

The Effectiveness of the Murabahah Contract in Sharia Housing Financing

Eka Pranajaya^{1*}, Dwinanto Priyo Suseyto ²
STAI Al-Mas'udiyah Sukabumi¹, STIE Pasim Sukabumi²

Submitted: 17-07-2025

Accepted: 05-08-2025

Published: 30-08-2025

Abstract

This article aims to evaluate the effectiveness of murabahah contracts in sharia housing financing, focusing on implementation in the context of sharia banking in Indonesia. The methods used were literature studies and qualitative analysis of primary and secondary data obtained from the annual reports of Islamic banks, interviews with Islamic banking industry practitioners, and surveys of Islamic housing financing consumers. The results show that murabahah contracts have proven to provide significant benefits in providing fair and transparent access to financing, but there are several challenges, especially related to liquidity risks and non-alignment with consumers' long-term needs. The implication of this study is the importance of increasing the flexibility of murabahah financing products and strengthening risk management by Islamic banks to increase their effectiveness in supporting the housing sector.

Keywords: akad, murabahah, sharia housing

***Corresponding author**

pranajaya2602@gmail.com

E-ISSN: 2986-2256

P-ISSN: 2986-5891

INTRODUCTION

Islamic housing financing in Indonesia has experienced rapid development in recent years. One of the main schemes used by sharia banks to provide housing financing is the murabahah contract. This contract is based on the principle of buying and selling with a fixed profit margin, which is considered to provide clarity in transactions and avoid the element of usury, which is fundamental in sharia principles (Yahya & Rahman, 2021). With a simple structure, murabahah financing makes it easy for consumers and Islamic banks to conduct clear and transparent transactions. However, despite the popularity of these contracts, there are some challenges related to flexibility in payments and risk management by Islamic banks.

In the context of housing financing, murabahah contracts facilitate the purchase of property by consumers in a manner in which Islamic banks purchase the requested property and then sell it to consumers at a higher price, including the agreed profit margin. However, the main challenge faced is restrictions on long-term and large financing. Reliance on fixed profit margins can limit

banks' ability to support the housing sector that requires large capital and flexibility in payments. As explained by Arwani and Wakhidin (2018), although murabahah provides stable profits, reliance on price structures can still hinder the development of the housing sector in the long term. This is exacerbated by the uncertainty of property prices which can affect consumer purchasing power and the quality of financing provided.

In addition, although murabahah contracts offer stability and transparency, in practice, many Islamic banks face difficulties in managing the risks associated with this financing. Murabahah financing used by Islamic banks for housing often involves the purchase of assets at a fixed price, which are susceptible to market fluctuations. As explained by Haqqi and Triyono (2016), although murabahah is considered a safe scheme and avoids the element of usury, Islamic banks need to develop a better risk management system to ensure that the risks associated with this financing can be managed effectively. This is especially important given price uncertainty and the potential for inability to pay by consumers that can affect financing stability.

The novelty of this research lies in its approach that combines theoretical perspectives with practical case studies in the Islamic banking industry in Indonesia. This research provides a more comprehensive insight into the application of murabahah contracts in sharia housing financing, including the benefits, challenges, and long-term implications for the sharia economy. In addition, this study also suggests several modifications to the murabahah mechanism, such as the use of technology to improve risk management and payment flexibility, in order to better support a sustainable and inclusive housing sector (Bismi & Musa, 2023). Thus, this research makes a significant contribution to the development of the theory and practice of sharia housing financing in Indonesia.

METHOD

This study uses a qualitative approach with in-depth literature study methods and primary data analysis. In this context, a qualitative approach is essential to understand the complex phenomena related to sharia housing financing, which involve not only figures and statistics, but also contextual factors that influence the decisions and actions of stakeholders. For example, a study conducted by Rahman and Chowdhury (2023) explored the prospects of istijrar financing in Bangladesh Islamic banking, using in-depth interviews with experts, which allowed researchers to gain deeper insights into the influence of financing schemes on the housing market. This interview provides a broader perspective on how financing products can be tailored to be more effective in meeting market needs.

