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A Comparative Analysis of Tawarruq and Murabahah in Islamic Home Financing in Malaysia and Indonesia

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ABSTRACT

This study compares tawarruq and murabahah in Islamic home financing in Malaysia and Indonesia, focusing on their normative foundations, Shariah authorities, contractual structures, transaction objects, banking practices, and the potential development of tawarruq in Indonesia. While Malaysia has established a more explicit institutional framework for tawarruq, murabahah remains the dominant contract in Indonesian Islamic home financing, creating a need to examine the regulatory and operational requirements for adopting alternative financing structures. This study aimed to evaluate the differences between the two countries and assess the feasibility of implementing tawarruq in Indonesia. A normative legal research design with a comparative approach was employed. Data were collected through a literature review of the National Shariah Board of the Indonesian Ulema Council's fatwas, Bank Negara Malaysia's Shariah resolutions, Financial Services Authority regulations, Islamic banking product documents, books, and relevant journal articles. The findings revealed that Malaysia has a more explicit institutional framework for tawarruq, supported by central Shariah resolutions, Property Financing-i products, and commodity trading infrastructure. In contrast, Indonesia continues to rely primarily on murabahah because of its established regulatory foundation and industry practices. Although the Indonesian National Shariah Board's Fatwa No. 82/DSN-MUI/VIII/2011 provides a basis for Shariah-compliant commodity trading, it does not specifically regulate tawarruq as a home financing scheme. This study concludes that tawarruq offers a potential alternative for Islamic home financing in Indonesia, provided that a specific fatwa, operational guidelines, adequate commodity trading infrastructure, and robust Shariah supervision are established to prevent transactions from becoming merely formal arrangements that resemble interest-bearing loans.

1. Introduction

Islamic home financing is an important product in the Islamic banking industry because it directly addresses the public's need to acquire residential property through mechanisms that comply with Sharia principles. Tawarruq is a mechanism for obtaining liquidity through the deferred purchase of commodities followed by their resale to a third party for immediate cash payment (Mohamad & Ab Rahman, 2014). In modern banking practices, tawarruq is commonly known as *commodity murabahah* because commodities serve as intermediaries for generating cash liquidity (Hasmadi & Alosmani, 2022). Accordingly, tawarruq is a relevant contract for examining the development of Sharia-compliant financing, particularly in the context of home financing.

Islamic home financing also has considerable economic significance within Indonesia's Islamic banking sector. The Financial Services Authority's (Otoritas Jasa Keuangan/OJK, 2024) Islamic Banking Statistics indicate that financing provided by Islamic Commercial Banks and Islamic Business Units for household residential property ownership increased from IDR 90.453 trillion in 2020 to IDR 144.167 trillion in December 2024. This represents an increase of approximately 59.38% over the period and demonstrates the substantial demand for Sharia-compliant home financing. In December 2024, residential property financing accounted for approximately 23.08% of total financing provided by Islamic Commercial Banks and Islamic Business Units. These figures highlight the importance of examining the contractual structures underlying

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Islamic home financing, particularly the established position of murabahah and the potential development of tawarruq in Indonesia.

Despite its flexibility in providing financing, tawarruq remains a subject of debate in contemporary Islamic commercial jurisprudence (*fiqh muamalah*). Although it is frequently used as an alternative to interest-based financial instruments, its implementation raises Sharia concerns because it may involve *hilah*, or legal stratagems that formally satisfy contractual requirements while potentially undermining their substantive objectives (Ghazali et al., 2023). Tawarruq-based financing may also give rise to Sharia non-compliance events, particularly when the prescribed sequence of contracts, ownership transfers, documentation, and transaction procedures is not properly observed (Ali & Hassan, 2020). Consequently, evaluating tawarruq requires more than establishing its permissibility under Islamic law; it also requires an examination of its transactional structure, the transfer of ownership, and the mechanisms used to ensure Sharia compliance.

Malaysia provides an important institutional context for understanding the implementation of tawarruq in Islamic banking. Its regulatory framework recognizes tawarruq through the *Shariah Resolutions in Islamic Finance* issued by Bank Negara Malaysia. Tawarruq involves the purchase of an asset on a deferred-payment basis and its subsequent sale to a third party for immediate cash payment to obtain liquidity (Bank Negara Malaysia, 2010). At its 51st meeting on July 28, 2005, the Shariah Advisory Council of Bank Negara Malaysia ruled that financing products based on tawarruq were permissible (Bank Negara Malaysia, 2010). This resolution established an institutional basis for incorporating tawarruq into Islamic banking products, extending its role beyond a theoretical jurisprudential concept to an operational financing mechanism.

The application of tawarruq to residential property financing in Malaysia can be observed in Bank Islam Malaysia Berhad's Property Financing-i (Tawarruq), also known as Baiti Home Financing-i. The product employs tawarruq through two sale transactions: the customer purchases a commodity from the bank on a murabahah basis and subsequently sells the commodity to a third party for cash, with the bank acting as the customer's agent (Bank Islam Malaysia Berhad, 2025). Tawarruq has also been widely adopted in various Malaysian Islamic banking products, including home financing facilities (Hasmadi & Alosmani, 2022). This practice illustrates how institutional Sharia resolutions and product-level implementation can support the operationalization of tawarruq in residential property financing.

In contrast, Islamic home financing in Indonesia has been developed predominantly through murabahah and other contractual arrangements, including *musyarakah mutanaqisah*. Murabahah is defined as a sale in which the seller discloses the acquisition cost to the buyer and charges an agreed profit margin (DSN-MUI, 2000). Bank Syariah Indonesia's BSI Griya Pembelian product facilitates the purchase of houses, shop-houses, and apartments through a murabahah contract (Bank Syariah Indonesia, 2026). Furthermore, OJK issued the Murabahah Financing Product Guidelines to provide implementation guidance for the Islamic banking industry (OJK, 2023). These developments indicate that murabahah has an established institutional and operational position in Indonesia's Islamic home financing market.

The position of tawarruq in Indonesia differs from that in Malaysia because it has not been established as a principal contract for Islamic home financing. The National Sharia Council of the Indonesian Ulema Council (Dewan Syariah Nasional–Majelis Ulama Indonesia (DSN-MUI)) issued Fatwa No. 82/DSN-MUI/VIII/2011 concerning commodity trading based on Sharia principles on commodity exchanges. However, this fatwa primarily addresses Sharia-compliant commodity trading rather than tawarruq-based home financing as a general financing scheme (DSN-MUI, 2011). Tawarruq therefore remains a subject of debate in Indonesian Islamic banking, although transactions resembling tawarruq have been accommodated within a limited scope through the fatwa on commodity trading (Zahara & Harryanto, 2019). Accordingly, tawarruq in Indonesia is more appropriately understood as a potential financing alternative than as an established practice in the Islamic home financing market.

