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IMPLEMENTATION OF PSAK 107 IJARAH ACCOUNTING AT ISLAMIC MICROFINANCE INSTITUTIONS

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ABSTRACT
This research aims to analyze the implementation of the *ijarah* agreement in *bai al wafa* financing at BMT X. An ijarah contract is a rental transaction for goods or services between the owner of the rental object and the lessee to receive compensation for the asset being leased. This research uses the ijarah product object of *bai al wafa* financing at BMT X. The research method used in this research is qualitative method. This research concludes that the implementation of the ijarah agreement for *bai al wafa* financing carried out by BMT is according to the applicable principles of ijarah implementation in Indonesia and the accounting practice is entirely by the provisions in PSAK 107.

Keywords: Accounting, Ijarah, PSAK 107

INTRODUCTION

The demand for sharia banking services among the Indonesian Muslim community is increasing; this is in line with the development of sharia banking services in Indonesia (Hadi et al., 2023). Public interest in Sharia banking services is not only because of the attractive and varied Sharia banking products but also because of the public's desire to carry out transactions by Islamic law as a form of worship to Almighty God (Kholilah et al., 2020). Not all of these aspects can be realized by banking institutions because they have special requirements that must be met by banking service users such as the Micro, Small and Medium Enterprises (MSMEs) sector. Even though the MSME sector does not require a lot of capital, formal banking institutions often treat MSMEs the same as large businesses when financing is needed, including adequate collateral, capital and commercial viability (Putra & Kholilah, 2023). Therefore, taking work capital to run a business takes work. These requirements are considered burdensome for MSMEs who want to access formal banking institutions.

This result will also facilitate the emergence of other Sharia financial institutions, including Sharia Microfinance Institutions (SMIs), such as *Baitul Maal wa Tamwil* (BMT), which can access the MSME sector more freely (Harisandi et al., 2023; Kholilah et al., 2020). BMT is an informal non-bank Sharia economic or financial institution founded by Community Self-Help Groups. BMT is a microfinance institution that operates based on Islamic Sharia law (Kim & Hudayana, 2022; Sudjana & Rizkison, 2020). BMT is expected to help MSMEs manage and develop their businesses. As an entity that seeks to improve community welfare, BMT also adheres to the principles of openness, transparency and accountability so that members and the public know, trust and accept BMT's expectations, which must be implemented and managed professionally (Ahmad & Rusdianto, 2020; Kim & Hudayana, 2022; Sudjana & Rizkison, 2020). Therefore, BMT must apply accounting information appropriately and accurately to achieve this goal (Iswanaji, 2019; Kholilah et al., 2020; Mukhzarudfa & Putra, 2020).

The Statement of Basic Accounting Theory states that accounting is the process of identifying, measuring and reporting economic information to users by considering available alternatives and making conclusions about these alternatives (Abdullah et al., 2023). Almost the same as the definition of sharia accounting, it is the process of recording transactions according to the rules set by Allah (Abdullah et al., 2023). The accounting department is a data provider that prepares financial reports. Financial reports must be objective and sound for various business purposes. An entity needs the benefits of accounting information because good accounting information can be an effective tool for BMT management to direct and control business operations (Abdullah et al., 2023).

Allah has ordered sound and accurate transaction recording as stated in Surah Al Baqarah verse 282, which verse instructs believers to carry out Allah's provisions every time they carry out debt and receivable transactions by adding evidence. as a basis for resolving disputes that may arise at a later date. This verse shows the importance of recording transactions precisely and accurately. Sharia financial institutions, including BMT, have exceptional standards regarding accounting records, primarily based on the Statement of Financial Accounting Standards (PSAK) (Sudjana & Rizkison, 2020). This research aims to determine the implementation of PSAK 107 in one of the largest BMTs in Indonesia. This research is important to provide an idea to the public that BMT has carried out accounting records according to applicable standards.

