MUSYARAKAH: Journal of Sharia Economics (MJSE), Vol. 6, No. 2, Oktober 2026, p.145-163
p-ISSN: 2827-8887 & e-ISSN: 2809-9389 | email: mjse.musyarakah@gmail.com

The Role of Mudharabah and Musyarakah Financing in Supporting MSME Productivity

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ARTICLE HISTORY

Submit:
15 October 2026
Accepted:
16 November 2026
Publish:
18 November 2026

Article Type :
Literature Review

ABSTRACT

Introduction/Main Objectives: This study aims to conduct a comparative analysis of the roles of mudharabah and musyarakah financing in supporting MSME productivity, as well as to identify supporting factors, implementation challenges, and gaps in the existing literature. **Background Problems**: MSMEs still face limited access to sharia-compliant financing, low financial literacy, and business management challenges. These conditions raise questions regarding how the application of mudharabah and musyarakah contracts can support MSME productivity. **Novelty**: The novelty of this study lies in its comparative analysis of the two contracts, focusing on financing characteristics, the utilization of productive resources, and the factors supporting and hindering their implementation. **Research Methods**: This study employs a literature review method using a qualitative descriptive approach. Secondary data were obtained from scientific journal articles and relevant literature retrieved via Google Scholar, covering publications from 2016 to 2026. The analysis was conducted thematically and comparatively. **Findings/Results**: The results indicate that mudharabah has the potential to support productivity by providing capital to business managers, while musyarakah supports business development through the pooling of capital and partnerships. However, increases in revenue and profits do not directly reflect an increase in productivity. Their implementation still faces obstacles in the form of low Islamic finance literacy, limited managerial capabilities, weak financial record-keeping, information asymmetry, and moral hazard. **Conclusion**: Both contracts have the potential to complement each other in supporting MSME productivity in accordance with business characteristics and needs. Therefore, it is necessary to strengthen guidance, supervision, financing transparency, and business management capabilities.

KEYWORD:

Islamic Financing,
Mudharabah,
Musyarakah,
MSME Productivity.

ABSTRAK

Permasalahan/Latar Belakang: Penelitian ini bertujuan untuk menganalisis secara komparatif peran pembiayaan mudharabah dan musyarakah dalam mendukung produktivitas UMKM, serta mengidentifikasi faktor pendukung, tantangan implementasi, dan kesenjangan literatur yang ada. **Permasalahan Latar Belakang**: UMKM masih menghadapi keterbatasan akses pembiayaan syariah, rendahnya literasi keuangan, serta kendala pengelolaan usaha. Kondisi tersebut menimbulkan pertanyaan mengenai bagaimana penerapan akad mudharabah dan musyarakah dapat mendukung produktivitas UMKM. **Kebaruan**: Kebaruan penelitian ini terletak pada analisis komparatif kedua akad dengan menitikberatkan pada karakteristik pembiayaan, pemanfaatan sumber daya produktif, serta faktor pendukung dan penghambat implementasinya. **Metode Penelitian**: Penelitian ini menggunakan metode literature review dengan pendekatan deskriptif kualitatif. Data sekunder diperoleh dari artikel jurnal ilmiah dan literatur relevan yang ditelusuri melalui Google Scholar, dengan rentang publikasi 2016–2026. Analisis dilakukan secara tematik dan komparatif. **Temuan/Hasil**: Hasil penelitian menunjukkan bahwa mudharabah berpotensi mendukung produktivitas melalui penyediaan modal bagi pengelola usaha, sedangkan musyarakah mendukung pengembangan

usaha melalui penggabungan modal dan kemitraan. Namun, peningkatan pendapatan dan keuntungan belum secara langsung mencerminkan peningkatan produktivitas. Implementasinya masih menghadapi kendala berupa rendahnya literasi keuangan syariah, keterbatasan kemampuan manajerial, lemahnya pencatatan keuangan, asimetri informasi, dan moral hazard. **Kesimpulan**: Kedua akad berpotensi saling melengkapi dalam mendukung produktivitas UMKM sesuai karakteristik dan kebutuhan usaha. Oleh karena itu, diperlukan penguatan pendampingan, pengawasan, transparansi pembiayaan, dan kemampuan pengelolaan usaha.

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1. Introduction

Micro, Small and Medium-sized Enterprises (MSMEs) are a vital sector in Indonesia's economic development, as they play a key role in job creation and improving people's welfare (Ningtyas et al., 2025). According to data from the Ministry of Cooperatives and SMEs, SMEs account for around 61 per cent of the national Gross Domestic Product (GDP) and employ more than 97 per cent of the workforce in Indonesia (Rabah & Ardiansyah, 2023) Despite playing a significant role, MSME operators still face various obstacles in accessing formal finance, particularly finance that complies with Sharia principles. This limited access to funding sources is a barrier that can hinder business development and productivity growth amongst MSMEs (Ningtyas et al., 2025).