Previous studies have examined tawarruq from several perspectives, including Islamic jurisprudence, transactional structures, its

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implementation in Malaysian Islamic banking, and the risks of Sharia non-compliance in commodity-based financing. Some studies have characterized tawarruq as a flexible financing instrument because it facilitates liquidity through a sequence of commodity sales. Other studies have raised concerns regarding the substantive validity of the contractual arrangement, particularly when commodity transactions function primarily as formal mechanisms for generating cash without a meaningful connection to real economic activity. Nevertheless, the existing literature has not sufficiently addressed tawarruq specifically in Islamic home financing through a comparative examination of Malaysia and Indonesia. A further limitation concerns the insufficient integration of fatwa foundations, contractual structures, and actual banking products into a unified comparative analysis. Malaysia has more explicit institutional support through Bank Negara Malaysia's Sharia resolutions and the implementation of tawarruq-based property financing products. Indonesia, by comparison, continues to rely predominantly on murabahah, while its fatwa on Sharia-compliant commodity trading does not specifically establish tawarruq as a general home financing scheme.

Based on these issues, the research problem concerns the differences between Malaysia and Indonesia in their normative foundations, contractual structures, and institutional arrangements for implementing tawarruq in Islamic home financing, as well as the conditions required for its potential adoption in Indonesia. Accordingly, this study aims to comparatively analyze the Sharia foundations governing tawarruq in Malaysia and Indonesia, examine the contractual structures and banking products through which tawarruq is implemented, and identify the legal, regulatory, commodity infrastructure, and Sharia governance requirements for its potential development in Indonesia. The study is expected to contribute theoretically by extending the comparative analysis of Islamic commercial jurisprudence and Islamic banking practices, particularly the relationship between contractual permissibility and institutional implementation. Practically, its findings may inform Sharia authorities, regulators, and Islamic banking practitioners in assessing the feasibility and requirements of developing tawarruq-based home financing in Indonesia. The novelty of this study lies in its comparative framework, which integrates fatwa foundations, contractual structures, banking product implementation, and institutional prerequisites to map the position of tawarruq, define the boundaries of its application, and identify the conditions necessary for its development as an alternative instrument for Islamic home financing in Indonesia.

2. Literature Review

2.1. Conceptual and Theoretical Foundations

2.1.1. Tawarruq in Islamic Finance

Tawarruq is a transaction mechanism in Islamic finance through which a party obtains cash by purchasing a commodity on a deferred payment basis and subsequently selling it to a third party for immediate payment. Its defining characteristic is that the commodity serves as an intermediary for obtaining liquidity rather than as an asset intended for direct consumption or use (Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2017; Bank Negara Malaysia, 2010). Unlike conventional interest-based lending, tawarruq is structured through a series of sale contracts. Nevertheless, its Shariah validity depends on the substantive implementation of those contracts, including the existence of the commodity, valid ownership transfers, and the independence of the successive transactions (Ayub, 2007).

Tawarruq has become an important instrument in contemporary Islamic banking because it can accommodate liquidity requirements across different financing products. Mohamad and Ab Rahman (2014) reviewed its applications in Islamic banking, while Hasmadi and Alosmani (2022) documented its extensive implementation in Malaysian Islamic banking products. However, its growing use has also generated concerns regarding the possibility that commodity transactions may become formal arrangements for obtaining cash without adequately preserving the substantive objectives of Islamic commercial law. Ghazali et al. (2023) examined the concept of *hilah* in tawarruq, highlighting the importance of assessing the underlying substance of its application rather than relying exclusively on the formal sequence of contracts.

From a legal and institutional perspective, tawarruq therefore requires an integrated assessment of contractual permissibility, transaction procedures, and Shariah governance. Ali and Hassan (2016)

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examined the determinants of Shariah non-compliant events in Malaysian Islamic banks, with particular attention to tawarruq-based financing. Their subsequent survey further addressed Shariah non-compliance in the implementation of tawarruq financing (Ali & Hassan, 2020). These perspectives establish the relevance of examining tawarruq not only as a financing instrument but also as a transaction structure whose implementation requires adequate operational controls.

2.1.2. Murabahah in Islamic Home Financing

Murabahah is a sale contract in which the seller discloses the acquisition cost of an asset and sells it to the buyer at an agreed price that includes a profit margin. In Indonesia, the normative foundation for murabahah financing is established by the National Shariah Board of the Indonesian Ulema Council's Fatwa No. 04/DSN-MUI/IV/2000 (DSN-MUI, 2000). In Islamic banking, murabahah enables a bank to acquire an asset required by a customer and subsequently sell it to the customer at a predetermined price. The structure is based on an identifiable asset and an agreed sale price rather than a loan contract that generates interest (Usmani, 2002).

In home financing, murabahah directly connects the financing arrangement to the residential property being purchased. The bank acts as the seller, and the customer purchases the property at a price incorporating the acquisition cost and agreed profit margin. This structure is comparatively straightforward because the property itself constitutes the object of the sale. The Indonesian Financial Services Authority's *Guidelines for Murabahah Financing Products* provide implementation guidance for the Islamic banking industry, including the requirements governing the parties, contractual object, and execution of the agreement (OJK, 2023).

The continued use of murabahah in Indonesian home financing can also be observed in banking products. Bank Syariah Indonesia offers BSI Griya, while BCA Syariah offers KPR iB; both are identified in the study as examples of home financing products associated with murabahah (BCA Syariah, 2026; Bank Syariah Indonesia, 2026). These products illustrate the practical relevance of murabahah within Indonesia's existing regulatory and banking framework.

2.1.3. Shariah Governance and Institutional Readiness

Shariah governance is essential to ensuring that Islamic financing products comply with Islamic legal principles in both their contractual structures and operational implementation. In Malaysia, the Shariah Advisory Council of Bank Negara Malaysia provides central-level Shariah guidance for Islamic financial activities. Its institutional role is reflected in the council's published resolutions and its position within Malaysia's Islamic financial system (Bank Negara Malaysia, 2010). Ahmed Sulub and Haron (2024) discussed Shariah governance in Malaysian Islamic financial institutions, emphasizing the relevance of institutional arrangements and the lessons that can be drawn from Malaysia's governance practices.

The institutional dimension is particularly important for tawarruq because the transaction involves multiple sale contracts, commodities, and potentially an agency arrangement (*wakalah*). The implementation of these elements requires appropriate documentation, valid transfers of ownership, and compliance with the prescribed transaction sequence. In Malaysia, commodity trading infrastructure, including Bursa Suq Al-Sila', supports the operational implementation of commodity-based transactions (Dusuki, 2010). These arrangements illustrate how institutional support and transaction infrastructure can facilitate the practical use of tawarruq.

In Indonesia, the regulatory framework for murabahah is more established than the framework specifically addressing tawarruq-based home financing. Fatwa No. 82/DSN-MUI/VIII/2011 provides a normative basis for commodity trading in accordance with Shariah principles on commodity exchanges, but it does not establish a comprehensive, specific framework for tawarruq as a residential financing scheme (DSN-MUI, 2011). Consequently, the comparison between Malaysia and Indonesia requires attention not only to the permissibility of individual contracts but also to the readiness of their regulatory institutions, banking practices, and supporting infrastructure.

