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Sharia Compliance Audit Analysis of Musyarakah Financing Products in Islamic Banks

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Abstract

The global Islamic finance industry has recorded significant asset growth, reaching USD 5.4 trillion by 2024. In Indonesia, Musyarakah financing products are the main contributor, accounting for 48.93% of total financing distribution. However, the complexity of profit-sharing contracts presents serious challenges in terms of sharia compliance and risk management. This study aims to analyze the sharia compliance audit mechanism for Musyarakah products, referring to POJK No. 2 of 2024 and the DSN-MUI Fatwa. Using a descriptive qualitative method, the findings reveal a gap between the theoretical concept of profit-and-loss sharing and actual banking practices, which tend to apply fixed profit-sharing schemes. This study recommends strengthening the dual competence of auditors and digitizing supervisory systems to maintain institutional integrity and achieve Maqasid al-Shariah.

Keywords: Sharia Audit, Musyarakah, Sharia Compliance, Islamic Bank, POJK 2/2024, Maqasid al-Shariah

A. INTRODUCTION

The global Islamic financial ecosystem has experienced impressive growth over the past decades, shifting from a limited alternative financial model to a systemic component of the international financial architecture. By 2024, total Islamic finance assets worldwide are estimated to have reached USD 5.4 trillion, with projections expected to grow further to USD 9.75 trillion by 2029.

This growth is dominated by the Islamic banking sector, which accounts for approximately 70% of total industry assets, followed by sukuk instruments and Islamic investment funds. Geographically, although the Gulf Cooperation Council (GCC) region still controls around 50% of global assets, Southeast Asia—particularly Indonesia and Malaysia—has emerged as a strategic growth center with increasing contributions.

Indonesia holds a highly competitive position, ranking 4th in the Islamic Finance Development Indicator (IFDI) 2024, confirming the maturity of its regulatory framework and national Islamic economic ecosystem at the global level.

The sustainability of this rapid asset growth in Indonesia heavily depends on public trust in the integrity of financial institutions in implementing sharia principles properly. Islamic banks do not only function as financial intermediaries but also as moral trustees ensuring that all fund collection and distribution activities are free from riba, gharar, and maysir (Waluyo, 2016).

Sharia compliance is the main determinant distinguishing Islamic banks from conventional banks, measured through adherence to characteristics, integrity, and operational credibility based on Islamic law (Minarni, 2013). To maintain these standards, sharia compliance audit mechanisms serve as a crucial supervisory pillar, ensuring that every product innovation and operational practice remains within the fatwa framework issued by authorized bodies such as the Dewan Syariah Nasional Majelis Ulama Indonesia (DSN-MUI) (Nungraheni, 2021).

Musyarakah financing is one of the flagship products in Indonesian Islamic banking, reflecting the principle of justice through profit-and-loss sharing schemes. According to Islamic Banking Statistics issued by the Otoritas Jasa Keuangan (OJK) as of December 2023, Musyarakah financing accounted for 48.93% of total financing, showing its dominance compared to murabahah or ijarah products.

Musyarakah involves cooperation between the bank and the customer in capital participation for a business venture, where profits are shared based on agreed ratios and losses are borne proportionally according to capital contribution. However, the high proportion of Musyarakah financing creates more complex audit challenges due to its dependence on actual business performance, making information asymmetry and moral hazard risks highly relevant (MDPI, 2022).

Sharia compliance audits for Musyarakah products can no longer be viewed merely as administrative procedures but must function as strategic tools for mitigating governance failure risks. With the issuance of POJK No. 2 of 2024, internal and external supervisory standards for Islamic banks have been strengthened to align with global standards (OJK, 2024). This includes strengthening the role of the Sharia Supervisory Board (SSB) and internal sharia audit functions to evaluate the substantive implementation of contracts in practice (Ratama, 2024).