Conventional and Sharia financing differ fundamentally in terms of the disbursement of funds, payment obligations and risk management. In the conventional credit system, customers remain obliged to repay the principal of the loan together with interest according to a predetermined schedule, regardless of their business performance, unless there is an agreement to restructure or amend the contract. In contrast, Sharia financing employs mechanisms tailored to the type of contract used. Financing through sale and lease contracts is based on payment obligations in accordance with the terms of the transaction, whilst mudharabah and musyarakah contracts apply the principles of profit-sharing and risk-sharing in accordance with the terms of the contract and Sharia principles. Given these differences, SME operators have alternatives when determining a financing scheme that suits their capital requirements, business characteristics and management capacity. This situation increases the risk of repayment difficulties, particularly when business owners face various operational challenges (Njawaya, 2024). As an alternative, Islamic finance offers financing mechanisms based on the principles of fairness, partnership, profit-sharing and risk-sharing between capital providers and business owners. Furthermore, the limited access of MSMEs to capital is not merely an economic issue; it is also influenced by the beliefs and principles held by business owners. Some MSME owners tend to avoid conventional financing because they view interest-based systems as incompatible with Islamic principles, and are concerned that such systems may involve riba (usury). Consequently, Islamic finance serves as a suitable alternative for MSMEs seeking capital support through mechanisms that are more aligned with Islamic ethical values and teachings (Wilasti et al., 2026) and (Gurusinga et al., 2025).

Although mudharabah and musyarakah financing have the potential to be a solution for meeting the capital needs of MSMEs, the availability of such financing does not

automatically guarantee business success or increased productivity (Ningtyas et al., 2025). Although Islamic banking has great potential to support the development of MSMEs, its implementation still faces a number of challenges. One of the obstacles is the public's lack of understanding regarding various contracts. Micro, Small and Medium Enterprises (MSMEs) play a vital role in supporting the Indonesian economy, particularly through their contribution to Gross Domestic Product (GDP) and employment. However, MSMEs often face difficulties in obtaining finance from conventional financial institutions, partly due to relatively strict requirements, such as the obligation to provide collateral. This situation has prompted some MSME owners to turn to Islamic financial institutions, such as Sharia Rural Credit Banks (BPRS), as an alternative source of capital (Pratama et al., 2026). Mudharabah contracts (based on profit-sharing) and musyarakah contracts (based on business partnership) are viable Sharia-compliant financing alternatives for MSMEs. Both types of contract emphasise the sharing of profits and risks in accordance with the terms of the agreement, thereby having the potential to broaden access to finance and promote fairer financial inclusion for MSME operator (Nizar, 2016).

Sharia financing, which has led to confusion regarding the mechanisms and terms of the financing on offer. Furthermore, many MSME operators find it difficult to meet the financing requirements, whether in terms of completing administrative documentation, preparing financial statements, or providing business collateral. These various barriers may limit MSMEs' access to Sharia financing and hinder the optimisation of its role in driving business growth (Nofentri et al., 2025).

Although mudharabah and musyarakah financing have the potential to be a solution for meeting the capital needs of MSMEs, the availability of such financing does not automatically guarantee business success or increased productivity (Hasibuan, 2025). This is because the development of MSMEs is influenced by various other factors, such as business management capabilities, human resource competencies, the effectiveness of marketing strategies, the utilisation of technology, and dynamic market conditions. Therefore, the provision of financing must be accompanied by effective business management to ensure that the capital received is used appropriately and yields optimal results. In this regard, further research is required to analyse the role of mudharabah and musyarakah financing in enhancing the productivity of MSMEs, whilst also identifying the various factors that influence the successful implementation of these two types of contracts in business activities (Syafrizal & Marjulin, 2026).

Previous research has shown that mudharabah and musyarakah financing contribute to the development of MSMEs, although these have been examined using different focuses and indicators. (Kartini, 2019), for example, found that mudharabah financing has a significant impact on the effectiveness of MSMEs. Meanwhile, (Akbar, 2024) shows that musyarakah financing has a positive and significant impact on the growth of MSMEs' revenue and profits. A study (Nizar, 2016) also links mudharabah financing to improved welfare for MSME operators, whilst (Gurusinga et al., 2025) discusses the role of musyarakah in expanding access to capital through partnership models. These findings indicate that both contracts have the potential to support business development, but their benefits are still described in terms of aspects that tend to be treated separately, such as business effectiveness, welfare, income growth and access to capital.

Based on previous research, there remains a gap in the discussion regarding a comparison of the application of mudharabah and musyarakah contracts in MSME financing. This study is important for examining the differences between the two contracts in terms of capital provision, profit sharing, risk-bearing, and the utilisation of productive resources. Furthermore, the productivity of MSMEs needs to be examined through the relationship between the use of production inputs such as capital, labour and raw materials and the results obtained. This is because increases in revenue, profit and business effectiveness do not always reflect an increase in productivity. Given this gap, the novelty of this research lies in a comparative analysis of mudharabah and musyarakah financing based on the characteristics of the contracts, capitalisation mechanisms, the distribution of profits and risks, the utilisation of productive resources, as well as the factors supporting and hindering their implementation. Theoretically, this study is expected to enrich the field of Islamic economics by examining the relationship between the characteristics of financing contracts and the productivity of MSMEs. In practical terms, the research findings are expected to serve as a basis for consideration by Islamic financial institutions in tailoring financing schemes to the needs and characteristics of MSME businesses.