2.2. Review of Empirical Studies

Previous studies have examined tawarruq from the perspectives of contractual implementation, liquidity management, Shariah

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governance, and operational risks. Mohamad and Ab Rahman (2014) reviewed tawarruq applications in Islamic banking and established a basis for understanding its role in contemporary financing. Hasmadi and Alosmani (2022) subsequently examined the breadth of tawarruq implementation across Malaysian Islamic banking products, demonstrating its significance within the Malaysian banking context. These studies provide a foundation for assessing tawarruq as an established financing mechanism in Malaysia rather than merely a theoretical contractual arrangement.

Research has also examined the operational and governance challenges associated with tawarruq. Ali and Hassan (2020) addressed Shariah non-compliance events in Malaysian Islamic banks and the implementation of tawarruq-based financing. Their work highlights the importance of examining how transactions are executed, rather than assuming that a formally permissible contract automatically ensures compliance in practice. Similarly, Ghazali et al. (2023) investigated the concept of *hilah* in tawarruq, contributing to the debate over the relationship between contractual form and substantive Shariah objectives.

Studies of commodity-based home financing provide a more specific connection between tawarruq and residential property finance. Mohamad et al. (2018) examined commodity murabahah-based home financing through a case study of CIMB Islamic Bank. Their research provides a context-specific basis for understanding how commodity transactions can be incorporated into housing finance arrangements. Dewaya (2024) reviewed organized banking tawarruq as an innovation in Islamic finance, providing a broader perspective on its development and application. Meanwhile, Dusuki (2010) examined whether Bursa Malaysia's Suq Al-Sila' could address the controversy surrounding tawarruq, drawing attention to the role of commodity-trading infrastructure in the implementation of the mechanism.

Research addressing the Indonesian context presents a different institutional setting. Mihajat and Hasan (2013) examined tawarruq practices for liquidity management in the Islamic money markets of Indonesia and Malaysia. Their study is relevant because it distinguishes commodity-based liquidity management from the specific requirements of residential property financing. Zahara and Harryanto (2019) examined the implementation of tawarruq in Indonesian Islamic banking, providing a basis for considering the regulatory and practical challenges associated with its adoption in Indonesia. More recently, Hikmah and Hidayati (2025) discussed *bai' tawarruq* in Indonesian Islamic financial institutions from the perspective of Islamic commercial jurisprudence, highlighting the need for careful assessment of its application.

Shariah governance and non-compliance risks remain relevant to the comparison. Ahmed Sulub and Haron (2024) discussed governance arrangements in Malaysian Islamic financial institutions, while Mu'im Nazri and Shari (2025) examined Shariah non-compliance income in Malaysian tawarruq home financing through an exploratory study. Together, these studies reinforce the importance of considering the operational substance of commodity transactions, the responsibilities of financial institutions, and the mechanisms used to identify and manage Shariah non-compliance.

The literature also provides the normative foundations for comparing tawarruq and murabahah. AAOIFI (2017) sets out a Shariah standard specifically addressing monetization through tawarruq, while Bank Negara Malaysia (2010) documents relevant Shariah resolutions in Islamic finance. In Indonesia, DSN-MUI (2000) provides the relevant fatwa foundations for murabahah and Shariah-compliant commodity trading, respectively. Ayub (2007) and Usmani (2002) provide foundational explanations of Islamic financial contracts and their underlying principles.

Taken together, the reviewed literature demonstrates three recurring themes. First, tawarruq offers a mechanism for obtaining liquidity through commodity transactions and has become established in Malaysian Islamic banking. Second, its implementation raises operational and Shariah governance concerns, particularly regarding ownership, the sequence of contracts, and the substance of transactions. Third, Indonesia has a more established framework for murabahah-based home financing, while the development of tawarruq requires further consideration of its specific regulatory and institutional conditions. However, the existing literature reviewed here does not fully integrate these three themes into a systematic comparison of tawarruq and murabahah specifically

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in Islamic home financing in Malaysia and Indonesia.

2.3. Identification of the Research Gap

The research gap arises from the limited integration of normative foundations, institutional arrangements, contractual structures, and actual banking products in comparative studies of Islamic home financing in Malaysia and Indonesia. Previous studies have examined tawarruq implementation, commodity trading, liquidity management, and Shariah compliance risks. However, these topics do not necessarily establish whether the institutional conditions that support tawarruq in Malaysia are also available in Indonesia for residential property financing.

A second gap concerns the distinction between the direct sale of residential property under murabahah and the use of commodities as intermediaries for obtaining liquidity under tawarruq. These contractual structures differ in their transaction objects, number of contractual stages, and operational requirements. Consequently, their suitability for home financing cannot be assessed solely by comparing their general definitions or their permissibility under Islamic law.

A third gap concerns the regulatory and institutional differences between the two countries. Malaysia has explicit Shariah resolutions addressing tawarruq and banking products that apply the mechanism to property financing. Indonesia, by contrast, has an established normative framework for murabahah, while its commodity-trading fatwa does not specifically establish tawarruq as a comprehensive home financing scheme. The implications of this difference for regulatory certainty, operational readiness, commodity infrastructure, and Shariah supervision require systematic examination.

To address these gaps, the present study conducts a normative legal comparison of tawarruq and murabahah in Malaysia and Indonesia. It examines six analytical dimensions: normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and the potential, risks, and prerequisites for implementing tawarruq in Indonesia. Its contribution lies in connecting the legal and institutional comparison with the operational requirements of Islamic home financing, thereby identifying the conditions under which tawarruq could be considered as an alternative without compromising substantive Shariah compliance.

2.4. Development of the Conceptual Framework

The conceptual framework is derived from the study's normative legal design and comparative approach. Rather than examining statistical relationships between independent and dependent variables, the framework organizes the legal and institutional dimensions used to compare tawarruq and murabahah in Malaysia and Indonesia.

The first dimension, normative foundations, examines the fatwas, Shariah resolutions, and regulatory guidelines that establish the legal basis for each financing mechanism. The second dimension, Shariah authorities, examines the institutional roles of the relevant bodies in issuing Shariah guidance and supporting compliance. The third dimension, contractual structure, evaluates the sequence of sale contracts, the relationships among the parties, and the use of agency arrangements where applicable.

The fourth dimension, transaction objects, distinguishes between the direct use of residential property as the object of a murabahah sale and the use of commodities as intermediaries in tawarruq. The fifth dimension, banking product practices, examines how the respective contracts are implemented in actual Islamic home financing products. The sixth dimension, potential, risks, and implementation prerequisites, evaluates the operational challenges and institutional requirements associated with developing tawarruq in Indonesia.