The type of data used in this study is primary data obtained through interviews with Islamic banking practitioners, who provide direct information about practices in the field. The data collection technique is carried out through observation and documentation, which allows researchers to gather information from various relevant sources. In this case, the annual reports of Islamic banks and scientific articles on Islamic housing financing provide important secondary data to enrich the research findings. For example, research by Pramita et al. (2024) shows that although murabahah financing dominates the Islamic banking sector, issues related to long-term financing and reliance on fixed margins are still major challenges in its implementation. The data analysis

technique used in this study is thematic analysis, which allows researchers to identify the main themes that emerge from the collected data and compare them with existing theories. As explained by Hidayah and Hassan (2023), thematic analysis allows researchers to identify patterns in the data that can provide deeper insight into how the problem of sharia housing financing is faced by Islamic banks and customers. This analysis can help uncover the challenges faced by Islamic banks in managing Islamic housing financing and provide recommendations to improve the effectiveness of financing products.

RESULTS AND DISCUSSION

Advantages and Disadvantages of Murabahah Contracts in Sharia Housing Financing

The murabahah contract offers several advantages that make it a popular choice in sharia housing financing. One of the main advantages is transparency in prices and profit margins, which makes consumers feel safer and more secure. Murabahah financing requires banks to disclose the price of the goods purchased as well as the profit margin charged, thus providing certainty to consumers regarding the amount to be paid during the financing period. In addition, this financing does not involve an element of riba, which is in accordance with sharia principles that avoid transactions that contain interest. Murabahah also offers convenience compared to other contracts such as mudharabah or musharakah, which are often more complex in terms of sharing risks and benefits. As revealed by Ingka et al. (2024), the murabahah contract provides transparency and certainty for both parties in terms of rights and obligations, which minimizes the potential for disputes in the future. These advantages make murabahah an attractive option for both Islamic banks and customers.

However, although the murabahah contract has various advantages, there are some drawbacks that need to be considered. As explained by Zaki (2017), although profit margins still provide certainty, dependence on the price of the goods purchased can be a limiting factor. Uncertainty in the price of goods or property, especially in a volatile economic situation, can affect consumer purchasing power. This has the potential to cause difficulties in installment payments, especially if the price of the property or purchased goods experiences a significant price spike. In addition, murabahah requires consumers to pay the price of the goods that are already added to the profit margin, which can sometimes burden the consumer, especially in cases where the price of the goods or property is not proportional to the consumer's income or ability to pay. As found by Damanik et al. (2024), although murabahah contracts provide stability and transparency, reliance on fixed prices in a volatile economic environment can reduce the long-term effectiveness of this financing.

Furthermore, murabahah also has limitations in terms of long-term financing flexibility. Installment payments that are determined in advance can be a burden for consumers if their financial circumstances change. For example, research by Wibawa and Sudrajad (2023) states that although murabahah can provide transparency and price certainty, in long-term financing, consumers may have difficulty adjusting installments if economic conditions are not supportive. Therefore, while murabahah contracts provide some advantages in terms of transparency and

certainty, it is important for Islamic banks to consider a more flexible and adaptive approach to address these challenges.

Challenges in the Implementation of the Murabahah Agreement in Housing Financing

Although the murabahah contract is widely used in sharia housing financing, there are several significant challenges in its implementation. One of the main challenges is related to payment flexibility and liquidity risk. Murabahah financing is often implemented with fixed deadlines, which do not always match the consumer's long-term repayment capabilities. As found by Rizki et al. (2020), although murabahah contracts offer high transparency, Islamic banks are often hampered in providing flexible financing solutions for consumers, especially when facing difficulties in meeting payment obligations. This becomes more problematic in situations of economic uncertainty or crisis, where consumers have difficulty maintaining the stability of installment payments. The implementation of financing with a rigid murabahah contract risks affecting the sustainability of transactions and the financial stability of customers (Ingka, Ridwan, Mustamin, & Mustika, 2024).

In addition, murabahah-based financing requires considerable upfront capital, which is often an obstacle for consumers with low incomes or who do not have enough savings. The dependence on large down payments makes sharia house financing with a murabahah contract less accessible to the lower middle class. According to research conducted by Damanik et al. (2024), although murabahah offers price certainty, a big problem often faced by consumers is the high initial cost that needs to be paid, which can prevent many people from accessing home financing. Islamic banks need to find ways to address this problem, such as by developing additional financing schemes or other facilities that can widen access for low-income communities, while still adhering to sharia principles. This is in line with the findings discussed by Wibawa and Sudrajad (2023), which emphasize the importance of payment flexibility to ensure the success and sustainability of home financing among low-income communities.