2. Literature Review

2.1 Mudharabah

Mudharabah is a form of business partnership involving two parties: the shahibul maal, who is the owner or provider of capital, and the mudharib, who is responsible for managing the business. In practice, the capital provider supplies the funds required for business operations, whilst the manager contributes their skills, labour and expertise in running the business. The profits generated from this partnership are distributed according to a ratio agreed upon by both parties (Fahrurrozi, 2020). Financial losses are, in principle, the responsibility of the shareholders, provided that such losses do not arise as a result of negligence, a breach of contract or misconduct on the part of the business management.

In the context of MSMEs (micro, small and medium-sized enterprises), mudharabah financing is one alternative for obtaining business capital through a profit-sharing mechanism that complies with Sharia principles (Tauhid et al., 2025). The availability of adequate capital enables MSME operators to increase their production capacity by meeting the resource requirements of their business processes. In line with this, (Mujahadah & Yazid, 2022). The availability of adequate capital enables MSME operators to increase their production capacity by meeting the resource requirements of their business processes. In line with this, (Renaldi et al., 2024) study on the role of the mudharabah contract in MSME financing in Samarinda City shows that the use of mudharabah financing plays a part in supporting increased production capacity whilst also expanding the market reach of MSMEs.

Furthermore, the application of a profit-sharing system in a mudharabah contract allows managers to develop business activities through an agreed profit-sharing mechanism without resorting to an interest-based system. Provided that the financing funds are allocated appropriately and accompanied by adequate business management capabilities, mudharabah financing has the potential to promote the optimisation of capital utilisation, increased production capacity, and the expansion of

sales activities. This is consistent with the findings of (Asmita, 2025), which show that mudharabah financing can support the development of MSMEs through increased working capital, product diversification and growth in business turnover. Thus, the role of mudharabah financing in supporting the productivity of MSMEs is not only related to the ease of obtaining capital, but is also determined by the effectiveness of managers in utilising these resources to produce goods or services more optimally.

2.2 Musyarakah

Musyarakah is a partnership agreement between two or more parties who pool their capital contributions to carry out joint business activities. Under this agreement, the partners have rights and obligations as set out in the agreement, including the sharing of profits and the bearing of business losses (Mubarok & Hasanudin, 2021)**,** The implementation of this contract is based on the principles of partnership, fairness, transparency and risk-sharing, in accordance with Sharia provisions (Hariyani et al., 2026).

In MSME financing, the musyarakah contract provides an opportunity for business owners and Islamic financial institutions to pool capital resources to support business activities. Unlike mudharabah, where the entire capital is provided by the shahibul maal, musyarakah requires a capital contribution from each party involved. This difference also affects the allocation of risk: in mudharabah, losses are, in principle, borne by the capital provider provided there is no negligence or breach on the part of the manager, whereas in musyarakah, losses are borne by the partners proportionally based on their respective capital contribution (Nuralim & Jawab, 2023).

The nature of the partnership in musyarakah enables MSME operators who already possess some capital to secure additional funding through collaboration with Islamic financial institutions. This joint capital contribution can support the sustainability and development of business activities, as the financing requirements are not borne by a single party. Research by (Hariyani et al., 2026) shows that the application of musyarakah financing to MSMEs can facilitate access to capital and support increased income and business sustainability. Thus, musyarakah can be viewed as an alternative form of productive financing that prioritises partnership, risk-sharing and the joint utilisation of capital to support the development of MSMEs.

2.3 MSMEs

Micro, Small and Medium-sized Enterprises (MSMEs) are productive business activities managed by individuals or business entities and classified according to criteria set out in legislation. MSMEs generally operate on a micro to medium scale and contribute to creating employment opportunities, improving community welfare and strengthening the national economy. In this study, MSMEs are defined as business units targeted for financing under mudharabah and musyarakah agreements, which aim to meet capital requirements whilst promoting business development and increasing productivity (Ramadhan et al., 2025) and (Al Farisi and Fasa, 2022).

In Indonesia, the classification of MSMEs is regulated by Government Regulation No. 7 of 2021 concerning Facilitation, Protection and Empowerment of Cooperatives and Micro, Small and Medium Enterprises. In this study, MSMEs are

understood as business units that form the subject of the study on the application of mudharabah and musyarakah financing. MSME productivity refers to a business's ability to optimise the use of resources particularly capital, raw materials, labour and equipment to produce goods or services. Therefore, productivity is not only measured by an increase in revenue or profit but also by a business's ability to increase output and improve the efficiency of resource utilisation. Based on this understanding, mudharabah and musyarakah financing are examined in terms of their contribution and potential in supporting the enhancement of MSMEs' productive capacity.

