

CHAPTER 1

INTRODUCTION

1.1 Background

Sharia financing activities in Indonesia have experienced rapid growth, this indicates that financial institutions are very concerned about the principles of sharia in muamalah activities. Not only financial institutions but non-bank institutions participate in the process of developing the economy in Indonesia. In this modern era, financial Syariah has become one of the main commodities in the implementation of Islamic financial implementation in Indonesia. The product of funds distribution in Islamic banks can be developed with three models, namely financing transactions aimed at owning goods carried out by the principle of sale and purchase, financing transactions aimed at obtaining services performed under the principle of lease, and financing transactions intended for joint ventures aimed at obtaining as well as goods and services, with the principle of profit-sharing (Muhammad and Suwiknyo, 2009: 17). Islamic banks have become a supporting tool in the Indonesian economy to be able to help improve the economic conditions of society by collecting public funds that will be channeled again to the community in the form of credit to support the growth of the national economy and the equitable distribution of national development, therefore, the role of banks in the activities of collecting public funds needs to improve continuously. The system presented by syari'ah bank and Baitul Maal can be a solution of various conditions of deterioration and weakness of the economy that is being experienced

by the world today. In the principle of Islamic syari'ah, they put forward the principles of openness, honesty, fairness, openness, professional partnership, and universal. In practice, the whole principle is realized with a profit-sharing system and abolishes interest-based transactions as practiced by conventional financing. The practice of transactions in the use of funds and interest that has been practiced so far has a lot of bad impact on the economy. One form of financing products made by Islamic banking is Mudharabah Financing. Mudharabah is a business cooperation contract between the owner of the fund and the fund manager to conduct business activities, the profit is divided on the basis of profit sharing ratio according to the agreement of both parties, whereas if any loss will be borne by the owner of the fund except caused by misconduct, negligence or violation by the manager funds (Nurhayati, Wasilah 2015).

Another form of Islamic financial institutions is BMT or baitul maal wat tamwil. This sharia financial institution was established with the aim of supporting economic activities and improving the economic quality of small and medium micro-businesses based on the sharia system (Indrawati, 2012). The growing field of small and medium enterprises, making BMTs can be relied upon to provide various types of financing services for members who have the expertise, skills, and capital. Mudharabah financing is permissible in Islamic Shari'a on the basis of mutual helping by providing opportunities for mutual cooperation between the owners of capital with people skilled in managing and productivity to the capital it. Mudharabah financing has a risk that the bank as Shahibul Mal faces the risk of mudharib dishonesty. The characteristic of

Mudharabah is that it is not possible for banks to engage in Mudharib business management, resulting in difficulties in the banks' own assessment and control of the financing provided. Credit risk is predicted to be greater in the mudharabah financing model due to the absence of collateral, the risk of moral hazard, adverse selection (misuse of credit facilities by customers) and the limited techniques and competence of the bank to assess the project. Institutional provisions such as taxation issues, accounting and auditing systems, and the existing regulatory framework also can not cover all existing financing models in sharia banks and Baitul maal.

Mudharabah financing is expected to encourage people to create and expand their business with the help of capital from banks. Owners of funds provide capital to managers of funds/customers to run a business that is sharia principles, then business profits are divided on the basis of the profit-sharing ratio that has been determined in accordance with the agreement of both parties. With the development of sharia banks that continue to occur, it is necessary to appropriate and rational accounting standards to manage the sharia-based finance. Indonesia has an organization that creates and regulates the implementation of accounting standards ie IAI (Indonesian Institute of Accountants). IAI is a professional organization that embraces professional accountants responsible for the preparation of Statements of Financial Accounting Standards (PSAK) applicable in various sectors issuing PSAK No. 105 concerning term of Mudharabah. PSAK No. 105 is an Islamic financial accounting standard governing the accounting treatment which includes Recognition, Measurement,

Presentation, and Disclosure of mudaraba transactions. PSAK No. 105 is useful as a guide to whether the sharia financial institution has conducted mudaraba transactions in accordance with sharia regulations and sharia principles. Islamic banks may follow the guidelines for the implementation of existing sharia accounting, therefore, the researcher needs to do this research to find out the level of conformity about the implementation of accountancy standard of PSAK no.105 to mudharabah financing in Baitul Maal.

1.2 Problem formulation

Based on this background, PSAK 105 can be used as a standard for measuring the suitability of mudharabah financing in baitul maal. So the problem formulation of this case based on the standart that can be taken are:

1. How the implementation of mudharabah financing system in baitul maal?
2. Is the application of mudaraba system in compliance with PSAK 105 standard about mudharabah?

1.3 Limitation

The scope of the problem in this study includes accounting treatment and mudharabah profit-sharing products and their suitability with the PSAK 105 accounting standard which includes the classification of mudharabah financing, recognition and ownership of mudharabah financing, and presentation and disclosure of mudharabah financing.

1.4 Study Objective

This research has several objectives as follows:

1. Research Objectives

- a. To analyze the suitability of the application of accounting conducted by Baitul Maal with standard PSAK 105.
- b. To find out how mudharabah financing process conducted by Baitul Maal

2. Research Benefits

The benefits expected in this writing are:

1. To increase knowledge about mudharabah accounting at baitul maal for the wider community
2. As reference material for further research to know more about mudharabah financing product and application of accounting on baitul maal.
3. As a means of information and reference for Islamic banks that do mudharabah financing.
- 4) To enable consumers to choose and determine what Islamic bank products will be used to finance its activities

1.5 Writing Systematics

This writing systematics provides a comprehensive picture of how the outline of this research was made. The following is an outline of this study:

Chapter 1 Introduction

This chapter explains the background of the problems, formulations, objectives, limitations, and benefits of the research that will be obtained from this study.

Chapter 2: Theoretical foundation

This chapter will explain the theory according to the topic of the study. This theory is taken from various literature and relevant and reliable sources. Theories taken include general reviews of accounting, Islamic institutions, mudharabah financing treatment, and mudharabah accounting standards.

Chapter 3: Research Methods

This chapter describes the location of research, the type of research, the source and type of data, the method of data collection, and the data processing method.

Chapter 4: Discussion

This chapter explain the results of the study in detail and discuss the facts found in the object of research.

Chapter 5: Conclusion

It contains conclusions from the findings and contains suggestions from the results of the study.