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Implementation of Musyarakah Agreement In Profit Sharing Cooperation of Investor In Syariah Finance Business

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ABSTRACT

In the era of global economic development, the Islamic financial system has emerged as an alternative for various groups who wish to conduct economic activities in accordance with Islamic principles. This study aims to explore how musyarakah contracts are implemented in investment partnerships between investors and businesses in the Islamic financial sector and identify the factors that influence their successful implementation. This research uses a descriptive qualitative approach to understand and analyze the implementation of musyarakah contracts in profit-sharing partnerships in the Islamic financial sector. Primary data was obtained through semi-structured interviews with Islamic business actors, investors, and Islamic finance practitioners. Secondary data were obtained from relevant literature, such as scientific journals, books, and annual reports of Islamic financial institutions. The results show that musyarakah contracts based on the principles of profit sharing and risk sharing provide benefits for both parties. Investors can actively participate in business management with better transparency, while business actors get additional capital to support business expansion. The implementation of musyarakah contracts has shown positive developments in the Islamic financial sector, especially in Indonesia, where regulations and policies have supported the development of sharia-based businesses. However, there are still challenges related to investors' and businesses' understanding of the agreement mechanism, as well as the need for strict supervision to ensure compliance with sharia principles. This research is expected to contribute to the further development of musyarakah contracts in the Islamic finance sector and strengthen the position of Islamic finance in the global market.

INTRODUCTION

In the era of global economic development, the Islamic financial system has emerged as an alternative for various groups who want to carry out economic activities according to Islamic principles, and the instrument used in Islamic finance is the musyarakah contract, which prioritizes the principles of partnership and profit sharing. The musyarakah contract provides an opportunity for investors to contribute to economic activities with the capital they have without being trapped in usury or speculative practices that are prohibited in Islam. The implementation of the musyarakah contract is increasingly attracting attention, especially in the context of the rapidly growing Islamic financial business in various countries, including Indonesia, (Maryusiana & Hanani, 2023).

Musyarakahh contract as a form of profit-sharing cooperation between investors and business managers requires clear and transparent arrangements. Each party involved has proportional responsibilities and rights according to the capital contribution provided, this problem is different from the conventional financial system which often emphasizes the aspect of interest and fixed returns, in the Musyarakah contract, both profits and losses are shared proportionally based on the initial agreement. The implementation of this contract not only reflects fair and transparent Sharia business ethics, but also provides solutions for various economic sectors to grow inclusively and sustainably, (Ajustina & Nisa, 2024).

In practice, the implementation of musyarakah contracts faces various challenges, including a deep understanding of all parties regarding the technical implementation, on the one hand, government regulations and policies that support the development of Islamic finance are essential to ensure the smooth running of musyarakah contracts (Soemitra, 2017). Therefore, this study further emphasizes the implementation of musyarakah contracts in profit-sharing cooperation for investor investment in the Islamic financial sector to be very relevant, this study also aims to explore how musyarakah contracts are implemented in real terms in various forms of Islamic business cooperation and the factors that influence their success.

The main problem faced in the implementation of the musyarakah contract is understanding the implementation mechanism, each party involved, both investors and business managers, must clearly understand their respective roles and responsibilities, this problem includes how this contract is carried out operationally, starting from the initial agreement, fund management, to the distribution of profits or losses, so it must be noted that the lack of clear guidelines or standards in the implementation of the musyarakah contract can be an obstacle to transparent and fair profit-sharing cooperation, (Usanti & Shomad, 2022).

The implementation of the musyarakah contract cannot be separated from various external and internal factors that influence it; for example, factors such as government regulations, Sharia compliance, business management competence, and Sharia financial literacy of investors are essential issues that need to be considered. The problem that often arises is the lack of clarity in implementing regulations that support the musyarakah contract or differences in interpretation of the sharia principles applied. This study aims to identify these factors and see how they play a role in the success of profit-sharing cooperation (Nurbadruddin, 2024).