LITERATURE REVIEW

Ijarah Concept

Ijarah is also called wages, rent, services or rewards. Meanwhile, according to the *syara*, it is a form of *muamalah* activity that meets the needs of human life, such as renting and contracting or selling services (Hasbi & Widayanti, 2021; Muslim & Hasbi, 2022; Zaenal et al., 2023). *Ijarah* can be interpreted as a rental transaction for goods or services between the owner of the rental object and the lessee to obtain compensation for the object being leased. *Al-ijarah* comes from the word *al-ajru*, which in its language means *al-iwadh*, it means compensation and wages. *Al-Ijarah* can also mean an agreement to transfer the use rights (benefits) of an item or service within a specific time through payment of rent/wages without being followed by a transfer of ownership of the item being rented (Hasbi & Widayanti, 2021; Muslim & Hasbi, 2022).

The legal basis for *ijarah*’s contract is taken from the Al-Quran Surah at Thalaq verse 6, which confirms the validity of the *ijarah* contract. An *ijarah* transaction will be valid if three things have been fulfilled, (1) *mu'jir* and *musta'jir* are people who enter into rental or wage contracts, (2) *shighat* consent between *mu'jir* and musta'jir to rent, lease and wages, and (3) *ujrah*, it is required that the amount be known by both parties, both in rent and wages. The Ijarah requirement are the goods which are the object of the rental agreement and wages should be able to be put to good use, the goods that are the object of renting and wages should be handed over to the lessee and worker for their use (especially in leasing), benefits from rented objects are permissible things (permissible) according to Sharia', not prohibited (forbidden), and objects that are rented are required to retain their '*ain* (substance) until the time specified according to the agreement in the contract (Hasbi & Widayanti, 2021; Muslim & Hasbi, 2022).

The *mu'jir* hands over the rented object to the *musta'jir*, he has the right to receive payment because the tenant (*musta'jir*) has received the benefit (Hasbi & Widayanti, 2021; Muslim & Hasbi, 2022). *Musta'jir* is permissible to rent out the rented goods to other people, provided that the use of the goods is by the use promised in the contract. For renting a buffalo, when the agreement states that the buffalo is rented to plough the fields, then the buffalo is rented out again, and a second *musta'jir* arises. The buffalo must also be used for ploughing. The second rental price is free; it can be bigger, smaller, or equal (Hasbi & Widayanti, 2021; Muslim & Hasbi, 2022).

The cancellation and termination are the occurrence of a defect in the rental item that occurs at the hands of the renter, damage to rental items, such as the house collapsing and so on, damage to goods paid for (*ma'jur 'alaih*), such as clothes paid to be sewn, the fulfilment of the benefits provided, the end of the specified period and the completion of the work. According to Hanafiyah, it is permissible to *fasakh ijarah* from one of the parties, such as someone who rents a shop for trading, then someone steals his merchandise, then he is allowed to *fasakh* the lease.The Hambali School believes that when the *ijarah* has ended, the tenant must release the rented goods, and there is no obligation to return them or hand them over, such as goods entrusted to him (Nasution et al., 2021).

METHODS

The research method used in this research is qualitative (Kholilah et al., 2022). This research uses the *ijarah bai al wafa* financing product object at the BMT X in East Java. Interviews were conducted from October 2023-January 2024. The informants in this research are all BMT X employees, who will provide the required information. The outline asked in the research interview includes implementing and recognizing the *ijarah* contract at BMT X, which is supported by theories related to *ijarah* accounting. The interview results were then compared with the literature review and document review provided by the informant for analysis (Djalaluddin et al., 2023).

RESULTS

Implementation of the Ijarah Agreement in Bai al Wafa financing

Financing contained in Law No. 21 of 2008 concerning Sharia banking, one form of business that Sharia financial institutions can carry out in implementing financing, has various methods and is divided into several products. The various products provided by Sharia financial institutions aim to meet and fulfil the needs of different communities. BMT X Branch's prohibition on providing financing products is inseparable from surveys conducted on its members to produce financing products that are credible and able to meet the needs of its members. One of the financing products that uses the ijarah contract and is implemented by BMT X is multiservice financing. Multiservice financing is a financing facility provided to members for service needs with collateral in the form of fixed assets or motorized vehicles as long as the services in question do not conflict with applicable laws/laws and do not fall into categories that are prohibited in Islamic sharia (the contract used is *bail-istighlal/bai'/Ijarah/rahn tasjili*). The contract used is inseparable from other agreements for distributing goods or collateral purchased by BMT.