B. METHOD

This study uses a descriptive qualitative approach through document analysis and an extensive literature review. The data used are secondary data obtained from official regulations of the Financial Services Authority (POJK, SEOJK, and Islamic Banking Statistics), fatwas of DSN-MUI, Islamic accounting standards (PSAK 106), and reputable scientific journals published between 2019–2026 discussing sharia audit and Musyarakah financing.
Data analysis was conducted in three main stages:

1. **Data Reduction**
   Identifying relevant legal instruments and technical standards related to Musyarakah financing audit in Indonesia (IAI, 2007).
2. **Data Presentation**
   Comparing ideal regulatory frameworks with actual field practices and grouping audit risks based on agency theory and stewardship theory.

3. **Conclusion Drawing**

   Formulating strategic recommendations to strengthen sharia compliance audit functions in response to digital economic dynamics and recent regulatory changes.

This research focuses on Islamic Commercial Banks (BUS) and Islamic Business Units (UUS) in Indonesia, with special emphasis on the implementation of POJK No. 2 of 2024 as the latest sharia governance standard (OJK, 2024).

C. RESULTS AND DISCUSSION

1. Theoretical Foundation: Integration of Agency Theory, Stewardship Theory, and Maqasid al-Shariah

In Islamic corporate governance literature, there is a discussion between Agency Theory and Stewardship Theory in explaining supervision mechanisms. Agency Theory assumes a persistent conflict of interest between principals (capital owners) and agents (managers), caused by information asymmetry (JIEM, 2026).

In Musyarakah financing, the bank acts as the principal providing capital to the customer as the business manager (agent). Risk arises when the agent has more information about business conditions and may engage in opportunistic behavior, such as concealing actual profits (MDPI, 2022).

In contrast, Stewardship Theory offers a perspective more aligned with Islamic ethical values, where managers are assumed to have high moral integrity and a strong commitment to organizational interests. In Islamic banking, this theory is highly relevant because it places trust (amanah) as the foundation of business relationships.

Customers managing Musyarakah funds are expected to act as stewards who safeguard the bank's assets for collective benefit (JIEM, 2026). In this context, sharia audit serves as a mechanism to strengthen this culture of trust and assure stakeholders that managerial integrity is maintained through transparent verification processes.

The integration of both theories ultimately leads to the achievement of Maqasid al-Shariah, which aims to realize public welfare (maslahah). In Islamic banking operations, Maqasid al-Shariah is implemented through the protection of wealth (hifz al-mal) and the creation of economic justice for all stakeholders.

Sharia compliance audit does not only evaluate contractual technicalities but also assesses whether transactions generate real benefits and prevent harm caused by interest-based financial systems.

Theoretical Dimensions of Supervision in Musyarakah Financing

Theoretical Dimension	**Main Focus of Supervision**	**Relevance to Musyarakah Audit**
Agency Theory	Mitigation of moral hazard and information asymmetry	Ensuring customers report profits honestly
Stewardship Theory	Strengthening integrity and trust-based (amanah) culture	Validating managers' commitment to safeguarding capital
Maqasid Shariah	Achieving public welfare (maslahah)	Ensuring financing generates positive social impact
Stakeholder Theory	Responsibility toward all stakeholders	Protecting customers, regulators, and the environment

2. Regulatory Transformation: Analysis of POJK No. 2 of 2024 and SEOJK 15/2024

The legal framework governing sharia compliance in Indonesia has undergone significant transformation with the issuance of the Financial

Services Authority Regulation (POJK) No. 2 of 2024 on the Implementation of Sharia Governance. (OJK, 2024) This regulation is an improvement over previous rules, aiming to provide stronger legal certainty in supervising Islamic financial institutions.

One of the key provisions is the obligation for banks to establish sharia compliance functions, sharia risk management functions, and sharia internal audit functions supported by executive-level officers with adequate qualifications.