Although the musyarakah contract has great potential to be applied in Islamic financial business, its implementation still has many challenges. Some of the main challenges include the lack of investor knowledge about Islamic contracts, the lack of clarity in the distribution of risks and profits, and the lack of government regulations and policies that fully support the implementation of this contract and this research will also focus on identifying these obstacles and finding solutions that can increase the effectiveness of the implementation of the musyarakah contract in Islamic financial business practices.

In recent years, the implementation of musyarakah contracts in Indonesia has been increasingly facilitated by the existence of regulations and policies that support the Islamic financial sector. Through the Financial Services Authority (OJK), the Indonesian government has encouraged Islamic banking to expand its portfolio of financial products based on musyarakah contracts (Fajri, 2021). In addition, the existence of Islamic financial institutions such as Islamic banks and Baitul Maal waTamwil (BMT) also helps accelerate the implementation of this contract in various business sectors, especially micro, small and medium enterprises (MSMEs).

Challenges in implementing musyarakah contracts also still exist, such as the lack of public understanding of the mechanism for fair profit sharing and risk management. In addition, the potential for incompatibility between investors and business managers can also be an obstacle, especially in terms of determining profit sharing and risk management. However, with ongoing education and strengthening of regulations, musyarakah contracts are expected to continue to grow and contribute significantly to supporting the growth of Sharia businesses in Indonesia.

The implementation of musyarakah contracts in profit-sharing business cooperation for an investment of financial business investors is a strategy that allows both parties, namely investors and entrepreneurs, to share risks and profits in a business project. In practice, musyarakah contracts have become a popular model in the Islamic finance industry, because they are in accordance with sharia principles that prohibit usury and promote fairness in business transactions. (A. Nugraha, 2022).

Along with the increasing public awareness of the importance of a fair and Sharia-compliant financial system, the Musyarakah Contract is increasingly considered an attractive alternative compared to the conventional interest-based financial system (riba), the conventional system is often considered unfair and exploitative, especially for parties who need capital, because the interest burden that must be paid is regardless of the results of the business achieved. The Musyarakah Contract offers a fairer solution, where profits and losses are shared proportionally, thus encouraging collaboration and shared responsibility between investors and entrepreneurs.

The implementation of the Musyarakah Contract in profit-sharing business cooperation has high relevance in various economic sectors, especially in the financial business sector, in this sector, investors can invest their capital in various types of businesses with the hope of getting profits in accordance with sharia principles, for entrepreneurs this model provides an opportunity to get capital without having to be bound by the obligation to pay interest, which is often a heavy burden, especially for small and medium businesses. Thus, the Musyarakah Contract can be a driving force for more inclusive and sustainable economic growth. (Wujarso, 2021).

In the musyarakah agreement, investors provide capital to finance business projects, while entrepreneurs provide skills, experience, and labour to manage the project. Profits and losses from the business project are divided based on a prior agreement between the parties, usually in an agreed proportion. However, it is important to note that in the musyarakah agreement, investors are not involved in the day-to-day management of the business, but only act as capital owners.

In the context of investing in financial business investors, implementing the musyarakah agreement can be an attractive alternative, it is important for both parties to conduct a comprehensive study and agree on explicit provisions before cooperating in the musyarakah agreement. The implementation of the musyarakah agreement can take place in several scenarios, a real example of the implementation of the musyarakah agreement in the Islamic banking industry is in financing infrastructure projects, property development, and investments in other real sectors, the main advantage of the musyarakah agreement is the sharing of risk between investors and entrepreneurs. (Usanti & Shomad, 2022).

With joint involvement in a business project, both parties have the same incentive to ensure the success of the project, in addition, the Musyarakah Contract also promotes the spirit of partnership and fairness in business, because profits and losses are shared proportionally according to the contribution of each party, however, several challenges need to be overcome in the implementation of the Musyarakah Contract, one of which is effective risk management, especially in complex or high-risk business projects, both parties need to conduct careful risk evaluations and adopt appropriate risk management strategies to minimize potential losses, in addition, transparency and trust between the two parties are also very important in maintaining smooth cooperation in the Musyarakah Contract. (Azima, 2023).

