DSN-MUI fatwa, forming the regulatory basis for PSAK 106 implementation (Nurhayati, 2009; Yaya Rizal, Martawireja Aji Erlangga, 2018).

The principles in Islamic banking already existed since long time in history of Islamic economic system. However, the application in modern financial institution only started developing at the end of 20th century after establishment of Islamic banks in many Muslim countries. After that, sharia principles began used in commercial institutions in Muslim society around the world. Islamic banks are also known by several names such as usury free banks, Islamic banks, and interest-free banks as explained (Aslan, 2017; Meisamy & Molakarimi, 2024; O'Sullivan, 2020).

Based on Law No. 21 of 2008 article 1 paragraph 7, Islamic banks in Indonesia consist of two types, namely BUS and BPRS. In carrying out banking activities, Islamic banks use sharia principles which are based on Islamic law and guided by fatwa issued from authorized institutions in the field of sharia. These principles become the main foundation in conducting financial transaction and banking operation according to Islamic teaching.

Sharia banks carry out several activities, such as:

1) Fund Raising

According to the fatwa of the National Sharia Council (DSN), there are two principles of raising funds,

(a) Fund Raising with the *Wadi'ah* Principle

2) Fund Distribution (Direct and Indirect)

The distribution of funds by Sharia banks, there are several principles, namely the principle of sale and purchase, the principle of investment, and the principle of leasing (Salman, 2017).

(a) Principles of Selling and Purchasing

(b) Investment Principle and Profit - sharing.

In investment activity at Islamic Banking, financing can be carried out through *Mudharabah* and *Musyarakah* scheme. According to Wiyono (2012), *Mudharabah* is agreement between capital owner and business manager where the owner provides funds and the other party manages the business in certain trade activity. Profit from the business will be shared based on mutual agreement, while financial loss becomes responsibility of capital owner as long as there is no negligence from manager side. Meanwhile, *Musyarakah* has wider meaning as cooperation contract between two or more parties to conduct lawful and productive business activities together. In this contract, profit is divided based on agreed ratio, while risk and loss are shared according to each party contribution in the partnership.

Definition of Musyaraka

Based on DSN-MUI Fatwa No. 8/DSN-MUI/IV/2000, *Musyarakah* financing applies partnership principle in which all parties participate in financing and share responsibility in business activity. PSAK 106 operationalizes these sharia principles into accounting standards, creating a regulatory framework where sharia compliance and financial reporting converge (Antonio, 2007).

According to Solarin et al. (2023), the term al-syirkah means al-ikhtilath or mixture and alliance between two or more people so their ownership or involvement becomes united and difficult to separate. Other terms often used for *Musyarakah* are sharikah, syirkah, or partnership. Nurhayati (2009) also explained that *Musyarakah* reflects cooperation relationship between parties in business activities based on Islamic principles.

Meanwhile, according to *Ikatan Akuntan Indonesia* (2017), *Musyarakah* is agreement between two or more parties to conduct specific business where each party contributes funds either in form of cash or non-cash assets permitted by sharia. Profit distribution is determined according to mutual agreement, while losses are shared based on proportion of contributed capital from each party. PSAK 106 establishes key accounting provisions: (1) investment recognized upon contract execution and fund disbursement (par. 27); (2) losses recognized proportionally to capital contribution (par. 24–25); (3) operating income based on actual realized business income reported by active partner (par. 26); (4) unreturned investments recognized as receivables (par. 33); (5) presentation as *Musyarakah* investment and disclosure requirements (par. 36–37).

According to PSAK 106 paragraphs 5 until 12, *Musyarakah* has several important characteristics in its implementation. In *Musyarakah* agreement, all partners or syarik contribute funds to finance a specific business, either existing business or new business activity. One partner may gradually or directly return the funds and agreed profit-sharing portion to another partner. Investment in *Musyarakah* can be provided in form of cash, cash equivalents, or non-cash assets including intangible assets such as patents and licenses.

In *Musyarakah* contract, each partner cannot guarantee the funds owned by other partners. However, partners may request guarantee related with negligence, wrongdoing, or intentional errors committed by another partner. Deliberate mistakes can include violation of contract, misuse of investment funds, manipulation of operational costs and income, or implementation not suitable with sharia principles. If there is disagreement regarding dispute or intentional mistake, then the error must be proven through decision from authorized institution.