Table 1. Literature Mampping

Author's Name	Title	Method	Research Findings
Tina Kartini (2019)	The Impact of the Mudharabah Financing System on the Effectiveness of MSMEs	Quantitative, with data analysis using multiple linear regression. Data were collected directly from BMT customers via questionnaires and observation.	Mudharabah financing has a significant effect on the effectiveness of MSMEs, with a significance value of 0.028. The profit-sharing system also has a significant effect, with a value of 0.009. Taken together, mudharabah financing and the profit-sharing system have a significant effect on the effectiveness of MSMEs.
Muhammad Nizar (2016)	The Impact of Mudharabah Financing on Improving the Well-being of MSME Operators (A Case Study of BMT Maslahah Capang Pandaan)	Quantitative, using primary and secondary data sources. Data collection was carried out via a questionnaire administered to MSME operators receiving mudharabah financing from BMT Maslahah Capang Pandaan	Profit-sharing and business decisions have a significant impact on the welfare of MSME entrepreneurs. The results of the simultaneous test indicate a significant effect, with a coefficient of determination of 47.4 per cent. This study highlights the relationship between mudharabah financing and the welfare of business owners.
Zuhal Alfian Akbar (2024	The Effectiveness of Musyarakah Financing on the Growth of Sharia MSMEs	A quantitative study with a comparative design. Data were collected via structured questionnaires administered to MSME owners or	Musyarakah financing has a positive and significant impact on the growth of MSME revenue and profits. However, its impact on employment growth is not significant in the short term.

		managers and through the analysis of financial records, such as cash books, simple profit and loss statements, and sales records.	
Haikel Bremana Gurusinga, Julius Andhika Prasetyo, and Muhammad Rafly Dwi Desta (2025)	The Role of the Musyarakah Contract in the Economic Life of Society: A Review of MSMEs and Islamic Banking.	Descriptive qualitative, based on a literature review. Data were obtained from academic journals, reference books, official government reports, and publications from relevant institutions such as the OJK, Bank Indonesia, and the Ministry of Cooperatives and SMEs.	Musyarakah is regarded as providing an alternative form of financing that emphasises partnership, transparency of information, and the proportional sharing of profits and risks. This contract plays a role in expanding access to capital for MSMEs and supporting economic growth within the community.
Dwi Wahyu Ningtyas, Millatul Fadhilah, and Nadia Azka Fitri Handayani (2025)	Optimising Murabahah and Musyarakah Financing by Bank Syariah Indonesia to Boost MSMEs in Blitar City.	Qualitative, using a case study approach at the BSI Cokroaminoto Branch in Blitar. Data were collected through in-depth interviews, observation and documentation, and were subsequently analysed using qualitative descriptive methods.	Murabahah and musyarakah financing are considered to support increased productivity and income for MSMEs. The challenges identified include low digital literacy, a lack of understanding of the contractual terms, and issues regarding business legality. The study also recommends the digitalisation of services and ongoing support.

Source: Compiled on the basis of an analysis of six previous studies

A review of six previous studies shows that mudharabah and musyarakah financing have been discussed in relation to the development of MSMEs from a number of perspectives. (Kartini, 2019) and (Muhammad Nizar, 2016), for example, focus their studies on mudharabah financing by examining its relationship with business effectiveness and the welfare of MSME operators. In contrast to these two studies, (Gurusinga et al., 2025) and (Zuhal Alfian Akbar, 2024) focus more on the

musyarakah contract, both in terms of partnership and expanded access to capital, as well as its impact on revenue growth and business profits. These various findings indicate that mudharabah and musyarakah have the potential to support the development of MSMEs. However, discussions regarding business effectiveness, welfare, access to capital, and revenue growth still tend to be conducted in isolation.

A study conducted by (Pratama et al., 2026) sought to examine both the mudharabah and musyarakah contracts simultaneously in the context of MSME financing at BPRS. However, this research employed a descriptive-comparative approach through a review of the literature and secondary data; consequently, the discussion focused more on comparing the characteristics of the contracts, the implementation of financing, and the various associated constraints, including information asymmetry, moral hazard, and limitations in financial transparency. Meanwhile, (Ningtyas et al., 2025) investigated murabahah and musyarakah financing at Bank Syariah Indonesia in Blitar City and found that such financing contributed to the productivity and income of MSMEs. Nevertheless, this study did not specifically examine a comparison of the mudharabah and musyarakah financing mechanisms, as the contract analysed alongside musyarakah was murabahah.

3. Method

This study employs a literature review method using a descriptive qualitative approach. The literature review was conducted by examining and synthesising various relevant sources to gain a comprehensive understanding of the research problem. A literature review can be used as a research method to identify, evaluate and synthesise the knowledge generated in previous studies (Snyder, 2019). Based on this approach, this study focuses on analysing the application of mudharabah and musyarakah financing in boosting the productivity of Micro, Small and Medium-sized Enterprises (MSMEs).

The data used in this study are secondary data obtained from scientific journal articles and other relevant literature sources. In this study, the author conducted a literature review using an academic database, namely Google Scholar. The literature used covers publications from 2016 to 2026, whilst also taking into account relevant books and conceptual sources as a theoretical foundation. The selection of literature was based on the suitability of the topic, the relevance of the discussion to the research objectives, and the availability of information that could be analysed.

Data analysis was carried out using thematic and comparative analysis. Thematic analysis was used to identify and group information from various sources of literature into themes relevant to the focus of the research. Thematic analysis is an approach to identifying, developing and interpreting patterns or themes within a dataset (Braun & Clarke, 2022) A comparative analysis was carried out to identify the similarities and differences between mudharabah and musyarakah financing, particularly in terms of capital contribution, business management, profit sharing, risk/loss sharing, advantages and limitations, and their potential contribution to the productivity of MSMEs.