Indonesia is a country with the largest Muslim population, and the potential for the development of musyarakah contracts is immense, the government and financial authorities, such as the Financial Services Authority (OJK) and Bank Indonesia (BI) have initiated various policies and programs to support the development of the sharia financial industry, such as sharia banks and sharia cooperatives, sharia insurance which is increasingly active in offering financial products based on the Musyarakah Contract. This shows a strong commitment from various parties to encourage the use of Musyarakah Contracts in various economic aspects. (Nasution & Aminy, 2020)

In-depth research and study on the implementation of Musyarakah Contracts in profit-sharing business cooperation is fundamental to understanding the challenges and opportunities that exist, this study aims to evaluate the effectiveness of the implementation of Musyarakah Contracts, identify factors that support its success, and provide recommendations for further improvement and development, with a better understanding of the mechanisms and practices of Musyarakah Contracts, it is hoped that a fairer and more sustainable business environment can be created, and strengthen the role of Islamic finance in the national economy. (Fitriani & Nisa, 2024).

This article shows that the Musyarakah agreement has great potential to become one of the financial instruments that can encourage equitable and sustainable economic growth. The proper and effective implementation of this agreement will provide significant benefits for all parties involved and help create a financial system that is more in accordance with Sharia principles. Thus, the implementation of the Musyarakah agreement is expected to provide a sustainable solution for investment cooperation in the Sharia financial business and increase the sector's competitiveness in the global market.

LITERATURE REVIEW:

Research on the implementation of Musyarakah contracts in profit-sharing cooperation has become an interesting topic in Islamic finance studies. One relevant study is the study conducted by Al-Mansour (2020), which highlights the role of Musyarakah contracts in supporting the growth of the micro, small, and medium enterprises (MSMEs) sector in the Middle East. The study shows that the effective implementation of Musyarakah contracts can provide fair financing solutions for small business actors, while increasing investor confidence through transparency mechanisms and transparent risk sharing. This confirms the potential of Musyarakah contracts as an alternative to Islamic financing that can compete with conventional systems.

In 2021, Ali and Karim published a study that focused on the challenges and opportunities for implementing Musyarakah contracts in Islamic financial institutions in Indonesia. In the study, the authors revealed that although Musyarakah contracts have great potential, practices in the field still need to overcome several obstacles, including low public understanding of this scheme and limitations in supervision and risk mitigation. Therefore, the researchers suggest a more active role from sharia supervisory institutions to ensure that this contract is carried out following the principles of justice and transparency in Islam.

Recent research by Rahmawati and Supriyadi (2022) emphasizes the importance of financial technology (fintech) in accelerating the adoption of Musyarakah contracts. According to this study, integrating Musyarakah contracts with fintech platforms can facilitate investor access to sharia projects that require financing. The results of their research show that the use of technology can overcome several traditional obstacles, such as limited access to information and process efficiency, making it easier for investors to invest in a more structured and secure profit-sharing scheme.

The study by Hasanah and Fauzi (2023) also received attention, where they examined the impact of implementing the Musyarakah contract on the financial stability of Islamic institutions. This study emphasizes that financial institutions that implement the Musyarakah contract consistently maintain better financial stability than institutions that use other contracts, because the profit-sharing model allows for flexibility in the distribution of profits and risks. They also emphasize the importance of continuous supervision and increasing human resources capacity in Islamic financial institutions to ensure that the implementation of the Musyarakah contract is in accordance with Sharia principles.

These studies show that the implementation of the Musyarakah contract in profit-sharing cooperation for investment in the Islamic financial business continues to grow. However, further efforts are still needed, both in the form of regulation, education, and technology application, to increase the effectiveness of this contract in supporting the growth of the Islamic economy globally.

METHOD RESEARCH

This study uses a descriptive qualitative approach to understand and analyze the implementation of the Musyarakah Agreement in profit-sharing cooperation on investment in the Islamic financial sector. This approach was chosen because it allows for an in-depth exploration of the aspects of the Musyarakah agreement process, including the mechanisms, benefits, challenges, and impacts on the Islamic financial business. (Meutia, 2021).