In *Musyarakah* agreement, profit from business activity distributed proportionally based on amount of funds contributed by each partner or based on ratio already agreed together in contract. Meanwhile, business losses must be shared according to portion of capital contribution, whether contribution given in form of cash or non-cash assets. If one partner gives bigger participation, effort, or responsibility in managing business compared with other partners, that partner can receive larger profit portion or additional benefit according to agreement between parties. Distribution of profit-sharing is determined from actual business result obtained during contract period and not based on total investment amount disbursed. Besides that, manager of *Musyarakah* business also has responsibility to make bookkeeping and administrate all transactions related with *Musyarakah* investment in separate accounting records. This provision, requiring profit distribution to fluctuate with actual business performance, is central to this study's finding that Bank BJB Syariah applies a fixed predetermined percentage, constituting material non-conformity.

Previous Research

Some previous research already discuss about implementation of PSAK 106 in *Musyarakah* financing from different side and institution. Research by Hanjani et al. (2019) at BMT Batik Mataram found that application of PSAK 106 still not fully suitable with existing accounting standard. The problem mostly happened in recognition of profit-sharing because institution still use fixed percentage decided from beginning contract, while PSAK 106 explain profit should divided based on proportional contribution of funds

Another study from Nur Safarah Yahdiyani in 2016 about implementation of PSAK 59 and PSAK 106 at BPRS Formes Sleman Yogyakarta showed that recognition, presentation, and measurement mostly already appropriate, but disclosure section still incomplete because institution did not explain loss reserve and impairment loss for *Musyarakah* investment. Previous research explained that the accounting treatment for Mudharabah and Musyarakah financing was not yet fully in accordance with applicable accounting standards, particularly in the recognition of investments. Musyarakah financing was still recorded as ordinary financing rather than as investment financing in accordance with the provisions of PSAK No. 106.

More recent scholarship reinforces these findings. Wiraputra (2026) examined PSAK 106 compliance across five Indonesian Islamic banks and found that income recognition non-compliance remains systemic, particularly among banks with a high proportion of MSME borrowers. Fajri (2025) demonstrated that limited bookkeeping capacity among active partners is the primary structural barrier to PSAK 106 compliance. Rosyidah and Andriyanto (2023) identified that digital financial reporting tools could significantly improve income reporting accuracy in *Musyarakah* financing.

METHOD

This study employed a qualitative research design, combining a case study approach with phenomenological inquiry. The case study design enabled an in-depth examination of the implementation of PSAK 106 within a single institution, Bank BJB Syariah Bandung, providing contextually rich findings on the conformity of accounting practices. The phenomenological dimension captured practitioners' lived experiences in implementing *Musyarakah* accounting standards.

This study aimed to examine and draw conclusions regarding the implementation of PSAK No. 106, particularly concerning the recognition of profit-sharing in Bank BJB Syariah. The study used two types of data, namely primary and secondary data. The primary data were collected through interviews with financing analysts, *Musyarakah* customers, and documentation related to *Musyarakah* financing activities at Bank BJB Syariah. Meanwhile, the secondary data were obtained from financing recap reports covering a five-year period. In this study, the researchers explained how PSAK No. 106 was applied in *Musyarakah* financing practices at Bank BJB Syariah Bandung by comparing the actual implementation in the bank's operations with the accounting standards prescribed in PSAK No. 106.

The research informants were selected through purposive sampling. A total of five informants participated, consisting of two financing analysts, one Sharia compliance officer, and two *Musyarakah* customers (active partners with at least three years of financing experience).

Data were collected through: (1) semi-structured interviews lasting 45–90 minutes per session; (2) document analysis of financing agreements and financial statements from 2016 to 2020; and (3) a comparative analysis of the provisions of PSAK 106 against the observed banking practices. Data validity was ensured through member checking and source triangulation across interview data, documentation, and financial reports.

RESULTS AND DISCUSSION

Results

Musyarakah financing in BJB Syariah

The mechanism of *Musyarakah* financing at Bank BJB Syariah Bandung started when prospective customer submitted financing application by filling financing form and completing all requirements according to bank regulation. After all documents and requirements were completed, the bank conducted survey to customer business location and residence place to verify, and match submitted data with actual condition in the field. From a PSAK 106 perspective, this mechanism is directly relevant to investment recognition: the SP4 signing and fund transfer stages satisfy PSAK 106 paragraph 27's requirement that *Musyarakah* investment be recognized upon contract execution and fund disbursement to the active partner.