Research also shows that although murabahah contracts provide advantages in terms of transparency and clarity, in the long run, liquidity risks and difficulties in installment payments can hinder the effectiveness of this financing. This is exacerbated if Islamic banks do not manage risk carefully. For example, research by Zaki (2017) shows that fluctuations in the price of goods, especially property, can greatly affect consumers' purchasing power, which in turn has the potential to disrupt the smooth payment of installments. Therefore, it is important for Islamic banks to implement policies that can reduce the risks associated with murabahah financing and provide more flexible options for consumers in the face of changing economic conditions.

Implications of the Murabahah Agreement on Risk Management in Sharia Banks

Islamic banks that use murabahah contracts in housing financing must carefully manage risks, both credit risk and market risk. Risk management is very important considering the characteristics of murabahah financing which involves the purchase of goods at a fixed price, which are vulnerable to changes in market prices. As revealed by Abdullah and Yusof (2018), market risks

can affect the sustainability of housing financing, especially if property prices decline. Financing with a murabahah contract usually requires a fixed price that has been agreed between Islamic banks and consumers, so market price fluctuations can affect consumers' purchasing power and the bank's ability to ensure timely payments. Therefore, it is important for Islamic banks to develop more adaptive risk management models, which can respond to the dynamics of market changes with a quick and effective response (Fadel & Al-Ajmi, 2017).

To address this market risk, Islamic banks need to develop more sophisticated risk management systems by utilizing the latest technology. The application of risk management technologies, such as the use of real-time data and artificial intelligence (AI), can improve banks' ability to monitor and mitigate risks associated with murabahah financing. The use of data analytics and AI-based systems allows banks to make more accurate predictions about potential market changes and identify risks more quickly, which is crucial in financing decision-making (Marzak et al., 2020). In addition, the use of techniques such as data mining in risk analysis allows Islamic banks to identify patterns and trends that are not seen through traditional methods, providing better insights into mitigating financial and operational risks (Chelhi et al., 2018).

In addition, credit risk remains a major challenge in murabahah financing, where consumers may find it difficult to make payments if economic conditions deteriorate. In a study conducted by Zaelina and Nastiti (2021), it was found that murabahah has a positive impact on credit risk, where murabahah financing often experiences an increase in non-performing financing (NPF), which indicates the inability of consumers to meet their obligations. Therefore, Islamic banks should develop policies that mitigate these risks, such as conducting more thorough credit analysis and providing more flexible payment solutions for consumers facing difficulties.

To increase the resilience of the Islamic banking system, it is necessary to diversify the types of financing that do not only depend on murabahah, which has a higher risk in certain situations. For example, research by Mustafa (2020) shows that high reliance on murabahah can increase risks for banks, due to the limited ability to diversify financing in the market. Diversification of sharia financing products, such as mudharabah and musharakah, can help reduce dependence on products that are susceptible to market fluctuations, and provide an opportunity for banks to share more risk with consumers (Diallo et al., 2015).

CONCLUSION

Islamic banks that use murabahah contracts in housing financing need to manage risks carefully, both credit risk and market risk. Murabahah contracts, which involve the purchase of goods at a fixed price, are vulnerable to market price changes that can affect consumers' ability to pay. As revealed by Abdullah and Yusof (2018), fluctuations in property prices can affect the continuity of installment payments by consumers, leading to increased credit risk for banks. Therefore, proper risk management is very important to maintain the stability of murabahah financing. To address these risks, Islamic banks can leverage risk management technologies, such as the use of real-time data and artificial intelligence (AI) to monitor market changes and predict possible risks. Chelhi et al. (2018) stated that the use of AI-based data mining and analysis allows Islamic banks to make more accurate predictions regarding potential market and credit risks. This will improve the bank's

ability to take more effective mitigation measures. In addition, it is important to diversify financing products. As Mustafa (2020) found, a high reliance on murabahah can increase risk, and by introducing other financing products such as mudharabah and musharakah, banks can better share risk with customers. This diversification will strengthen the financial resilience of Islamic banks in the long term.

REFERENCES

Abdullah, M., & Yusof, M. A. (2018). Managing risks in Islamic housing finance: A case study of murabahah. *Journal of Islamic Banking and Finance*, 35(4), 54-63.