This study will use primary data and secondary data. Primary data is obtained through semi-structured interviews with several key informants, namely Sharia business actors, investors who use musyarakah contracts, and Sharia financial practitioners involved in this process, semi-structured interviews allow flexibility in exploring certain aspects related to musyarakah contracts, but still focus on the objectives of the study, secondary data will be collected from relevant literature, such as scientific journals, books, regulations related to sharia finance, annual reports of sharia financial institutions, and official publications from appropriate authorities.

Data collection techniques also involve a study of documentation of the financial statements of Sharia financial institutions that use musyarakah contracts, contracts or contract documents, and the institution's internal policies. Data analysis was carried out using thematic analysis, where the collected data was categorized based on main themes, such as the implementation process, profit sharing, risk management, and compliance with Sharia principles. By using triangulation of data sources, this study will ensure the validity of the information obtained and the reliability of the findings through verification with various sources, including from different respondents,(Renata Sari, Hendrianto, & Andriko, 2022).

This research will be conducted on Islamic financial institutions in Indonesia that use Musyarakah contracts to finance their products. This analysis process is expected to provide comprehensive insight into the practice of Musyarakah contracts in the context of capital investment, as well as offer relevant recommendations to increasing investor confidence and the development of the Islamic financial sector in the future.

RESULTS AND DISCUSSION

The musyarakah contract, which comes from the word "syirkah" in Arabic, means partnership or association, so in the context of Islamic economics, musyarakah refers to a form of cooperation between two or more parties that combine capital for a joint venture with a fair distribution of profits and losses. The basic principles of this contract are justice, transparency, and shared responsibility. Each party involved has the same rights and obligations, and actively participates in business management (Safitri, 2024).

This principle is fundamental in overcoming problems that are often faced in conventional economic systems, such as the inequality of profit sharing and business risks that are only borne by one party, in the musyarakah contract, both profits and losses are shared proportionally according to the contribution of each party, so that no one is harmed and this is in line with the principle of justice which is one of the main pillars in Islamic economics.

The musyarakah contract is a form of Islamic finance cooperation based on the principle of profit sharing between the parties involved, such as investors and business managers. In Indonesia, the application of the musyarakah contract continues to grow along with the increasing public awareness of Islamic finance. This contract allows the parties to share profits and risks proportionally according to the initial agreement. Investors provide capital, while business managers manage the business, and the profits obtained are divided according to the portion of each party's contribution.

Musyarakah contract is one of the essential instruments in Islamic finance that allows for fair and mutually beneficial business cooperation between various parties, in this contract, two or more parties agree to raise capital to run a business, with the distribution of profits and losses carried out proportionally based on the capital contribution included by each party. The musyarakah contract is a form of cooperation in Islamic finance in which two or more parties share capital, risks, and profits according to a previously agreed agreement. (Fathorrozi and Hamzah 2024).

In the financial context, the application of the musyarakah contract can occur in various products, such as project financing, investment, or property financing. Each party is responsible for managing and monitoring the investment, and shares the profits according to the initial agreement. At the same time, in the context of modern finance and business, the application of the musyarakah contract offers various advantages, including fairer risk sharing, transparency in business management, and the potential for higher profits for investors. This contract also reflects the principles of sharia which emphasize justice, equality and openness of information, then there is regulation and supervision of musyarakah contracts, the prospects for developing musyarakah contracts in the financial industry.

The phenomenon that occurs in the implementation of musyarakah contracts in the Indonesian Islamic financial sector shows positive developments, especially with the increasing interest of investors in participating in profit-sharing-based sharia businesses, many investors, both individuals and institutions, are starting to switch from conventional financing schemes to sharia contracts because they are more following the principles of justice and transparency, in musyarakah contracts, risks and profits are shared based on capital and business contributions, which makes it fairer compared to the fixed interest system in conventional financing. This phenomenon can be seen from the increase in sharia financing, especially in the MSME sector, a national economy pillar (Adibah & Zakariya, 2024).

However, in practice, the implementation of musyarakah contracts also faces various challenges that affect their effectiveness. One phenomenon often occurs is the mismatch in expectations between investors and business managers regarding profit sharing. When a business does not go according to plan, disputes usually arise regarding the sharing of losses, because many parties still do not fully understand the concept of shared risk. In addition, public literacy regarding the musyarakah contract mechanism is still relatively low, especially among small business actors, so its implementation is not always optimal.