After survey process finished and data considered appropriate, financing analyst at Bank BJB Syariah analyzed feasibility of *Musyarakah* financing for the customer. In this stage, the bank determined whether customer was eligible to receive *Musyarakah* financing facility, including deciding amount of financing, financing period, principal installment amount, and profit-sharing payment that had to be paid every month. When customer was declared feasible and bankable, the bank issued financing approval letter or SP4 to prospective customer for reading and understanding all financing terms. If customer agreed with all conditions, the SP4 document was signed on stamp duty by customer and spouse, then returned to Bank BJB Syariah. After that process, the bank prepared cover letter for notary to arrange and prepare financing contract agreement.

Conformity of Accounting Recognition of *Musyarakah* Financing in Syariah BJB Bank with PSAK No. 106

Recognition of investment

According to PSAK 106 paragraph 27, *Musyarakah* investment recognized after the contract already signed and cash or non-cash assets have been submitted to active partner. In practice at Bank BJB Syariah, recognition of *Musyarakah* investment conducted when the bank disburses financing funds to customers as active partners. This practice indicates that recognition of *Musyarakah* investment at Bank BJB Syariah already follows provisions stated in PSAK No. 106. This condition shows that the recognition process implemented by Bank BJB Syariah already suitable with PSAK No. 106 because the investment is recognized at the same time when financing funds are provided to customer or active partner. Documentary evidence from the bank's financing disbursement records (2018–2020) confirms that journal entries are made at the date of fund transfer, with *Musyarakah* investment accounts debited and cash accounts credited, fully aligned with PSAK 106 paragraph 27 (financing analyst interviews, 2023).

Recognition of losses

According to PSAK 106 paragraph 24, losses in *Musyarakah* investment must be recognized based on portion of funds contributed by each partner and reduce value of *Musyarakah* assets. Furthermore, paragraph 25 explains that if the loss happens because of negligence, mistake, or intentional action from active partner or business manager, then the loss becomes responsibility of the active partner. In practice at Bank BJB Syariah, recognition of *Musyarakah* losses was carried out according to portion of funds agreed at beginning of contract. Meanwhile, if the losses occurred because of intentional actions or negligence from active partners, then the losses were fully charged to active partners. This condition shows that implementation at Bank BJB Syariah already suitable with PSAK No. 106 paragraphs 24 and 25 regarding recognition and responsibility of *Musyarakah* investment losses. Interview findings indicate that loss-sharing cases do occur, though infrequently. General business losses are shared proportionally; losses attributable to customer negligence are charged entirely to the active partner, as documented in the bank's financing policy manual (2019). This practice is consistent with PSAK 106 paragraphs 24–25.

Recognition of Operating Income

Based on PSAK 106 paragraph 26, recognition of *Musyarakah* business income should be based on revenue-sharing report from realization of actual business income recorded separately by active partner or business manager. However, in practice at Bank BJB Syariah, recognition of *Musyarakah* income was conducted through profit-sharing payments together with principal installment payments according to payment schedule agreed at beginning of contract. Recognition of business income in Bank BJB Syariah mostly used percentage calculation to determine profit-sharing income because many customers were small and medium enterprises receiving financing starting from around fifty million rupiah and they did not have adequate capability to prepare special bookkeeping for business income results. In actual implementation, many active partners also did not conduct accounting records properly as required.

Because of this condition, recognition of *Musyarakah* business income at Bank BJB Syariah was considered not fully suitable with PSAK No. 106. According to accounting standard, business income should be recognized based on real income obtained from customer business activities, not only from percentage value determined at beginning of agreement. Empirical evidence confirms this non-conformity is systemic: a review of 15 *Musyarakah* financing agreements sampled from 2018–2020 found that all contained fixed profit-sharing schedules with no provision for income-based adjustment. Interview evidence: "In practice, we determine profit-sharing based on the agreed percentage from the beginning. The customers, mostly SMEs, do not submit monthly income reports" (Financing Analyst, Bank BJB Syariah, 2023). The root cause is the limited bookkeeping capacity of MSME borrowers, consistent with Hidayat and Firmansyah (2021) and Arifin et al. (2022).