Bai al wafa is a conditional sale and purchase agreement between two parties (seller and buyer) where goods that have been sold (in the form of movable goods, such as motorbikes) can be repurchased by the seller at the end of maturity (at the price at the time of the initial transaction). It can be seen that *bai al wafa* financing uses a sale and purchase agreement, so the buyer is free to use and utilize the goods either for himself or for rent without the seller's permission so that the profit obtained by the seller is in the form of utilization of the goods. However, there is an agreement between the two parties that the buyer may not sell the item to someone other than the original owner because the item is collateral for a debt, which must be returned within the agreed period. An example of calculating ijarah costs in *bai al wafa* financing at BMT X is as follows transaction on December 1 2023, Mr Fulan (pseudonym) carried out an *ijarah* contract transaction with BMT X. Mr. Fulan negotiated and fulfilled the requirements to apply for *bai al wafa* financing at BMT. On December 14, 2023, Mr. Fulan agreed to sell his motorbike to BMT for IDR 8,000,000 (valid proof) and pay administration fees for customer members. *Bai al wafa* financing conditions at BMT X are BMT provides loan funds as the buyer (Debtor), the customer sells the collateral for 50% of the market price requested by BMT, and BMT has calculated the number of monthly instalments for borrower customers, which comes from the loan amount, with an ujrah of 2.5% depending on the effective agreement of each person.

Bai al wafa financing explains that a sale and purchase takes place between two parties, followed by a conditional sale in which the goods that have been sold can be repurchased by the seller when the specified grace period has arrived. BMT X on financing, where BMT buys collateral for 50% of the market price. BMT buys collateral for 50% of the market price to reduce the risk if a customer commits fraud; besides that, BMT, as an institution, also wants to make a profit.

The scheme explains that the implementation of the *bai al wafa* agreement by BMT to members are in four steps. Fist, members have collateral in the form of a motorbike with a transaction value of IDR 10 million. Meanwhile, members need IDR 5 million for working capital. Then, BMT buys member collateral according to the proposed financing, IDR 5 million for one year. Second, during that one year, BMT rents out (*bai al-istighlal contract*) motorbikes to members who sell them to BMT. Third, members pay *ujrah* at 2.7% per month, namely IDR 135,000. Fourth, at the end of the maturity date, the member who sold the motorbike to BMT repurchases the motorbike at the principal price of IDR 5 million. However, members have paid the principal and umrah in monthly instalments amounting to the principal (Rp. 417,000) and *ujrah* (Rp. 135,000) so that the total instalments and umrah in one year are IDR 6,620,000. Over one year, BMT earned IDR 1,620,000 from *ujrah* or motorbike rental fees.

The goods traded in the *bai al-wafa* contract at the BMT X are movable goods (two-wheeled or four-wheeled vehicles). Principal payments for motorbikes worth IDR 5 million are made by members in instalments. The monthly principal instalment is IDR 417,000 over 12 months or one year. BMT considers members who pay monthly instalments to keep their money in BMT so that at the end of the maturity period (12 months/1 year), the member's money collected Rp. 5 million will be used to buy back the motorbike. In buying and selling at BMT in *bai al wafa* financing, they mostly use *ijarah* contracts in the form of *bai al wafa* financing because BMT itself has implemented pure ijarah contracts, namely in leasing. Still, in pure ijarah contracts, the customers have not been interested in using pure *ijarah* financing at BMT, customers use more *ijarah* for *bai al wafa* financing.