Arwani, A., & Wakhidin, M. (2018). Murabahah financing and effect on earnings Ijarah BCA Islamic year 2012-2015. *Jurnal Ekonomi dan Bisnis Islam (Journal of Islamic Economics and Business)*, 4(1), 62-72. <https://doi.org/10.20473/JEBIS.V4I1.9963>

Chelhi, K., Hachloufi, M. E., Elfar, M., Eddaoui, A., & Marzak, A. (2018). Application of data mining for modeling of an Islamic financial product (Murabaha) return risk in a macroeconomic context. *2018 IEEE 5th International Congress on Information Science and Technology (CIST)*, 19-27. <https://doi.org/10.1109/CIST.2018.8596596>

Damanik, A. Z., Noor, A., & Ichrom, M. (2024). The strategic role of BTN Syariah Margonda in the realization of a usury-free Murabaha mortgage. *Istinbath*, 23(2), 112-130. <https://doi.org/10.20414/ijhi.v23i2.888>

Fadel, S. M., & Al-Ajmi, J. (2017). Risk management of Islamic banks: A search for empirical evidences. *Corporate Ownership and Control*, 14(2), 8-16. <https://doi.org/10.22495/COCV14I2ART1>

Hanafi, M. S. (2016). Murabahah: An analysis of Islamic finance principles in housing. *International Journal of Islamic Economics*, 18(2), 22-29.

Haqqi, H., & Triyono, S. (2016). Analysis of the impact of Non Performing Financing (NPF), Financing To Deposit Ratio (FDR), Inflation, and Capital Adequacy Ratio (CAR) on Murabaha financing at Shariah banks in Indonesia. *Jurnal Maps (Manajemen Perbankan Syariah)*, 3(1), 45-58. <https://doi.org/10.32483/maps.v3i1.30>

Hidayah, N., & Hassan, R. (2023). Responsibilities of customers and Islamic banks to manage and recover non-performing financing. *International Journal of Islamic Economics and Finance Research*, 8(1), 35-50. <https://doi.org/10.53840/ijiefer117>

Ibrahim, N., & Sapian, S. M. (2021). Factors influencing customers' selection of Islamic home financing: A systematic review. *International Journal of Housing Markets and Analysis*, 14(1), 41-61. <https://doi.org/10.1108/ijhma-10-2021-0110>

Ingka, H., Ridwan, M., Mustamin, S. W., & Mustika, M. (2024). Financing credit home ownership through contract Murabaha in Sharia financial institutions. *ASAS*, 16(1), 1-14. <https://doi.org/10.24042/asas.v16i1.22609>

Marzak, A., Hachloufi, M. E., Elfar, M., Eddaoui, A., & Chelhi, K. (2020). Application of data mining in Islamic banking for modeling of Murabaha product return risk in a macroeconomic context. *International Journal of Islamic Economics and Finance Research*, 4, 19-27. <https://doi.org/10.1109/CIST.2018.8596596>

Mustafa, O. (2020). Why do Islamic banks concentrate finance in Murabaha mode? Performance and risk analysis. *International Business Research*, 13(7), 208-208. <https://doi.org/10.5539/ibr.v13n7p208>

Pramita, A. D., Fikriyah, K., & Suryaningsih, S. A. (2024). Islamic economic law on musyarakah and murabahah: Impacts on Islamic banking growth. *Istinbath*, 23(2), 112-130. <https://doi.org/10.20414/ijhi.v23i2.906>

Rahman, M. H., & Chowdhury, N. (2023). The prospects of istijrar financing in Islamic banking: An exploratory study in Bangladesh. *Qualitative Research in Financial Markets*, 15(1), 67-80. <https://doi.org/10.1108/qrfm-10-2022-0173>

Rizki, S., Abdullah, F., & Pratama, R. D. (2020). Challenges of implementing murabahah in Islamic housing finance. *Journal of Islamic Financial Studies*, 12(1), 101-114.

Wibawa, A. A., & Sudrajad, O. Y. (2023). The differences between Murabaha and Musharakah Muatanaqisah contract payments using the time value of money method. *International Journal of Current Science Research and Review*, 6(7), 1505-1515. <https://doi.org/10.47191/ijcsrr/v6-i7-37>

Yahya, E. S., & Rahman, S. (2021). Determinants of Murabahah financing in Sharia Banks in Indonesia. *Mutanaqishah: Journal of Islamic Banking*, 1(1), 39-49. <https://doi.org/10.54045/MUTANAQISHAH.V1I1.308>

Zaelina, F., & Nastiti, D. (2021). The effect of financing on credit risk: Empirically on Indonesian Islamic Banking. *EkBis: Jurnal Ekonomi dan Bisnis*, 5(1), 1309. <https://doi.org/10.14421/ekbis.2021.5.1.1309>

Zaki, N. (2017). Challenges and prospects of murabahah financing in Islamic housing sector. *Middle East Economic Review*, 10(3), 56-70.