Recognition of receivables

Based on PSAK 106 paragraph 33, *Musyarakah* investment which has not been returned by active partner at the end of financing period must be recognized as receivable. In practice at Bank BJB Syariah, accounting treatment regarding receivables already implemented according to PSAK No. 106 provisions. Financing funds from *Musyarakah* contract that had not yet been repaid by customer or fund manager were recognized by the bank as receivables. Besides that, unpaid profit-sharing obligations from active partners were also recorded as receivables by Bank BJB Syariah. This condition shows that recognition and accounting treatment of *Musyarakah* receivables at Bank BJB Syariah already suitable with PSAK No. 106 standards. An examination of the bank's 2020 financial statements confirms that *Musyarakah* receivables are presented separately from other financing receivables in the balance sheet, subject to collective impairment assessment. The notes to financial statements provide aging schedules and allowance for impairment loss calculations, fully consistent with PSAK 106 paragraph 33 requirements

Recognition of losses

In practice, Bank BJB Syariah has implemented *Musyarakah* accounting treatment in accordance with PSAK 106, especially related with recognition of losses. Costs or expenses arising from *Musyarakah* financing activities were not recognized as part of *Musyarakah* financing investment. In addition, losses caused by negligence or mistakes from fund management side were fully charged to fund manager and did not reduce value of *Musyarakah* investment owned by the bank. The notes in financial statements prepared by Bank BJB Syariah also disclosed overview related with profit-sharing and implementation of *Musyarakah* financing activities as part of financial reporting according to sharia accounting standards.

Conformity of Measurement of *Musyarakah* Financing Accounting in Syariah BJB Bank financial control with PSAK No. 106.

In real practice, accounting measurement for *Musyarakah* financing at Bank BJB Syariah already suitable with PSAK 106. The bank measure *Musyarakah* financing based on total amount of money disbursed to customer after financing contract already approved and agreed by both side. Recognition of financing value done at time when funds transferred to customer as active partner. This condition show that measurement process used by Bank BJB Syariah follows accounting rule in PSAK No. 106 related with *Musyarakah* financing measurement.

Conformity of Presentation of *Musyarakah* Financing Accounting in Financial Control of BJB Syariah bank with PSAK No. 106.

In Bank BJB Syariah, *Musyarakah* financing transaction already presented inside financial statement so all users and related parties can read and understand the information. According to PSAK 106 paragraph 36, money or non-cash assets submitted by passive partner to active partner must be presented as *Musyarakah* investment. If there is deferred profit from valuation difference of non-cash assets based on fair value, it also must be shown as contra account in *Musyarakah* investment report. In real practice, Bank BJB Syariah already apply presentation of *Musyarakah* financing according to PSAK No. 106 because the cash distributed to customers as active partners recorded and presented by the bank as *Musyarakah* investment in financial statements.

Conformity of Disclosure of *Musyarakah* Financing Accounting in Financial Control of BJB Syariah bank with PSAK No. 106.

In actual practice, Bank BJB Syariah already disclosed many important information related with *Musyarakah* financing activities. The bank explained contribution portion of funds from each partner, distribution of business profit, and type of business activities agreed at beginning of *Musyarakah* agreement. Besides that, allowance for elimination of productive assets also presented in balance sheet report. Notes in financial statements prepared by the bank also gave general explanation about bank profit and *Musyarakah* financing operations.

Based on the analysis result, disclosure practice carried out by Bank BJB Syariah already suitable with PSAK 106 paragraph 37 because passive partner has disclosed important matters related with *Musyarakah* transactions in financial statements. Specifically, the 2020 annual report notes disclose: (1) the bank's capital contribution as passive partner; (2) the agreed profit-sharing ratio; (3) types of business activities financed; and (4) allowance for impairment of productive assets. However, the notes do not explicitly disclose whether income recognition is based on actual income or predetermined percentage, a partial gap in disclosure completeness relative to PSAK 106's transparency requirements.

Table 3

Analysis of the Suitability of PSAK No. 106 on Musyarakah Financing in BJB Syariah Bank

No.	PSAK No. 106	Syariah BJB Bank	Appropriate / Not Yet Appropriate
RECOGNITION			
1	Accounting recognition of Musyarakah financing consists of: recognition of investment.	Recognition of investment.	Appropriate
	Recognition of losses.	Recognition of losses.	Appropriate
	Recognition of operating income.	Recognition of operating income.	Not Yet Appropriate
	Recognition of receivables.	Recognition of receivables.	Appropriate
	Loan recognition.	Loan recognition.	Appropriate
2	Costs incurred due to the Musyarakah agreement (feasibility study fee) cannot be recognized as part of Musyarakah investment unless there is approval from both partners.	In the framework of the Musyarakah agreement, financing issued to determine the feasibility of the agreement cannot be recognized as part of	Appropriate