These six dimensions are applied comparatively to Malaysia and Indonesia. The comparison identifies similarities and differences in the legal basis, institutional arrangements, transaction mechanisms, and banking practices of the two countries. The findings are then used to assess the feasibility of developing tawarruq as an alternative to the more established murabahah-based home financing arrangements in Indonesia.

The framework reflects the central premise that the development of tawarruq in Indonesia depends not only on its contractual permissibility but also on the availability of an appropriate regulatory basis, operational standards, commodity-trading infrastructure, and effective Shariah supervision. It also preserves the distinction between tawarruq as a liquidity-generating mechanism and murabahah as a direct sale-based financing arrangement.

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2.5. Hypotheses or Research Propositions

This study does not formulate statistical hypotheses because it employs normative legal research with a comparative approach rather than a quantitative design. It does not test causal relationships between variables or estimate statistical effects. Instead, the analysis evaluates legal provisions, Shariah resolutions, contractual structures, banking product documents, and relevant scholarly literature through qualitative content analysis and comparative legal analysis. Accordingly, the study is guided by the following research questions:

a. How do the normative foundations and Shariah authorities governing tawarruq and murabahah differ between Malaysia and Indonesia?
b. How do the contractual structures, transaction objects, and banking product practices of tawarruq and murabahah differ in Islamic home financing in the two countries?
c. What regulatory, operational, infrastructural, and Shariah governance requirements must be addressed to support the potential development of tawarruq as an alternative Islamic home financing mechanism in Indonesia?

These questions are consistent with the study's six analytical dimensions and provide the basis for organizing the comparative findings. The study therefore relies on research questions and comparative legal analysis rather than hypotheses requiring statistical testing.

3. Research Methods

3.1. Research Design

This study employed normative legal research with a comparative approach. This design was selected to examine the legal and institutional foundations governing tawarruq and murabahah in Islamic home financing in Malaysia and Indonesia. Normative legal research was appropriate because the study focused on analyzing fatwas, Shariah resolutions, regulations, and institutional documents rather than collecting empirical data from human participants. The comparative approach was used to identify similarities and differences between the two countries in terms of normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and the potential, risks, and prerequisites for implementing tawarruq in Indonesia.

3.2. Research Context and Setting

The research was conducted within the context of Islamic banking and Shariah-compliant home financing in Malaysia and Indonesia. These countries were selected because they represent different institutional and regulatory approaches to Islamic home financing. Malaysia has an established institutional framework supporting tawarruq, including Shariah resolutions issued by Bank Negara Malaysia and banking products that apply tawarruq to property financing. In contrast, Indonesia has a more established framework for murabahah-based home financing, while tawarruq has not been specifically established as a primary contractual mechanism for residential property financing. This comparison provided a basis for examining the regulatory, contractual, and institutional conditions influencing the potential development of tawarruq in Indonesia.

3.3. Population and Sample / Research Participants

As a normative legal study, this research did not involve a human research population, survey respondents, or interview participants. Instead, the analytical units consisted of legal provisions, Shariah resolutions, regulatory documents, institutional publications, and Islamic banking product documents relevant to tawarruq and murabahah in home financing. The materials were selected purposively according to their relevance to the research objectives and the six comparative analytical dimensions. These dimensions covered normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and the potential, risks, and prerequisites for implementing tawarruq in Indonesia. No numerical sample size was established because the study relied on documentary analysis rather than participant-based data collection.

3.4. Data Sources and Data Collection

The study relied on secondary data collected through a literature review and documentary analysis. The sources were classified into primary legal materials, secondary legal materials, and supporting documents. Primary legal materials included the National Shariah Board of the Indonesian Ulema Council's Fatwa No. 04/DSN-MUI/IV/2000 concerning murabahah, Fatwa No. 82/DSN-

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MUI/VIII/2011 concerning commodity trading based on Shariah principles on commodity exchanges, *Shariah Resolutions in Islamic Finance* issued by Bank Negara Malaysia, and relevant regulations issued by the Indonesian Financial Services Authority.

Secondary materials consisted of books and journal articles addressing tawarruq, murabahah, commodity murabahah, Islamic home financing, and Shariah governance. Supporting documents included Islamic banking product disclosures and institutional publications relevant to the implementation of home financing in Malaysia and Indonesia. These materials were examined to identify the applicable legal foundations, contractual mechanisms, institutional arrangements, and operational practices associated with each financing structure.

3.3. Measurement of Variables and Research Instruments

Because this study employed a normative legal and comparative design, it did not measure statistical variables or use standardized quantitative instruments. Instead, a documentary analysis framework comprising six indicators was developed to organize and compare the relevant legal and institutional materials. The indicators, analytical focuses, and principal data sources are presented in Table 1.

Table 1. Comparative Analytical Indicators

No.	Analytical indicator	Focus of analysis	Main data sources
1	Normative foundations	Examining the fatwas, Shariah resolutions, and regulations governing tawarruq and murabahah in Islamic home financing.	National Shariah Board of the Indonesian Ulema Council fatwas, *Shariah Resolutions in Islamic Finance* issued by Bank Negara Malaysia, and Financial Services Authority regulations.
2	Shariah authorities	Comparing the roles of authoritative institutions in establishing and supervising compliance with Shariah principles.	National Shariah Board of the Indonesian Ulema Council, Shariah Advisory Council of Bank Negara Malaysia, and Shariah Supervisory Boards.
3	Contractual structures	Analyzing the sequence of contracts, relationships among parties, use of *wakalah* (agency), and sale structures in tawarruq and murabahah.	Fatwas, Shariah resolutions, and Islamic banking product documents.
4	Transaction objects	Comparing residential property as the direct object of murabahah with commodities as intermediary transaction objects in tawarruq.	Islamic home financing product documents and literature on Islamic commercial jurisprudence.
5	Banking product practices	Identifying the application of tawarruq in Malaysian home financing products and the predominance of murabahah in Indonesian home financing products.	Property Financing-i, Baiti Home Financing-i, BSI Griya, and KPR iB.
6	Potential, risks, and implementation prerequisites	Assessing opportunities, limitations, Shariah compliance risks, and the requirements for developing tawarruq in Indonesian Islamic home financing.	National Shariah Board of the Indonesian Ulema Council fatwas, Financial Services Authority regulations, Islamic banking literature, and Shariah governance literature.

Source: Developed by the authors based on the research objectives and documentary analysis framework.

These six indicators served as the analytical framework for organizing the collected materials and

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ensuring consistency in the comparison between Malaysia and Indonesia. They were not treated as independent or dependent variables but as dimensions for evaluating the legal, institutional, and operational characteristics of the two financing arrangements.

3.6. Data Analysis Techniques

The collected materials were analyzed qualitatively through content analysis and comparative legal analysis. Content analysis was used to examine the substantive provisions of fatwas, Shariah resolutions, regulations, institutional documents, and banking product disclosures. Particular attention was given to the legal basis of each contract, the roles of the relevant Shariah authorities, the sequence of transactions, the ownership and transfer of transaction objects, and the operational requirements governing financing products.