The results of this categorisation and comparison were then synthesised to identify patterns in the findings, the contributions of previous research, the challenges in implementing both types of contract, and research gaps. Through this synthesis process, the study not only presents a summary of previous research but also develops an analysis

of how the characteristics of mudharabah and musyarakah financing can support the productivity of MSMEs. The results of this analysis were subsequently used as the basis for formulating the study's conclusions.

4. Result and Discussion

4.1 Mudharabah Financing to Support the Productivity of MSMEs

Research by (Kartini, 2019) on mudharabah financing customers at BMT 'Ibaadurrahman in Sukabumi City showed that the mudharabah financing system has a positive and significant effect on the effectiveness of MSMEs. The study employed a quantitative approach using regression analysis. Of the 31 questionnaires distributed to customers, 30 were returned and used in the data analysis. The results of the partial test showed a calculated t-value of 3.822, which was greater than the table t-value of 2.048, with a significance level of 0.001. Meanwhile, the coefficient of determination (R^2) of 0.343 indicates that the mudharabah financing system explains 34.3 per cent of the variation in SME effectiveness within the research model, whilst the remaining 65.7 per cent is explained by other factors not examined in this study (Kartini, 2019)

The findings indicate that mudharabah financing is linked to the ability of MSMEs to achieve their business objectives. However, 'effectiveness'the variable examined in (Kartini, 2019) study cannot be directly equated with productivity. In the theoretical framework, effectiveness is defined as a business's ability to meet or exceed set targets, including the ability to manage capital to generate profit. The study also links effectiveness to the relationship between inputs and outputs. Nevertheless, this study specifically examines the effectiveness of MSMEs and does not measure productivity through a direct comparison of outputs to inputs. Consequently, the results suggest that mudharabah financing can support the achievement of business objectives, but do not constitute direct evidence of increased productivity.

Furthermore, (Muhammad Nizar, 2016)) examined mudharabah financing at the Maslahah BMT Pandaan Branch in relation to the welfare of MSME operators. The results of his study showed that profit sharing had a significant effect on the welfare of MSMEs, with a significance value of 0.002, whilst business selection had a significance value of 0.043. A coefficient of determination of 0.474 indicates that the independent variables in the research model account for 47.4 per cent of the variation in the welfare of MSME operators, whilst the remaining 52.6 per cent is explained by factors outside the model. These findings must be understood in the context of the dependent variable used, namely the well-being of MSME operators, rather than business productivity. Therefore, the results of (Muhammad Nizar, 2016) study show that profit sharing and business decision-making are related to the well-being of MSME operators, but cannot be interpreted as a 47.4 per cent increase in productivity.

Meanwhile, (Datuh Maritza Tauhid, Rabiatul Adawiyah, Amuria Putri Paradibah, Yulia Rahman, 2025) identified that mudharabah financing has the potential to support micro-enterprises through partnership models and profit-sharing. However, its implementation still faces a number of obstacles, including low levels of Islamic financial literacy, regulations and incentives that are not yet supportive, a business culture that tends to be transactional, the limited capacity of financial institutions to carry out supervision and provide guidance, and the high risk associated

with such financing. These conditions indicate that the existence of financing schemes in accordance with Sharia principles does not automatically guarantee business success. The implementation of mudharabah also requires financial institutions and MSME operators to be prepared to establish transparent and responsible partnerships.

Based on these three studies, mudharabah financing supports MSMEs through several interrelated aspects. The availability of capital provides business owners with the opportunity to meet operational needs and expand their business activities. The profit-sharing mechanism allows for the distribution of profits in accordance with the agreement, so that business owners are not burdened with fixed interest payments as in an interest-based system. On the other hand, sound business management and transparency in financial information are necessary to ensure that profit-sharing is carried out fairly and that business activities can be properly monitored.

The link between mudharabah financing and productivity can be explained by the use of capital to increase production capacity, for example, through the procurement of raw materials, the acquisition of productive equipment, or the fulfilment of operational needs. If this additional capital is able to increase the volume of business output without a disproportionate increase in inputs, then business productivity has the potential to rise. Consequently, an increase in profit, revenue or welfare does not necessarily indicate an increase in productivity; rather, it must be assessed in terms of the ability of MSMEs to generate output more efficiently using the resources at their disposal.

Nevertheless, the research findings discussed indicate that studies on mudharabah financing still largely focus on business effectiveness, the welfare of MSME operators, and the challenges in implementing such financing. Not all of these studies have measured productivity directly through output and input indicators. Therefore, mudharabah financing can be seen as having the potential to support MSME productivity, but its success remains dependent on the productive use of capital, the managerial capabilities of business owners, the transparency of financial reports, and supervision and guidance from Islamic financial institutions.

4.2 Musyarakah Financing to Support the Productivity of MSMEs

Akbar (2024) found that musyarakah financing has a positive and significant effect on the growth of revenue and profit for sharia-compliant MSMEs, but does not show a significant effect on employment growth in the short term. This quantitative study involved 150 MSMEs in West Java, comprising 75 recipients of musyarakah financing and 75 MSMEs in the control group. These findings are consistent with the research by (Yanti, 2026) on 15 customers receiving musyarakah financing at PT BPRS Tulen Amanah, in the Masbagik sub-district. Of these 15 customers, 13 experienced an increase in profits, whilst the other two experienced a decline. The additional capital was used to increase stock levels, purchase production equipment, expand business premises, and develop the type and scale of the business. Both studies demonstrate that musyarakah financing can support the development of MSMEs' financial performance and operational activities. However, the results also indicate that improved performance does not necessarily occur across all business operators or all growth indicators.