Another phenomenon that has emerged is the need to strengthen regulations and supervision of the implementation of musyarakah contracts to minimize the risk of moral hazard and abuse. Lack of transparency in business management or financial reports can be an obstacle that hinders investor confidence. The Financial Services Authority (OJK) and Islamic financial institutions continue to strive to provide education and strengthen regulations governing the implementation of this contract, so that in the future, it is hoped that musyarakah contracts can be more widely accepted and implemented professionally to support the growth of the Islamic economy in Indonesia, (Muarief, 2024).

In the implementation of the musyarakah contract in profit-sharing cooperation in investment in the Sharia financial business, several problems need to be identified and discussed in depth. One of the main problems is the lack of understanding of the principles and mechanisms of the musyarakah contract, both among business actors and investors, although this contract has excellent potential in increasing access to capital, many business actors and investors still do not fully understand how it works and the conditions in the musyarakah contract, this problem causes misunderstandings in the implementation of the contract and hinders the formation of mutually beneficial cooperative relationships. To overcome this problem, more intensive educational efforts are needed from Sharia financial institutions for all parties involved. (Sarina, 2024).

The problem that must be identified in the implementation of the Musyarakah contract is the lack of understanding of the principles of the musyarakah contract, both among business actors and investors. The Musyarakah contract, which is a form of profit-sharing cooperation, requires all parties to deeply understand the contract's mechanisms, conditions, and implications. Without adequate understanding, business actors may not be able to run their businesses optimally, and investors may hesitate to invest due to uncertainty about how the results will be shared or the risks that may be faced (Sania, 2023).

This lack of understanding can lead to various problems, such as inconsistencies in business management and submission of financial reports, for example, business actors may not realize the importance of transparency in reporting business performance to investors, which can lead to distrust and conflict in the future on the other hand investors also do not understand how the Musyarakah contract works may feel disadvantaged when the results obtained do not match their expectations, to overcome this problem, there needs to be more intensive educational efforts from Islamic financial institutions to all parties involved (Fahtaromi, 2017).

This education can be done through seminars, training, and providing information materials that explain in detail the principles of the Musyarakah contract, including the rights and obligations of each party in this cooperation. By increasing understanding of the Musyarakah contract, it is hoped that the cooperative relationship between business actors and investors can be better established, as well as increasing trust and commitment in running a Sharia-based business, Islamic financial institutions can also act as mediators to provide explanations and resolve problems that may arise due to this lack of understanding (Rusydiana & Devi, 2013). Thus, comprehensive education and support from Islamic financial institutions will help create a healthier ecosystem for the implementation of musyarakah contracts, so that profit-sharing cooperation can run effectively and provide maximum benefits for all parties, another challenge faced is transparency in managing businesses based on musyarakah contracts.

Transparency is a critical factor in maintaining trust between business actors and investors, in practice not all business actors are open to reporting business performance and profit sharing, ambiguity in financial reports can reduce investor confidence and harm the sustainability of cooperation. Therefore, building an accurate and transparent reporting system and adopting technology that supports information transparency is important. Islamic financial institutions must also implement stricter supervisory mechanisms to ensure that all information submitted to investors is valid and accountable. (Tuti 2024).

Discussion of risk management challenges is also no less important, in musyarakah contracts, both business actors and investors share the risk of loss, so it is essential to have a clear risk management strategy, problems arise when business actors do not have an effective risk mitigation plan that can cause significant financial losses, then on the other hand investors must also understand the risks associated with their investments, as well as strategies for managing exposure to these risks. Therefore, Islamic financial institutions must provide clear guidance on identifying and managing risks in musyarakah-based cooperation (Ryandono & Wahyudi, 2021).

Furthermore, it is also necessary to discuss the regulatory aspects and Sharia compliance in the implementation of musyarakah contracts, problems in this case arise when there is ambiguity or inconsistency between business practices and applicable Sharia provisions, Islamic financial institutions must ensure that all musyarakah contracts carried out are in accordance with the regulations set by the sharia authorities, as well as sharia principles governing profit-sharing cooperation, failure to comply with regulations can result in legal consequences and damage the reputation of the Institution, so it is important to conduct regular audits and evaluations of the implementation of musyarakah contracts to ensure sharia compliance and identify areas that need improvement.