Subsequently, comparative legal analysis was applied to identify similarities and differences between Malaysia and Indonesia across the six analytical dimensions. The analysis examined how the two countries regulate and implement tawarruq and murabahah, how their institutional arrangements influence banking practices, and what conditions would be necessary for developing tawarruq as an alternative home financing mechanism in Indonesia. The findings were interpreted in relation to the study's research objectives, with particular emphasis on regulatory certainty, operational feasibility, commodity-trading infrastructure, and Shariah compliance.

3.7. Validity, Reliability, and Trustworthiness

The trustworthiness of the analysis was supported by the use of relevant primary legal materials, institutional documents, and secondary scholarly literature. Primary materials provided the normative basis for examining the two financing mechanisms, while secondary literature helped contextualize their contractual structures, operational practices, and Shariah compliance considerations.

Analytical consistency was maintained by applying the same six comparative indicators to both countries. The use of multiple types of documentary sources also enabled the researchers to compare formal legal provisions with the practices described in banking product documents and scholarly studies. However, the study did not employ statistical validity or reliability tests because it did not use quantitative measurements or standardized survey instruments.

3.8. Ethical Considerations

This study relied on legal documents, institutional publications, banking product disclosures, books, and published scholarly literature. It did not involve human participants, interviews, surveys, or the collection of identifiable personal information. Accordingly, informed consent and participant confidentiality procedures were not applicable to the research design. Academic integrity was maintained by identifying the documentary sources used in the analysis and acknowledging relevant scholarly contributions through citations and references.

3.9. Research Procedure

The research was conducted through a series of interconnected stages. First, the researchers identified the research problem and established the comparative focus on tawarruq and murabahah in Islamic home financing in Malaysia and Indonesia. Second, the relevant primary legal materials, institutional documents, banking product disclosures, books, and journal articles were identified and collected through a literature review. Third, the collected materials were classified according to the six analytical indicators: normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and the potential, risks, and prerequisites for implementation.

Fourth, the researchers examined the content of the selected materials to identify the legal provisions, institutional arrangements, and operational characteristics relevant to each financing mechanism. Fifth, the findings for Malaysia and Indonesia were compared systematically using the same analytical indicators. Finally, the comparative findings were synthesized to assess the position of tawarruq relative to murabahah and to identify the regulatory, operational, infrastructural, and Shariah governance requirements for the potential development of tawarruq in Indonesia.

3.10. Methodological Limitations

This study has several methodological

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limitations. First, its normative legal and documentary approach relies on published legal provisions, institutional documents, banking product disclosures, and scholarly literature. Consequently, the analysis does not directly capture the experiences of banking practitioners, customers, regulators, or Shariah supervisory personnel. Second, the findings depend on the availability, scope, and level of detail of the documents examined. Differences in documentary coverage between Malaysia and Indonesia may affect the depth of comparison across certain analytical dimensions.

Third, the study evaluates the potential development of tawarruq in Indonesia through legal, institutional, and operational analysis rather than through empirical testing of customer demand, implementation costs, market performance, or financing outcomes. Therefore, its conclusions concern the normative and institutional feasibility of tawarruq rather than its demonstrated commercial effectiveness. Future research could complement this analysis through interviews with relevant stakeholders, examination of banking implementation practices, or empirical assessments of the operational feasibility and Shariah compliance of tawarruq-based home financing.

4. Results and Discussion

4.1. Research Results

4.1.1. Description of the Research Materials and Descriptive Overview

This study examined the legal and institutional frameworks governing tawarruq and murabahah in Islamic home financing in Malaysia and Indonesia. As a normative legal study employing a comparative approach, the units of analysis consisted of legal provisions, Shariah resolutions, institutional documents, Islamic banking product disclosures, and relevant scholarly literature. The analysis focused on six dimensions: normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and the potential, risks, and prerequisites for implementing tawarruq in Indonesia.

The documentary analysis identified a fundamental difference between the two countries. Malaysia has established a more explicit institutional framework for tawarruq, supported by Shariah resolutions, central Shariah authority, commodity-trading infrastructure, and banking products that apply tawarruq to property financing. Indonesia, by contrast, has a more established framework for murabahah-based home financing, while tawarruq remains a potential alternative requiring further regulatory and institutional development.

The research did not employ a statistical sample or collect numerical observations from respondents. Therefore, descriptive statistics such as means, standard deviations, and demographic frequencies were not applicable. The principal findings were derived from the qualitative examination and comparison of the selected documentary materials.

4.1.2. Data Quality and Preliminary Analysis

Because this study employed normative legal research and documentary analysis, statistical tests of normality, multicollinearity, measurement reliability, and model fit were not applicable. Instead, the analysis focused on the relevance of the documentary materials to the research objectives and their suitability for addressing the six comparative dimensions.

Primary legal materials were examined to identify the formal normative foundations of tawarruq and murabahah. Institutional resolutions and banking product documents were used to assess the implementation of these contracts, while scholarly literature provided contextual explanations of contractual structures, commodity trading, and Shariah compliance risks. The same six analytical indicators were applied to Malaysia and Indonesia to maintain consistency throughout the comparison.

4.2.1. Main Analytical Results

a. Fundamental Differences Between Tawarruq and Murabahah

Tawarruq is a financing mechanism through which a customer obtains cash by purchasing a commodity on a deferred payment basis and subsequently selling it to a third party for immediate payment (Accounting and Auditing Organization for Islamic Financial Institutions (c). The primary purpose of the transaction is to obtain liquidity rather than to use the commodity directly (Bank Negara Malaysia, 2010). Its legal structure differs from an interest-bearing loan because the transaction is constructed through commodity sale contracts rather than an interest-bearing debt agreement (Ayub, 2007).

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Murabahah, in contrast, is a sale contract in which the seller discloses the acquisition cost and sells the asset at an agreed price that includes a profit margin (DSN-MUI, 2000). In Islamic banking, it enables a bank to acquire an asset required by a customer and resell it at a predetermined price (Usmani, 2002). The Indonesian Financial Services Authority also provides guidance on the implementation of murabahah financing, including the relevant parties, contractual objects, and contractual requirements (OJK, 2023).

The principal difference concerns the purpose and object of the transaction. Tawarruq uses commodities as intermediaries for obtaining liquidity, whereas murabahah directly finances the purchase of an asset required by the customer. Consequently, tawarruq involves more complex transactional stages, including commodity ownership, resale to a third party, and potentially an agency arrangement. Murabahah is comparatively straightforward because the property itself can constitute the object of the sale.