These findings are further illuminated by (Gurusinga et al., 2025), who, through a literature review, explain the role of musyarakah in expanding access to capital and strengthening partnership relationships between Islamic financial institutions and MSMEs. The study emphasises the importance of transparency, as well as the sharing of profits and risks, in supporting sustainable business relationships. In line with this, (Hariyani et al., 2026) found that musyarakah financing at BTPN Syariah in Central Lombok Regency helped MSME operators to obtain capital and supported their income and business sustainability. The study also showed that mentoring, financial management training and business monitoring were factors that supported the utilisation of the financing. Thus, the findings of (Gurusinga et al., 2025). provide a conceptual explanation of the importance of partnership, whilst the research by (Hariyani et al., 2026). highlights the role of mentoring in financing practices. Both complement the findings of Akbar, as well as Yanti and Jalaludin, that the benefits of financing are not only related to the amount of capital but also to the relationships and support that accompany its disbursement.

When compared, these four studies indicate that musyarakah financing is linked to several aspects of MSME development, namely revenue growth, increased profits, capital strengthening, the expansion of operational activities, and business sustainability. Nevertheless, each study has a different focus and varying levels of evidential strength. (Akbar, 2024) provides a quantitative overview through a comparison of the financing recipient group and the control group, whilst (Yanti, 2026) and (Hariyani et al., 2026) offer a more in-depth analysis of the utilisation of financing and the business conditions of the recipients. Meanwhile,(Gurusinga et al., 2025) explain the role of partnerships through a literature review. These differences indicate that the research findings cannot be treated as entirely equivalent evidence. Furthermore, the increases in revenue and profit found in some studies are not sufficient to conclude that there has been an increase in productivity, as these two indicators reflect the financial performance of the business rather than a comparison between the amount of output produced and the inputs used.

Critically, (Akbar, 2024) finding that the impact of financing on labour absorption in the short term is insignificant suggests that increases in revenue and profit are not always accompanied by an expansion of business activities in the form of increased employment. This is consistent with the findings of (Yanti, 2026) which show that not all clients experience an increase in profits after obtaining financing. These differing results indicate that the impact of financing is influenced by the conditions and capabilities of individual businesses in utilising capital. Additional capital has the potential to increase stock levels, production capacity and the scale of operations, but the benefits may be limited if market demand, business location, competition or management capabilities are not yet favourable. Consequently, musyarakah financing cannot be regarded as the sole determinant of MSME success, but rather as one of several supporting factors, the outcomes of which depend on the internal and external conditions of the business.

The relationship between musyarakah financing and the productivity of MSMEs ultimately hinges on how additional capital and partnership support can enhance business outcomes through a more efficient use of resources. Capital used for

the procurement of raw materials, equipment and the development of production capacity has the potential to increase the quantity of goods or services produced. However, such an increase in output only indicates a rise in productivity if it is achieved through a more efficient use of labour, raw materials, capital and time. In this regard, the findings of (Gurusinga et al., 2025) regarding the importance of partnerships and transparency of information, as well as the findings of (Hariyani et al., 2026) regarding business mentoring and monitoring, are relevant because the management of financing requires adequate managerial skills and financial record-keeping. The constraints identified by (Hariyani et al., 2026) namely, weak financial record-keeping, a lack of transparency, and the risk of moral hazardalso demonstrate that management limitations can hinder the optimisation of capital. Therefore, musyarakah financing has the potential to support the productivity of MSMEs provided it is accompanied by the appropriate use of capital, sound business management, transparent financial reporting, and ongoing business mentoring.

4.3 A Comparative Analysis of Mudharabah and Musyarakah Financing

Mudharabah and musyarakah financing share similarities as forms of partnership-based, profit-sharing financing; however, they have distinct characteristics in terms of capital contribution, business management and risk sharing. In mudharabah, the capital comes from a single party, namely the shahibul maal, whilst the other party acts as the mudharib, who manages the business. Meanwhile, in musyarakah, each party contributes capital to run the business jointly. These differences affect the division of responsibilities, the level of involvement of financial institutions, and the suitability of the contract for the conditions of MSME businesses.

Table 2. A Comparative Analysis of Mudharabah and Musyarakah Financing

No	Comparative Aspects	Mudharabah	Musyarakah
1.	Capital contribution	The business capital comes from a single party, namely the shahibul maal. The manager contributes through their labour, expertise and management of the business	Each party contributes capital as agreed.
2.	Business management	The management of the business is the responsibility of the mudharib in accordance with the terms of the contract.	Partners are regarded as collaborating parties. Their involvement in management may be regulated by mutual agreement.
3.	Profit sharing	Distributed according to the ratio agreed in the contract, rather than on the basis of a fixed profit amount.	Divided according to the ratio agreed by the partners.
4.	Coverage of	In principle, business losses are	Business losses are borne