Based on Article 39 of POJK 2/2024, the sharia internal audit function is required to conduct regular examinations of operational compliance with sharia principles. (OJK, 2024) In addition to internal supervision, Article 40 regulates mandatory external reviews of sharia governance implementation by registered public accountants under the OJK, effective from July 2024.

This marks a new era in which sharia auditing is no longer purely internal and subjective but also involves independent external assessments to enhance credibility in the eyes of global investors (Ratama, 2024).

The Sharia Supervisory Board (SSB) remains the central independent authority providing opinions on product compliance with DSN-MUI fatwas. (OJK, 2024) Banks are required to conduct self-assessments of sharia governance implementation at least twice a year and report the results to the OJK.

Bank directors are legally responsible for following up on any sharia non-compliance findings, where failure to act on SSB recommendations may result in administrative sanctions, including significant financial penalties.

3. Technical Analysis of Musyarakah Contracts and PSAK 106 Standards

Musyarakah financing is defined as a partnership contract between two or more parties for a specific business venture, where each party contributes capital. Profits are distributed based on mutual agreement, while losses are shared proportionally according to capital contribution.

The key characteristic that distinguishes Musyarakah is active partnership, where both the bank and the customer have the right to participate in business management.

According to DSN-MUI Fatwa No. 08/DSN-MUI/IV/2000 and PSAK 106, the following essential pillars and conditions must be fulfilled cumulatively:

- **Declaration of Intent (Shighatul 'Aqd):** Must be explicitly stated in a written contract indicating the purpose of partnership.
- **Partners (Syarik):** Must be legally competent and capable of managing business operations.
- **Capital (Maal):** May consist of cash or non-cash assets valued at market price at the time of contract. Capital must be contributed to the partnership entity and cannot be in the form of receivables (Faiqa & Nofrianto, 2026).
- **Work ('Amal):** The business must be halal and compliant with sharia principles. The partner contributing more effort may receive a higher profit share.
- **Profit and Loss:** Profit is distributed based on a percentage ratio (nisbah), not a fixed nominal amount, while losses must be shared proportionally according to capital contribution.

A commonly used variation in Indonesia is Musyarakah Mutanaqisah (MMQ), where the bank's ownership gradually decreases as the customer purchases its share. In MMQ audits, auditors must ensure the accuracy of ownership unit calculations (hishshah) and validate lease payments (ujrah) as part of profit-sharing income.

4. Sharia Compliance Audit Procedures: Stages and Critical Checklist

Sharia audit implementation for Musyarakah products requires a systematic approach to capture transaction complexity. The audit process consists of three main phases:

A. Planning Stage

Auditors must conduct a risk assessment of the Musyarakah portfolio. Since Musyarakah carries higher risk than Murabahah due to income uncertainty (Natural Uncertainty Contracts), auditors must understand the customer's business profile and financial reporting system (Nungraheni, 2021). Sampling techniques should include customers with unstable returns to detect potential profit concealment (OJK, 2024).

B. Fieldwork Stage

Auditors perform substantive testing of key documents, including: (JHI, 2010)

1. **Contract Verification:** Ensuring the notarized contract includes profit-sharing ratios, not fixed interest.
2. **Capital Verification:** Ensuring capital has been properly deposited into the joint business account.
3. **Business Monitoring:** Reviewing periodic business performance reports to validate profit-sharing calculations.
4. **Collateral Testing:** Ensuring collateral is only used to mitigate negligence risk, not to guarantee fixed returns.

C. Reporting Stage

Auditors prepare a Sharia Audit Report (SAR) that provides an opinion on the bank's level of compliance. Significant findings, such as delayed monitoring or miscalculation of profit-sharing ratios, are reported to management and the SSB for corrective action.