In home financing, this distinction means that tawarruq does not necessarily involve the house as the direct object of the underlying sale contracts. Instead, the commodity transactions generate cash that can be used to meet the customer's financing needs, including purchasing a house (Bank Negara Malaysia, 2010). Murabahah, by contrast, directly connects the bank, customer, and residential property in the sale transaction (DSN-MUI, 2000; OJK, 2023).

b. Tawarruq in Malaysian Islamic Home Financing

Malaysia has an explicit institutional framework supporting tawarruq through the Shariah Advisory Council of Bank Negara Malaysia and its published Shariah resolutions. The Shariah Advisory Council serves as a central authority providing Shariah guidance for Islamic financial activities (Bank Negara Malaysia, 2026). This centralized arrangement provides an institutional reference for Islamic financial institutions and supports greater consistency in the interpretation and implementation of Shariah principles (Ahmed Sulub & Haron, 2024).

The *Shariah Resolutions in Islamic Finance* provides a normative basis for tawarruq by documenting Shariah decisions concerning Islamic financial contracts and products, including commodity murabahah arrangements and the Commodity Murabahah House, or Suq al-Sila' (Bank Negara Malaysia, 2010). Operationally, a financial institution purchases a commodity from one trader and sells it to the customer on a deferred payment basis at a price that includes a profit margin. The customer subsequently authorizes the institution to sell the commodity to another trader for immediate cash, allowing the customer to obtain liquidity (Bank Negara Malaysia, 2010). This mechanism illustrates the importance of the transaction sequence, commodity ownership, documentation, and the proper execution of *wakalah* (agency).

Tawarruq-based home financing is also reflected in the Property Financing-i (Tawarruq), or Baiti Home Financing-i, product offered by Bank Islam Malaysia Berhad. The product involves two sale transactions: the customer purchases a commodity from the bank on a murabahah basis and subsequently sells the commodity to a third party for cash through the bank acting as the customer's agent (Bank Islam Malaysia Berhad, 2025). The application of commodity-based structures to property financing has also been examined in the case of CIMB Islamic Bank (Mohamad et al., 2018).

The flexibility of tawarruq allows its use in personal financing, asset financing, home financing, project financing, and liquidity management (Ali & Hassan, 2016). Its application in Malaysia is supported by commodity-trading infrastructure, including Bursa Suq Al-Sila', which facilitates commodity transactions for Islamic financial purposes (Dusuki, 2010). The availability of identifiable and tradable commodities is important to maintaining the substantive requirements of tawarruq (Mohamad & Ab Rahman, 2014). Its role as an innovation in Islamic finance has also been discussed in the review of organized banking tawarruq by Dewaya (2024).

These findings indicate that Malaysia's implementation of tawarruq is supported not only by its normative acceptance but also by the interaction of central Shariah authority, explicit resolutions, operational banking products, and commodity-trading infrastructure.

c. Murabahah and the Position of Tawarruq in Indonesia

In Indonesia, murabahah remains more established in Islamic home financing because it has

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a recognized normative foundation and is reflected in existing banking products. Fatwa No. 04/DSN-MUI/IV/2000 provides the legal basis for murabahah, under which the seller discloses the acquisition cost and sells the asset at an agreed profit margin (DSN-MUI, 2000).

The implementation of murabahah can be observed in BSI Griya, a home financing product offered by Bank Syariah Indonesia that covers purchases of houses, shop-houses, and apartments, including new and existing properties (Bank Syariah Indonesia, 2026). KPR iB BCA Syariah is another example of a home financing product associated with murabahah (BCA Syariah, 2026). These products illustrate the established role of murabahah in Indonesian Islamic home financing.

The regulatory position of tawarruq is different. Fatwa No. 82/DSN-MUI/VIII/2011 addresses commodity trading based on Shariah principles on commodity exchanges, but it does not specifically establish tawarruq as a comprehensive residential financing scheme (DSN-MUI, 2011). Mihajat and Hasan (2013) examined commodity-based tawarruq practices in Indonesia and Malaysia in the context of Islamic money market liquidity management, illustrating the distinction between commodity-based liquidity arrangements and home financing.

Tawarruq therefore remains a potential financing alternative rather than an established primary mechanism for residential property financing in Indonesia. Its application requires careful consideration because a complex series of commodity transactions may resemble debt-based financing if the contractual requirements and substantive ownership transfers are not properly implemented. Hikmah and Hidayati (2025) emphasized the need for careful examination of tawarruq in Indonesian Islamic financial institutions to prevent practices that could resemble *riba*.

The findings suggest that the existing commodity-trading framework provides a relevant starting point for considering tawarruq, but further legal and operational arrangements would be necessary before it could be adopted specifically for home financing.

d. Comparative Results

The comparison between Malaysia and Indonesia reveals differences in normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and institutional readiness. Table 2 summarizes the principal findings.

Table 2. Comparison of Tawarruq and Murabahah in Islamic Home Financing in Malaysia and Indonesia

Analytical dimension	Malaysia	Indonesia	Comparative finding
Normative foundations	Tawarruq is supported by the *Shariah Resolutions in Islamic Finance* issued by Bank Negara Malaysia.	Murabahah has an established foundation under Fatwa No. 04/DSN-MUI/IV/2000.	Malaysia has a more explicit framework for tawarruq, whereas Indonesia lacks a specific framework for tawarruq-based home financing.
Shariah authorities	The Shariah Advisory Council of Bank Negara Malaysia provides central-level Shariah guidance.	The National Shariah Board of the Indonesian Ulema Council issues fatwas, while Shariah Supervisory Boards and relevant regulators oversee implementation.	Differences in institutional arrangements affect the standardization and certainty of tawarruq implementation.
Contractual structures	Tawarruq uses a series of commodity sale transactions to generate cash financing.	Murabahah uses a direct sale structure involving the house or property.	Tawarruq is more complex because it involves commodities and third parties, whereas murabahah directly connects the transaction to the property.

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Transaction objects	Commodities serve as intermediary objects in the financing arrangement.	The house or property constitutes the direct object of the murabahah sale.	Different transaction objects produce different operational requirements and Shariah compliance risks.
Banking product practices	Property Financing-i and Baiti Home Financing-i demonstrate the application of tawarruq to property financing.	BSI Griya and KPR iB illustrate the established role of murabahah.	Tawarruq has been incorporated into Malaysian banking products, whereas murabahah remains more prominent in Indonesian home financing.
Potential, risks, and implementation prerequisites	Tawarruq is supported by Shariah resolutions, banking products, and commodity-trading infrastructure.	Tawarruq requires a more specific regulatory basis, operational guidelines, commodity infrastructure, and effective Shariah supervision.	Indonesia may consider tawarruq as an alternative, but adoption requires appropriate regulatory and institutional preparation.

Source: Authors' comparative analysis of the legal materials, institutional documents, and banking product disclosures examined in this study.

As shown in Table 2, Malaysia demonstrates greater institutional readiness for tawarruq because it combines explicit Shariah resolutions, central Shariah guidance, operational banking products, and commodity-trading infrastructure. The implementation of tawarruq is therefore supported by both normative and operational arrangements (Bank Negara Malaysia, 2010; Bank Islam Malaysia Berhad, 2025).