	losses	borne by the shareholders, provided they are not caused by negligence, wilful misconduct or a breach of duty on the part of the management.	by the partners in proportion to their respective capital contributions.
5.	Advantages	To provide access to capital for entrepreneurs who have the skills and experience to run a business but are constrained by a lack of capital.	Pooling capital from several sources, thereby enabling an increase in working capital, equipment, stock and business capacity.
6.	Limitations	Shareholders face a greater risk of financial loss. Furthermore, the monitoring and assessment of business performance require transparency of information from management.	A clear agreement is required regarding capital contributions, profit-sharing, responsibilities and the management of the business. Differences in interests between partners may also give rise to conflicts.
7.	Characteristics of suitable MSMEs	MSMEs that have experienced managers, managerial capabilities and clear business prospects, but require financial support from external sources.	Existing MSMEs that require additional capital to increase their stock, purchase equipment, boost production capacity or expand the scale of their business.
8.	Potential benefits for productivity	Supporting productivity through the use of capital to operate or expand business activities, managed by the mudharib.	Supporting productivity through the pooling of capital, which can be used to increase production capacity and improve the efficiency of operational activities.

Source: Compiled on the basis of the contractual provisions set out in DSN-MUI regulations and fatwas, as well as a synthesis of previous research.

Based on the table, the main differences between the two contracts lie in the source of capital and the sharing of business risk. In mudharabah, the business operator is not required to contribute capital; consequently, this scheme offers opportunities to MSME operators who have the ability to run a business but do not yet have sufficient capital. Conversely, musyarakah requires each party to contribute capital, thus placing greater emphasis on capital cooperation. Consequently, mudharabah is more prominent in providing access to capital for business managers, whilst musyarakah emphasises the strengthening of capital through joint contributions.

This difference does not imply that one contract is absolutely superior to the other, but rather indicates that both serve distinct functions in line with the financing needs of MSMEs.

In terms of its advantages, mudharabah has the potential to support MSME operators who possess business skills and experience but face constraints in accessing capital. This is consistent with the research by (Kartini, 2019), which found that the mudharabah financing system has a significant impact on business effectiveness. Meanwhile, research by (Nizar, 2016)) indicates that profit-sharing and business determinants influence the welfare of MSME operators. These findings suggest that the benefits of mudharabah are not only related to the availability of capital but also to the results of business management. Nevertheless, these findings regarding effectiveness and well-being are not sufficient to conclude that productivity increases directly, as both are not always measured by comparing the amount of output with the inputs used.

In musyarakah financing, the main advantage lies in the pooling of capital, which enables MSME operators to expand their operational capacity. (Akbar, 2024) findings indicate that musyarakah financing has a positive and significant impact on the growth of MSMEs' revenue and profits, but its impact on labour absorption in the short term is not significant. Meanwhile, research by (Yanti, 2026) on 15 customers of PT BPRS Tulen Amanah showed that 13 customers experienced an increase in profits, whilst the other two experienced a decline. The capital obtained was used to increase stock levels, purchase equipment, expand the range of products, and scale up business operations. Both findings suggest that additional capital through musyarakah has the potential to support business development, but its impact is not always consistent across every indicator or for every MSME operator.

Whilst each has its own advantages, both contracts also face limitations that need to be taken into account. In mudharabah, reliance on the competence and integrity of the manager can increase the risk of information asymmetry, particularly when financial institutions do not receive adequate financial reports from the business. In musyarakah, this risk remains, but may be exacerbated by differences in capital contributions, interests and responsibilities amongst the partners. Therefore, both contracts require transparency in financial record-keeping, clarity regarding profit-sharing ratios, agreement on the use of capital, and adequate supervision. In this regard, the constraints on profit-sharing-based financing stem not only from the characteristics of the contracts themselves, but also from the capacity of financial institutions to carry out monitoring and the ability of MSME operators to manage their businesses.

Based on these characteristics, the choice of contract should take into account the circumstances and needs of each MSME. Mudharabah is more suitable for businesses whose managers possess strong managerial skills and have good business prospects, but which do not yet have sufficient capital to expand their operations. Musyarakah, on the other hand, is more suitable for established businesses requiring additional capital from a partner to increase stock, equipment, production capacity, or expand business activities. This suitability is the result of an analysis of the characteristics of both contracts; it does not imply that a particular type of SME is

restricted to using only one of them. The feasibility of financing must still be determined through an assessment of the business's condition, capital requirements, management capabilities, and the willingness of the parties to fulfil the terms of the contract.

Critically, the success of both contracts in supporting MSME productivity is not determined solely by the amount of financing provided. Financing only contributes to increased productivity if the capital is used appropriately to boost production or improve the quality of output through more efficient use of inputs. Increases in revenue and profit may indicate improved business performance, but do not automatically signify an increase in productivity. Therefore, management support, financial record-keeping skills, transparency in business reporting, and oversight of capital utilisation are crucial factors in the implementation of both financing arrangements. Consequently, mudharabah and musyarakah can complement one another as productive financing instruments: mudharabah provides capital opportunities based on the manager's capabilities, whilst musyarakah enables business strengthening through joint capital contributions. The more appropriate contract is not determined by the general superiority of one over the other, but rather by the suitability of the financing mechanism to the needs, capabilities, and stage of development of the MSME.