However, the implementation of musyarakah contracts is not free from various challenges, such as the complexity of contracts, conflict management between partners, and compliance with strict sharia regulations. Therefore, a deep understanding of the principles and mechanisms of musyarakah contracts is very important for business actors and investors who want to be involved in this Sharia-based cooperation. This can significantly contribute to developing the Sharia financial industry in Indonesia and open new insights for the broader community regarding the benefits and potential of musyarakah contracts in creating fair and sustainable business partnerships.

By identifying and discussing existing problems, and finding solutions to overcome them, it is hoped that the implementation of the Musyarakah contract in profit-sharing cooperation on investment in the Islamic financial business can run more effectively and sustainably. Collaborative efforts between Islamic financial institutions, business actors, and investors are needed to create an ecosystem that supports inclusive and sustainable growth of Islamic businesses.

In collecting primary data from interviews with business actors, investors and Islamic financial actors, it is hoped that it can provide comprehensive insights into the implementation of the musyarakah contract in profit-sharing cooperation on investment. This data will be the basis for analyzing the effectiveness of the musyarakah contract, identifying factors that influence the success of cooperation, and providing recommendations for improving the practice of musyarakah contracts in Islamic financial businesses will get a comprehensive framework regarding the concept, regulations, and actual practices of musyarakah contracts. This information will complement the primary data obtained through interviews and secondary data, which provide a strong foundation for conducting analysis and providing recommendations related to the implementation of the musyarakah contract in profit-sharing cooperation on investment in the Islamic financial business (Aminudin, 2020).

Analysis of the effectiveness of the musyarakah contract in profit-sharing cooperation for investment in the Islamic financial business, that the musyarakah contract is one of the main instruments in Islamic finance that offers business cooperation with the principle of profit and loss sharing. Hence, the effectiveness of this contract in profit-sharing cooperation for investment depends on several main factors, such as transparency, risk management, and compliance with Sharia principles, one of the advantages of the musyarakah contract is the flexibility in profit-sharing arrangements that allow business actors and investors to share profits and risks based on the capital contribution they provide, in theory and practice making the musyarakah contract a fair and efficient mechanism in supporting the growth of sharia-based businesses, (Yusmad, 2018).

One of the factors that supports the effectiveness of the musyarakah contract is the transparency in business management, investors not only act as capital providers but can also be involved in the supervision and management of the business, this is to increase the sense of shared responsibility and encourage openness in conveying information about business performance, operational costs, and profit sharing. This transparency is an important key to trust between the parties involved, especially in maintaining Sharia commitments that require business management to be carried out honestly and without any elements of fraud or ambiguity or gharar, when this transparency is well maintained, the effectiveness of the musyarakah contract will be more robust because it encourages mutually beneficial cooperation.

However, the effectiveness of the musyarakah contract can also be influenced by the risk management implemented by the parties, and one of the main challenges in this contract is how to manage the business risks that may occur, especially in businesses with high uncertainty, when the business experiences losses, both business actors and investors must bear the losses according to the agreed portion of capital, poor risk management can reduce investor interest in getting involved in musyarakah contracts, especially if there is no precise mechanism to mitigate these risks, therefore to increase the effectiveness of this contract there needs to be a structured risk management system and strict supervision from Islamic financial institutions to ensure business continuity and protect the interests of all parties, (Riduwan, Pranata, & SE, 2022).

In addition, the effectiveness of the musyarakah contract is also influenced by compliance with Sharia principles, one of the main reasons why this contract is in demand in Sharia finance is because it fully follows Islamic principles, namely justice, profit sharing, and the absence of usury elements, sharia financial institutions that carry out musyarakah contracts consistently maintain sharia principles can provide a sense of security and comfort for investors, violations of sharia principles, such as manipulation of profit sharing or non-transparency in financial reports, can damage trust and reduce the effectiveness of this contract as a financing mechanism, therefore sharia financial institutions must ensure that every process in the musyarakah contract is in accordance with the guidelines set by the sharia authorities.