Indonesia, meanwhile, has a stronger established foundation for murabahah. Its commodity-trading fatwa does not specifically regulate tawarruq-based home financing, leaving the potential adoption of tawarruq dependent on further regulatory and institutional development.

The comparison also identifies distinct Shariah compliance risks. Tawarruq may be exposed to errors in the sequence of contracts, uncertainty regarding commodity ownership, misuse of agency arrangements, and the possibility that the transactions become merely formal mechanisms for providing cash. These concerns are examined in research on Shariah non-compliance in tawarruq home financing (Mu'im Nazri & Shari, 2025). Murabahah also requires effective supervision, particularly to ensure that the bank genuinely owns or controls the asset before selling it to the customer.

4.2.2. Key Findings in Relation to the Research Questions

The documentary analysis produced three principal findings corresponding to the research questions.

First, Malaysia and Indonesia differ in their normative foundations and institutional arrangements. Malaysia has a more explicit institutional framework for tawarruq, while Indonesia has a more established framework for murabahah-based home financing.

Second, the two financing mechanisms differ in contractual structure and transaction objects. Tawarruq uses commodity sales to generate liquidity and involves several transactional stages, whereas murabahah directly finances the purchase of an identified asset. These differences influence the operational complexity and the types of Shariah compliance risks that require supervision.

Third, tawarruq has potential as an alternative in Indonesia, but its implementation requires a specific normative basis, operational guidance, commodity-trading infrastructure, and effective Shariah supervision. These findings address the research questions through comparative legal analysis rather than statistical hypothesis testing.

4.1.5. Visual Presentation of Results

Table 2 presents the principal comparative findings across the six analytical dimensions. It identifies the institutional advantages supporting tawarruq in Malaysia and the established position of murabahah in Indonesia. The table also highlights the conditions that would need to be addressed if tawarruq were to be developed for Indonesian home financing.

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4.2. Research Discussion

4.2.1. Interpretation of Key Findings

The findings demonstrate that the differences between Malaysia and Indonesia extend beyond the choice of financing contract. They also reflect differences in regulatory development, Shariah governance, commodity-trading infrastructure, and the integration of contractual arrangements into banking products.

The first finding concerns the distinction between tawarruq and murabahah. Tawarruq is primarily a liquidity-generating mechanism based on commodity transactions, whereas murabahah directly connects a financing arrangement to the purchase of an asset. This distinction is important because the use of tawarruq in home financing does not mean that the house itself constitutes the object of the underlying commodity sale contracts. Instead, the cash generated through the transactions can be used to meet the customer's housing needs.

The second finding concerns Malaysia's institutional readiness. The existence of central Shariah resolutions, commodity-trading infrastructure, and operational home financing products indicates that tawarruq is supported by an institutional system rather than by contractual permissibility alone. These arrangements provide a framework for coordinating the different transaction stages and supporting the implementation of commodity-based financing.

The third finding concerns Indonesia's regulatory position. Murabahah has an established normative basis and is reflected in existing banking products. By contrast, Fatwa No. 82/DSN-MUI/VIII/2011 concerns Shariah-compliant commodity trading and does not specifically establish tawarruq as a home financing scheme. The findings therefore indicate that adopting tawarruq in Indonesia would require additional legal and operational arrangements rather than simply extending the application of existing commodity-trading provisions.

The comparison further shows that both contracts require effective Shariah supervision, although their operational risks differ. Tawarruq requires particular attention to the existence of commodities, ownership transfers, transaction sequencing, and agency arrangements. Murabahah requires attention to the substance of the sale, including the bank's ownership or control of the property before its resale. Accordingly, neither contract should be evaluated solely on the basis of its formal contractual designation.

4.2.2. Comparison with Previous Studies

The findings are consistent with previous studies identifying tawarruq as an established instrument in Malaysian Islamic banking. Mohamad and Ab Rahman (2014) reviewed tawarruq applications in Islamic banking, while Hasmadi and Alosmani (2022) documented its extensive implementation across Malaysian banking products. The present study extends this discussion by focusing specifically on the institutional conditions supporting tawarruq in home financing and comparing them with the Indonesian context.

The findings also align with research examining the operational and Shariah compliance challenges associated with tawarruq. Ali and Hassan (2016) discussed Shariah non-compliance events in Malaysian Islamic banks and tawarruq-based financing. Ghazali et al. (2023) examined the issue of *hilah* in tawarruq, while Mu'im Nazri and Shari (2025) investigated Shariah non-compliance income in tawarruq home financing in Malaysia. These studies support the importance of evaluating transaction substance, ownership, and contractual sequencing. The present comparison adds an institutional dimension by showing how the complexity of tawarruq creates requirements for regulatory guidance and operational oversight.

The findings are also related to research on commodity-based home financing and trading infrastructure. Mohamad et al. (2018) examined commodity murabahah-based home financing at CIMB Islamic Bank, while Dusuki (2010) discussed the potential role of Bursa Malaysia's Suq Al-Sila' in addressing controversies surrounding tawarruq. Dewaya (2024) reviewed organized banking tawarruq as an innovation in Islamic finance. The present study connects these discussions by examining how commodity infrastructure, banking products, and Shariah governance jointly support tawarruq in Malaysia.

In the Indonesian context, the findings complement Mihajat and Hasan (2013), who examined tawarruq practices in Islamic money market liquidity management in Indonesia and Malaysia, and Zahara and Harryanto (2019), who examined the implementation of tawarruq in

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Indonesian Islamic banking. Hikmah and Hidayati (2025) further emphasized the need for careful assessment of tawarruq in Indonesian Islamic financial institutions. The present study narrows the focus to home financing and demonstrates that the requirements for developing tawarruq must be assessed in relation to the specific legal and operational characteristics of residential property finance.

Finally, the findings reinforce the importance of institutional governance discussed by Ahmed Sulub and Haron (2024). They also illustrate the relevance of the normative frameworks established by AAOIFI (2017), Bank Negara Malaysia (2010), DSN-MUI (2011), Ayub (2007), and Usmani (2002). These sources provide the legal and conceptual foundations for distinguishing the two financing mechanisms and evaluating their implementation in different institutional settings.

4.2.3. Theoretical Contributions

This study contributes to the literature on Islamic finance by integrating normative legal analysis with institutional and operational comparisons of tawarruq and murabahah. Rather than treating the two contracts simply as alternative financing products, the analysis distinguishes their underlying transaction purposes, contractual structures, and requirements for implementation.

The study also contributes to the understanding of Shariah compliance by demonstrating that contractual permissibility and institutional readiness are related but distinct considerations. A contract may have a recognized normative basis, but its practical implementation still depends on the existence of appropriate operational procedures, transaction infrastructure, and effective supervision. This distinction is particularly relevant to tawarruq because its multi-stage structure creates additional requirements for demonstrating genuine commodity ownership and valid transfers between parties.