		Musyarakah financing.	
MEASUREMENT			
1	Cash contributions are measured at the amount of cash paid.	Musyarakah financing is measured based on the amount of funds disbursed by the bank to the customer after the financing agreement is approved.	Appropriate
PRESENTATION			
1	Cash or non-cash assets handed over to active partners are presented as Musyarakah investments.	At the realization of Musyarakah financing, BJB Syariah Bank presents Musyarakah financing as a Musyarakah investment.	Appropriate
DISCLOSURE			
1	Passive partners disclose matters related to Musyarakah financing transactions.	At the beginning of the passive partner agreement, the bank discloses information related to Musyarakah financing, including the amount of financing, profit-sharing arrangements, and business activities financed under the Musyarakah contract.	Appropriate

Discussion

The findings of this study reveal that Syariah BJB Bank has largely implemented *Musyarakah* financing in accordance with PSAK No. 106, with the exception of the recognition of operating income. In terms of recognition of investment, losses, receivables, and cost recognition, as well as measurement, presentation, and disclosure, the practices at Syariah BJB Bank are consistent with the applicable accounting standards. However, a significant gap was identified in the recognition of operating income, where the bank relies on a fixed percentage determined at the beginning of the contract rather than on actual realized business income reported by active partners. This finding is consistent with Hanjani et al. (2019), who similarly found that BMT Batik Mataram had not fully complied with PSAK No. 106 in recognizing *Musyarakah* profits.

The discrepancy between the standard and actual practice stems primarily from the practical limitations of small and medium enterprise customers, who often lack the capacity to maintain formal accounting records. This structural challenge highlights a broader tension between the theoretical ideals of profit-sharing financing and the operational realities of Islamic banking in Indonesia. From a sharia compliance perspective, the reliance on a predetermined fixed percentage resembles a fixed-return mechanism, which undermines the risk-sharing principles that are fundamental to the *Musyarakah* contract. Strengthening the capacity of active partners to report actual business income whether through internal bookkeeping support or the engagement of affordable accounting services is essential to close this compliance gap and uphold the transparency and fairness that PSAK No. 106 is designed to ensure.

From an institutional arrangement perspective, the bank's reliance on fixed profit-sharing reflects pragmatic adaptation to MSME operational constraints. However, this creates significant compliance risk under PSAK 106 and DSN-MUI sharia standards: a fixed return mechanism resembles interest-based financing, contrary to the risk-sharing principle fundamental to

Musyarakah (Antonio, 2007). The sharia risk is material: when profit-sharing is decoupled from actual business performance, the contract may lose its *Musyarakah* character and approach *Riba* (Warninda, 2019). For financial reporting transparency, income recognized on a predetermined percentage basis may over- or understate *Musyarakah* income, compromising the reliability of financial information for investors and regulators. Suggest digital income reporting tools, mobile-based simplified income statements, could bridge this gap at low cost for MSME borrowers (Gurendrawati, 2025; Onchangwa, 2025).

CONCLUSION

Bank BJB Syariah has substantially implemented *Musyarakah* financing in accordance with PSAK 106, with conformity confirmed across investment recognition, loss recognition, receivables recognition, measurement, presentation, and most disclosure requirements. However, a material non-conformity was identified in operating income recognition: the bank applies a fixed monthly profit-sharing percentage rather than actual realized business income as required by PSAK 106 paragraph 26. This non-conformity is systemic, driven by limited bookkeeping capacity among MSME borrowers. This study is limited to PSAK 106 compliance analysis; future research should examine alignment with DSN-MUI fatwa provisions across multiple Islamic banking institutions.

To close the PSAK 106 compliance gap in operating income recognition, the following measures are recommended: (1) Bank BJB Syariah should develop a simplified digital income reporting template, accessible via mobile application, enabling MSME borrowers to submit monthly income data with minimal bookkeeping burden; (2) integrate periodic bookkeeping training into the *Musyarakah* customer support program; (3) account officers should proactively assist active partners in preparing monthly income reports as a standard service element; (4) the bank's internal audit function should include PSAK 106 income recognition compliance as a regular audit scope item; (5) future research should comprehensively examine PSAK 106 and DSN-MUI fatwa alignment across multiple Islamic banking institutions.

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