So, the effectiveness of the musyarakah contract depends on how well this cooperation is carried out properly, involving high transparency, adequate risk management, and compliance with Sharia principles. If these three elements can be fulfilled, the Musyarakah contract can be an effective financial instrument to encourage the growth of sharia business, attract investors, and ensure that profits and risks are shared fairly among the parties involved, however, without proper management, the effectiveness of this contract can be disrupted by practical problems that arise in the cooperation process.

It is necessary to conduct an analysis related to the musyarakah agreement having a significant impact on the growth and development of the Islamic financial business, especially in the profit-sharing cooperation scheme for investment and one of the positive impacts of the implementation of the musyarakah agreement is the opening of broader access for business actors who need capital to develop their business. The musyarakah agreement allows for a proportional distribution of capital between business actors and investors, so that one party does not entirely bear the burden of risk. Then, for Islamic financial institutions, this agreement becomes an effective instrument in creating a fairer business relationship where profits and losses are shared according to a proportional agreement, which, in the long term, has the potential to encourage inclusive and sustainable Islamic economic growth (Khanif, 2020).

However, behind the positive impacts, there are several challenges faced in the implementation of musyarakah contracts, especially in the context of investment. One of the biggest challenges is risk management and in musyarakah contracts, both business actors and investors share the risk of loss based on the portion of capital they provide, this can cause concern for investors, especially in businesses that have a high level of uncertainty or are less stable. The risk of loss can make investors more careful when investing through musyarakah contracts, considering that the losses incurred are not entirely predictable. Therefore, strong risk management and transparency in business management are needed to maintain investor confidence and ensure the sustainability of cooperation.

Challenges of concern relate to transparency and accountability, in the musyarakah contract, transparency is a key element that determines the success of cooperation, business actors are required to provide honest and transparent financial reports to investors regarding business performance, profit sharing, and overall financial conditions, however, in practice there is still a lack of transparency and accountability that can lead to distrust between the two parties, if business actors do not report financial conditions accurately or hide information, this can harm investors and damage cooperative relationships, Islamic financial institutions need to establish a more transparent monitoring and reporting system to reduce the risk of moral hazard and information uncertainty, (Rihfenti Ernayani et al., 2023).

Another critical challenge is the complexity of implementing the contract. The musyarakah contract, although simple in theory, in practice requires a deep understanding and complicated administration, therefore the process of negotiating profit sharing, risk sharing, and compliance with Sharia principles often takes time and resources, not all business actors and investors have sufficient understanding of the technical implementation of the musyarakah contract, which causes confusion or errors in management. Islamic financial institutions need to ensure that all parties have sufficient knowledge regarding this contract and provide the necessary guidance so that the cooperation can run well and be in accordance with Sharia provisions.

The role of Sharia supervision is a key factor that can influence the effectiveness of the musyarakah contract, Islamic financial institutions must ensure that each stage of this contract is in accordance with Sharia principles, such as fairness in profit sharing and avoidance of usury or gharar or uncertainty practices, then challenges arise when Islamic financial institutions do not have a solid supervisory system or are less strict in enforcing sharia regulations, then this can have an impact on the credibility of the musyarakah contract and reduce the interest of investors who prioritize sharia compliance in their investments, (Sauri, 2023).

The impact and challenges of implementing the musyarakah contract in profit-sharing cooperation for investment in the Islamic financial business include various aspects that influence the success or failure of this contract, while its positive impact is seen in more inclusive and fair access to capital, challenges such as risk management, transparency, complex administration, and compliance with Islamic principles require special attention, by overcoming these challenges through appropriate policies and strict supervision, the musyarakah contract has great potential to become an effective and sustainable financial instrument in the development of Islamic-based businesses,(Harahap, 2016).