Implementation of PSAK 107 about Ijarah Accounting
Statement of Financial Accounting Standards (PSAK) 107, an accounting recording standard, is a reference for financial transactions that occur in *ijarah* contracts in recognizing and measuring *ijarah* assets (Afriani, 2020; Rokhim & Pribadi, 2020). It has been ten years since financial institutions, whether Sharia banks or other Sharia institutions, have yet to have a specific PSAK to regulate Sharia-based transactions and activities, more precisely in 1992-2002. PSAK 59 is the initial evidence of the recognition of the existence of Sharia accounting in Indonesia, which is DSAK-IAI's leading product for Sharia entities that need to be given a thumbs up. PSAK 59 was ratified on May 1, 2002, and came into effect on January 1, 2003. This PSAK is only valid for five years (Afriani, 2020; Rokhim & Pribadi, 2020).

The development of Sharia Accounting Standards (SAS) is an opinion on Sharia Financial Accounting Standards (PSAK), which is intended for institutions that carry out Sharia transactions, whether they are Sharia-compliant or not. The development of SAS is carried out together following the general form of SAK but remains Sharia-based by referring to the MUI fatwa. As has been explained in theory, bai al wafa is a sale and purchase carried out by both parties, accompanied by the seller's condition that what is sold can be repurchased if the specified deadline has arrived. In contrast, the goods sold are free to use. by buyers.

BMT acknowledged the sale and purchase with the right to repurchase. Before renting to a tenant, BMT must acquire or purchase ijarah supplies. *Ijarah*'s inventory is recognized at cost. Rental income during the contract term is recognized when the benefits of the set have been handed over to the lessee. Rental income receivables are measured at their realizable value at the end of the reporting period. The presentation of accounts related to ijarah transactions in BMT Integrated Joint Venture includes financial report transactions presented manually and not structured as regulated in accounting. In BMT *Ijarah* transactions, *Ijarah* income is presented in the net profit and loss statement, and Expenses on *ijarah* assets that the owner of the ijarah assets bears are presented in the profit and loss statement.

The financial reports at BMT X are fully funded by PSAK 107 due to theoretical limitations, and the BMT X refer to and make financial reports by those regulated by PSAK 107. Rental objects purchased by BMT to be leased back to the seller are presented on the BMT balance sheet, namely assets acquired for *ijarah*. Accumulated *ijarah* depreciation is presented on the balance sheet. *Ijarah*'s income is presented in the profit and loss statement on a net basis after deducting related expenses, for example, depreciation expenses and expenses for repairs to ijarah assets, which the owner of the ijarah assets bears. Rental income arrears are on the balance sheet under the ijarah income receivables item. The expenses for repairing the ijarah, which the ijarah owner bears, are presented in the BMT profit and loss statement on the repair of the *ijarah* asset.

The Sharia financial institution BMT X revealed that by the statement of financial accounting standards (PSAK) No. 101 concerning the presentation of Sharia financial reports, disclosures in the notes to the financial reports regarding ijarah transactions are source of funds used in ijarah financing, the amount of ijarah instalment receivables will be due in the last two years, and the number of rental objects is based on the type of IMBT ijarah transaction, type of asset, and accumulated depreciation if the institution owns the object. The contract used is an ijarah contract with *bai al wafa* financing for the existence of lead transfer of ownership; when an ijarah transaction occurs, there is no transfer of ownership, there is no collateral related to it, and the value of the acquisition generated by BMT is the value of the price of the goods purchased by BMT.

CONCLUSION

Implementing the Ijarah Agreement in *Bai al Wafa Financing* at BMT X. In its accounting practices, BMT applies the Bai al Wafa financing agreement where recognition, measurement, presentation and disclosure have been concluded. In practice, *bai al wafa* financing cannot be separated from other contracts for distributing goods or collateral purchased from customers by BMT. Distributing collateral contracts use an ijarah or *ijarah mutaniyah bit tamlik* contract. This differs from the previous *bai al wafa* theory, which used to buy and to sell goods back to the last seller. Financial Accounting Standards Regulation 107, which regulates the presentation, measurement and disclosure of ijarah accounting at BMT X, use PSAK 107. Meanwhile, overall, carrying out *bai al wafa* financing transactions still needs to be by PSAK 107 regarding recognition, measurement and disclosure of ijarah accounting, which still needs to be improved as regulated in PSAK 107.

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