Audit Component	Main Activity	Reference Standard
Contract Compliance	Review of ijab-qabul and partnership pillars	DSN-MUI Fatwa No. 08
Profit Sharing	Verification based on actual profit	PSAK 106
Penalties (Ta'zir)	Ensuring penalties are allocated to social funds	POJK & Fatwa

Monitoring	Field visits and business document verification	Internal SOP

5. Common Findings and Practice Deviations in Indonesia

Case studies in Indonesian Islamic banking often reveal gaps between ideal theory and actual implementation. One major finding is deviation from the pure profit-sharing paradigm. Banks tend to set fixed profit-sharing amounts in advance to ensure predictable returns and remain competitive with conventional interest-based banking.

In addition, profit-sharing ratios are often determined based solely on the amount of capital provided by the bank rather than actual work contribution or real business risk.

Audit findings also show that operational costs are often fully borne by customers, whereas in sharia principles, joint operational costs should be deducted from joint capital before profit distribution (Meutia & Adam, 2017).

From a governance perspective, reliance on conventional auditors with limited understanding of Islamic jurisprudence (ushul fiqh) causes sharia audits to remain administrative in nature and fail to detect substantive violations at the operational level (JAAI, 2017).

6. Risk Analysis: Inverted U-Curve Effect and Agency Problems

Musyarakah financing inherently carries higher risk compared to margin-based products. This is driven by information asymmetry, where customers fully control business operations and may manipulate profit reports (moral hazard).

Empirical studies show that increasing Musyarakah financing initially improves profitability due to high real-sector returns. However, beyond a certain threshold, further increases reduce profitability due to higher default risk and monitoring costs exceeding bank capacity.

External shocks such as the COVID-19 pandemic also provide important lessons. During the crisis, Musyarakah financing showed resilience for customers because profit-sharing obligations decreased when income declined. However, for banks, this resulted in lower operational income and increased non-performing financing (NPF) ratios.

Risk Indicator	**Musyarakah Characteristic**	**Mitigation Strategy**
Moral Hazard	Customers hide actual profits	Tight monitoring and surprise audits
Information Asymmetry	Bank lacks operational visibility	Integrated digital accounting system
Market Risk	Fluctuating real-sector income	Portfolio diversification
Compliance Risk	Incorrect contract implementation	Sharia competency certification for auditors

7. Future Sharia Audit Strengthening Strategy

In the digital era, sharia compliance audit functions must transform through data-driven auditing. Integrated digital platforms linking customer and bank accounting systems can enable real-time monitoring and reduce information asymmetry (Jaki, 2016).

Collaboration between the OJK and DSN-MUI is needed to establish mandatory certification standards for sharia auditors, ensuring dual competency in accounting-auditing and Islamic jurisprudence (fiqh muamalah) (Akunsyah, 2021).

Future sharia auditors must also adopt risk-based audit approaches rather than relying solely on administrative checklists. Strengthening auditor independence is essential to ensure unbiased reporting of sharia violations.

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Harmonizing national audit standards with international AAOIFI standards will also enhance the global competitiveness of Indonesian Islamic banks by improving transparency and credibility in financial reporting.

CONCLUSION

Sharia compliance audit in Musyarakah financing products serves as a fundamental pillar for maintaining the integrity and public trust in Indonesia's Islamic banking industry. Although this product has significant potential to promote economic justice through a risk-sharing scheme, its implementation still faces serious challenges, particularly information asymmetry and the practice of fixed profit-sharing deviations. Regulatory transformation through POJK No. 2 of 2024 and SEOJK No. 15 of 2024 provides a stronger framework for both internal and external supervisory functions.

The analysis highlights that the effectiveness of sharia compliance audits largely depends on the auditors' competence in integrating modern accounting standards (PSAK 106) with the principles of fiqh muamalah. The use of information technology in monitoring customer business activities and the enhancement of human resource quality through professional certification are crucial steps in mitigating moral hazard risks. With strict and consistent supervision, Musyarakah financing is expected to continue developing as an instrument of economic growth that is fair, sustainable, and fully aligned with the noble objectives of Maqasid Sharia.

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