Recommendations to overcome problems that arise in the implementation of musyarakah contracts and profit-sharing cooperation in investment in Islamic financial businesses, including;

First, increasing education and socialization, one of the main steps that can be taken to overcome the problem of lack of understanding of musyarakah contracts is to increase education and socialization, Islamic financial institutions need to organize educational programs specifically designed for business actors and investors, including seminars, workshops and training that discuss the basic principles, implementation mechanisms and benefits and risks of musyarakah contracts, then through this program, business actors and investors will better understand their rights and obligations, as well as the implications of the cooperation carried out. In addition, providing information materials in the form of guidebooks or online modules can also help spread knowledge more widely and deeply.

Second, Increasing transparency and accountability. Transparency is key in creating trust between business actors and investors, Islamic financial institutions need to implement a clear and accountable reporting system, and business actors must be required to submit periodic business performance reports to investors, including information on income, expenses, and profit sharing, to ensure the accuracy of the report, an independent third party can carry out periodic audits. Thus, transparency in business management can be maintained, and all parties will be more confident that the cooperation is honest and fair.

Third, Risk Management Development, risk management is essential in the implementation of the musyarakah contract, Islamic financial institutions must provide clear risk management guidelines and strategies to business actors and investors, including identification of risks that may arise, mitigation steps that need to be taken, and the creation of contingency plans to deal with emergencies, then considering the use of Islamic insurance products can help protect investments from the risk of unexpected losses. With planned risk management, business actors and investors will feel safer and more confident in cooperating based on the Musyarakah contract.

Fourth, Improving the Quality of Sharia Supervision, compliance with Sharia principles is very important in every implementation of the Musyarakah contract, so strengthening the role of the Sharia Supervisory Board in Islamic financial institutions is very necessary, because they must have the authority to evaluate and audit the implementation of the musyarakah contract, ensuring that all activities remain based on sharia principles, with strict supervision, Islamic financial institutions can reduce the risk of violations and increase investor confidence in the products offered.

Fifth, Building a Trust-Based Relationship, building a good relationship between business actors and investors is an essential step in the success of the musyarakah contract, open dialogue must be encouraged so that each party can convey their hopes, concerns, and needs, a transparent and fair contract also needs to be drawn up to define the rights and obligations of each party, with mutual understanding and respect, the relationship between business actors and investors can be more solid, and the potential for conflict can be minimized.

Sixth, the use of technology in the implementation of the Contract, in the current digital era, the use of technology can be an effective solution to improve the implementation of musyarakah contracts, the development of a digital platform that facilitates the implementation of contracts, including a transparent monitoring and reporting system, will significantly assist in increasing efficiency and transparency, sharia financial applications can also be used to assist business actors and investors in managing and monitoring investment performance in real-time, with the use of technology not only accelerating the process, but also providing easy access to information for all parties involved.

CONCLUSION

The implementation of musyarakah contracts in profit-sharing cooperation for investment in the Sharia financial business has enormous potential to increase capital accessibility for business actors. The musyarakah contract not only allows for a fairer sharing of risks and results between business actors and investors, but also provides a strong foundation for sustainable business development. Through this cooperation, both parties can collaborate to achieve common business goals, increasing Sharia-based economic growth. Identifying several challenges faced in the implementation of musyarakah contracts, namely the lack of understanding of the principles and mechanisms of the contract, both among business actors and investors, can result in uncertainty in cooperative relationships and reduce trust between the parties involved, so more intensive efforts are needed in education and socialization regarding musyarakah contracts so that all parties can understand their rights and obligations better.

Emphasis on transparency and accountability in managing a business based on musyarakah contracts is very important to maintain trust between the parties involved, in a musyarakah contract, where several parties work together to finance a business by sharing profits and losses, transparency allows all parties to have clear information about the progress of the business, to prevent misunderstandings or fraud. Meanwhile, accountability ensures that every decision taken and every use of capital can be accounted for both in terms of sharia and business ethics, in this case it will increase fairness, trust, and sustainability of the business in the long term. This study recommends that Islamic financial institutions continue to develop mechanisms and strategies that support the implementation of the Musyarakah contract. This includes improving the quality of sharia supervision, developing risk management, and utilizing technology to increase efficiency and transparency in implementing the contract. With these steps, the Musyarakah contract can function optimally as a financial instrument that provides benefits to all parties, as well as contributing to more inclusive and sustainable economic growth in the context of Islamic financial business.

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