Furthermore, the comparative framework extends the discussion of Islamic home financing beyond the legal definition of individual contracts. It connects normative foundations, Shariah authorities, transaction objects, banking product practices, and implementation prerequisites in a single analytical structure. This framework can inform subsequent comparative research on Islamic financial contracts in different regulatory environments.

4.2.4. Practical and Policy Implications

The findings have implications for regulators, Shariah authorities, and Islamic banking practitioners in Indonesia. First, the National Shariah Board of the Indonesian Ulema Council could consider whether a specific Shariah framework for tawarruq-based home financing is warranted. Such a framework would need to clarify the permissible transaction sequence, the ownership and transfer of commodities, the roles of the parties, and the conditions governing agency arrangements. Second, the Indonesian Financial Services Authority and relevant industry stakeholders could consider developing operational guidance if tawarruq is introduced as a home financing alternative. The guidance should address documentary requirements, transaction transparency, commodity identification, ownership verification, and the separation of successive sale contracts. Third, Islamic banking institutions considering tawarruq should ensure that their operational systems can demonstrate the substantive execution of each transaction. Shariah Supervisory Boards should have appropriate procedures for reviewing transaction documents, verifying ownership transfers, and identifying potential non-compliance. These safeguards are necessary to prevent commodity transactions from becoming merely formal arrangements that resemble interest-bearing loans.

Finally, commodity-trading infrastructure is an important prerequisite. The Indonesian Islamic banking industry would need reliable arrangements for accessing identifiable and tradable commodities and ensuring that each transaction can be documented and supervised. Malaysia's experience provides a comparative reference, but its institutional arrangements cannot simply be transferred to Indonesia without considering the differences in regulatory structures and market readiness.

4.2.5. Integration with the Research Gap

The study addresses the identified research gap by connecting the normative foundations of tawarruq and murabahah with the institutional and operational conditions of Islamic home financing in Malaysia and Indonesia. Previous research has examined tawarruq's contractual characteristics, liquidity functions, commodity infrastructure, and

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Shariah compliance risks. However, these topics do not, by themselves, establish whether the conditions supporting tawarruq in Malaysia are available in Indonesia for residential property financing.

The comparative findings clarify that Malaysia's implementation is supported by central Shariah resolutions, operational banking products, and commodity-trading infrastructure. Indonesia has an established framework for murabahah, while its commodity-trading fatwa does not specifically establish tawarruq as a home financing scheme. The study therefore identifies the institutional requirements that must be addressed before tawarruq can be considered a viable alternative in Indonesia.

Its contribution lies in presenting tawarruq's potential as conditional rather than automatic. The feasibility of implementation depends on the development of an appropriate normative framework, operational standards, supporting infrastructure, and effective Shariah governance. This provides a more specific basis for evaluating tawarruq than an assessment limited to its general permissibility under Islamic law.

4.2.6. Acknowledgment of Study Limitations

The findings should be interpreted in light of the study's documentary scope. The comparison is based on legal materials, institutional documents, banking product disclosures, and scholarly literature rather than direct observations of banking transactions or interviews with practitioners. Consequently, the study identifies the formal and documented conditions of implementation but does not independently verify the execution of every transaction in practice.

Furthermore, the analysis focuses on Malaysia and Indonesia and does not establish that the findings apply to all jurisdictions offering Islamic home financing. The study also assesses institutional and normative feasibility rather than commercial performance, customer preferences, financing costs, or the effects of tawarruq on homeownership outcomes. These limitations mean that the findings are most directly applicable to comparative legal and institutional assessment, while broader claims about market performance require additional empirical evidence.

5. Conclusion

5.1. Summary of Key Findings

This study compared tawarruq and murabahah in Islamic home financing in Malaysia and Indonesia using a normative legal research design and a comparative approach. The findings demonstrate that tawarruq and murabahah differ in their transaction purposes and contractual structures. Tawarruq generates liquidity through commodity sale transactions, whereas murabahah directly finances the purchase of an asset, such as residential property.

Malaysia has a more explicit institutional framework for tawarruq, supported by Shariah resolutions, central Shariah guidance, operational banking products, and commodity-trading infrastructure. Indonesia, by contrast, has a more established framework for murabahah-based home financing. Although Fatwa No. 82/DSN-MUI/VIII/2011 provides a basis for Shariah-compliant commodity trading, it does not specifically establish tawarruq as a comprehensive home financing scheme.

The study concludes that tawarruq has potential as an alternative financing mechanism in Indonesia, but its development requires an appropriate normative basis, operational guidelines, commodity-trading infrastructure, and effective Shariah supervision. These conditions are essential to preserving the substantive requirements of Islamic commercial transactions.

5.2. Theoretical Contributions

The study contributes to the literature by integrating comparative legal analysis with an examination of institutional readiness and banking product practices. It demonstrates that the evaluation of Islamic financing contracts should consider not only their normative permissibility but also their transaction structures, operational requirements, and governance arrangements.

The study also provides a comparative framework connecting six dimensions: normative foundations, Shariah authorities, contractual structures, transaction objects, banking product practices, and implementation prerequisites. This framework helps explain why the adoption of the same financing mechanism may differ across jurisdictions with different regulatory and institutional arrangements.

5.3. Practical and Policy Implications

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The findings suggest that the development of tawarruq in Indonesia should be preceded by careful regulatory and institutional preparation. Relevant Shariah authorities could assess the need for specific guidance on tawarruq-based home financing, while regulators and banking practitioners could establish operational standards governing commodity ownership, transaction sequencing, agency arrangements, documentation, and transparency.

The development of reliable commodity-trading infrastructure and effective Shariah supervision is equally important. These measures would help ensure that tawarruq transactions retain their substantive sale-based characteristics and do not become formal arrangements that resemble interest-bearing loans. Malaysia's experience offers a useful comparative reference, although any implementation in Indonesia must reflect the country's own regulatory and institutional context.

5.4. Limitations of the Study

The conclusions are based on documentary analysis and are limited to the legal, institutional, and operational issues identifiable from the sources examined. The study does not directly evaluate actual transaction execution across individual banks, customer experiences, implementation costs, market demand, or the commercial effectiveness of tawarruq-based home financing. Its findings therefore establish potential and institutional requirements rather than demonstrating the practical success of future implementation.

5.5. Directions for Future Research

Future research could extend this study by examining the practical implementation of tawarruq through interviews with regulators, Shariah scholars, banking practitioners, and Shariah Supervisory Board members in Malaysia and Indonesia. Such research could assess how contractual requirements are implemented in practice and identify operational challenges that may not be fully reflected in published documents.

Further studies could also evaluate the feasibility of establishing commodity-trading infrastructure for Islamic financing in Indonesia, including its operational costs, governance requirements, and capacity to support transparent transactions. Comparative research involving additional jurisdictions could provide further insights into how regulatory frameworks and institutional arrangements influence the implementation of tawarruq in Islamic home financing.

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