4.4 Challenges in the Implementation of Mudharabah and Musyarakah Financing

The implementation of mudharabah and musyarakah financing still faces a number of challenges arising from Islamic financial institutions, MSME operators and contractual aspects. These challenges are interrelated, as the success of both contracts is determined not only by the availability of capital, but also by the parties' ability to manage their businesses, maintain the partnership and ensure transparency.

Table 3. Challenges in the Implementation of Mudharabah and Musyarakah Financing

No	Aspect	Challenge	Impact on Mudharabah	Impact on Musyarakah
1.	Institutional Framework	The institution's limited capacity to monitor, evaluate and provide support to businesses.	It is more difficult to monitor the use of capital and the progress of the mudharib's business, thereby increasing the risk of irregularities and losses.	The management of joint capital and the development of partner businesses are not sufficiently monitored, making it difficult to achieve the partnership's objectives to the full.
2.	Entrepreneur ship	The low level of Islamic financial literacy and	The mudharib may face difficulties in	Partners may find it difficult to manage their joint capital,

		managerial skills amongst MSME operators.	managing capital, making business decisions and fulfilling reporting obligations.	coordinate decisions and develop the business.
3.	Entrepreneurship	Weak financial record-keeping and a lack of transparency in business reporting.	Financial institutions are finding it difficult to verify the business results on which the distribution of profits is based.	The calculation of profits and the distribution of proceeds amongst partners may give rise to differences of opinion.
4.	Contractual	Moral hazard and information asymmetry.	The mudharib has greater insight into the state of the business and may therefore provide information that does not reflect the actual situation.	One of the potential partners does not disclose information openly regarding the use of capital or business results.
5.	Contractual	Uncertainty regarding profits and ambiguity in the terms of the contract.	Differences in understanding regarding profit-sharing ratios, profit calculations, the manager's obligations and the allocation of losses may give rise to disputes.	Differences in understanding regarding capital contributions, profit sharing, management responsibilities and the allocation of losses can disrupt a partnership.

Based on the table, institutional challenges relate to the capacity of Islamic financial institutions to supervise and support business activities. These limitations affect both types of contract, although the nature of the supervision differs. In mudharabah, supervision is required to ensure that capital is managed in accordance with the agreement by the mudharib. Meanwhile, in musyarakah, supervision is required to ensure that the management of joint capital and the fulfilment of each partner's responsibilities proceed in accordance with the agreement. Efforts to address this can be made through enhancing the competence of human resources,

strengthening monitoring and evaluation systems, and providing regular business guidance.

The challenges of entrepreneurship stem from the internal capabilities of MSME operators. Low levels of Islamic financial literacy and managerial skills can hinder the management of financing, whilst poor financial record-keeping makes it difficult to assess business performance. In mudharabah, this situation primarily affects the mudharib's ability to manage capital and account for business performance to the capital provider. In musyarakah, these issues can hinder coordination, decision-making and the transparency of information between partners. Therefore, there is a need for education on contractual agreements and financial management, business management training, and the establishment of a habit of keeping regular financial records, with a clear separation between personal and business finances.

Contractual challenges include moral hazard, information asymmetry, uncertainty regarding profits, and ambiguity in the terms of the agreement. These issues arise because one party may possess more information about the business conditions than the other. In mudharabah, this information asymmetry primarily relates to the mudharib's position as the business manager, whilst in musyarakah it may arise amongst the collaborating partners. Such circumstances have the potential to erode trust and give rise to disputes, particularly when business results fall short of expectations. Efforts to address this must begin at the contract drafting stage by clarifying the contributions and responsibilities of each party, the profit-sharing ratio, the basis for calculating profits, the provisions for allocating losses, and the mechanisms for reporting and resolving disputes. Transparency in financial reporting and regular communication are also necessary to reduce information asymmetry.

Overall, the challenges in implementing mudharabah and musyarakah are not only related to the characteristics of the contracts, but are also influenced by the readiness of financial institutions and the capacity of MSME operators. Therefore, resolving these challenges requires cooperation between both parties through adequate supervision, improved business management capabilities, and transparent contractual agreements. Consequently, financing does not stop at the provision of capital, but is capable of supporting better business management and creating opportunities to boost the productivity of MSMEs.

5. Conclusion

Mudharabah and musyarakah financing hold potential for supporting the development of MSMEs with different characteristics. Mudharabah is more suitable for business owners who have the ability to manage a business but require capital, whilst musyarakah is suitable for businesses that require additional capital through joint contributions. The success of both depends on business management capabilities, transparency, and the suitability of the contract to the needs of MSMEs.

In theory, this study shows that Islamic finance acts not only as a provider of capital, but also as a form of partnership in business management and risk-sharing. However, increases in revenue, profits and business growth do not directly indicate an increase in productivity, as productivity is also linked to the efficient use of inputs to generate outputs.

In practical terms, Islamic financial institutions need to strengthen business support, improve transparency in profit-sharing, and develop a financing monitoring system. MSME operators also need to improve their managerial skills, Islamic financial literacy and financial record-keeping so that the use of capital is more targeted and accountable.

This study is limited to a review of previous research employing a variety of methods and indicators, whilst direct measurements of MSME productivity remain limited. Consequently, future research should examine the relationship between mudharabah and musyarakah financing and measurable productivity indicators, such as production output, labour productivity, capital efficiency and sales growth.

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