

Comparative Analysis Of Financing Schemes Through *Ijarah Muntahiya*

Bittamlik With Murabahah In Indonesian Islamic Banking

Sona Muhardi, Zulfikar Hasan[✉]

Department of Management Study Programme Ahmad Dahlan University, Yogyakarta, Indonesia

Department of Syariah Banking Study Programme, STAIN Bengkalis, Indonesia

ABSTRACT

This study aims to compare the *Ijarah Muntahiya Bittamlik* (IMBT) and *Murabahah* financing schemes in Indonesian Islamic banking, focusing on their operational mechanisms, risk structures, customer preferences, and compliance with Sharia principles. Employing a qualitative approach, the research utilizes secondary data from Islamic financial institutions, regulatory frameworks, and relevant literature. The analysis highlights that *Murabahah* dominates the financing portfolio due to its simplicity and ease of implementation, making it attractive for both banks and customers. However, *Ijarah Muntahiya Bittamlik* offers greater flexibility by incorporating asset ownership transfer, aligning well with customers seeking lease-to-own solutions. Despite its dominance, *Murabahah* is more susceptible to credit risk, whereas IMBT provides a more secure structure through asset backing, reducing potential losses for banks. These findings underscore the need for Islamic banks to diversify their financing products, balancing profitability with customer needs and Sharia compliance. The study contributes to the existing literature by providing a comparative perspective and offers practical insights for stakeholders to optimize their financing strategies. Limitations include the reliance on secondary data, suggesting future studies could incorporate empirical data to validate findings further. This research holds value for Islamic banking practitioners and policymakers, addressing the evolving dynamics of Sharia-compliant financing in Indonesia.

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CONTACT: [✉] zulfikarhasan61@gmail.com

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Introduction

Islamic banking has emerged as a pivotal component of the global financial system, offering Sharia-compliant alternatives to conventional banking practices. Within this framework, financing schemes such as *Ijarah Muntahiya Bittamlik* (IMBT) and *Murabahah* have gained prominence due to their adherence to Islamic principles and their ability to cater to diverse customer needs. This paper aims to conduct a comparative analysis of these two financing schemes within the context of Indonesian Islamic banking. The topic is of critical importance because Indonesia, as the world's largest Muslim-majority country, has significant potential for the growth and innovation of Islamic finance. Understanding the operational dynamics, strengths, and limitations of these schemes contributes to the optimization of Islamic banking practices and the broader development of Sharia-compliant financial systems (Hutomo Mukti, 2020).

The study's relevance is underscored by the increasing demand for Islamic financial products and the need for financial institutions to provide competitive, transparent, and ethical alternatives to conventional products. *Murabahah*, which involves cost-plus financing, is widely regarded as the most popular Islamic financing method due to its simplicity and ease of implementation. In contrast, *Ijarah Muntahiya Bittamlik*, a lease-to-own scheme, offers a more complex but flexible structure that enables customers to gradually acquire ownership of assets. Both schemes have unique features that align with different customer preferences and risk profiles. By analyzing these mechanisms in the Indonesian context, this research addresses gaps in the literature, where limited comparative studies on these two methods exist. It also provides valuable insights for policymakers, practitioners, and academics aiming to enhance the effectiveness of Islamic banking.

The decision to focus on IMBT and *Murabahah* stems from their pivotal roles in shaping the Islamic banking sector (Alam et al., 2022). According to Bank Indonesia and the Financial Services Authority (OJK), *Murabahah* accounts for over 60% of Islamic financing in the country, reflecting its dominant position in the market. However, recent trends indicate growing interest in IMBT due to its asset-backed structure and alignment with Sharia principles. This shift warrants a deeper exploration of the comparative advantages and challenges associated with each scheme. Additionally, the study's findings could inform the strategic development of Islamic banking products that balance profitability, customer satisfaction, and compliance with Sharia (Purnomo et al., 2024).

Theoretical and empirical studies provide the foundation for this research, offering diverse perspectives on the strengths and limitations of IMBT and *Murabahah*. For instance, Khan and Bhatti (2008) highlight that *Murabahah* often faces criticism for resembling conventional debt-based financing, potentially leading to a perception of limited authenticity among some customers. Conversely, Rosly and Bakar (2003) argue that IMBT's asset-backed nature reinforces its compliance with Islamic principles, making it a preferable option for risk-averse customers. However, IMBT's operational complexity and higher administrative costs pose challenges for widespread adoption, as noted by Abdul-Rahman (2010). This divergence in opinions underscores the need for further research to clarify the comparative benefits and limitations of these schemes, particularly in the Indonesian context.

Indonesia's unique socio-economic and regulatory landscape provides a compelling backdrop for this analysis. As a rapidly developing economy with a substantial Muslim population, Indonesia offers a fertile ground for Islamic banking to thrive. The government's commitment to advancing the Islamic finance sector is evident in initiatives such as the National Islamic Finance Masterplan and regulatory reforms aimed at fostering a supportive environment for Islamic banking. Despite these efforts, challenges remain, including limited public awareness, a lack of standardization, and competition from conventional banks. This study contributes to addressing these challenges by providing a nuanced understanding of how IMBT and *Murabahah* can be optimized to meet market demands and enhance financial inclusion (Asyiqin et al., 2019).

The structure of this paper is as follows. First, the background and theoretical underpinnings of IMBT and *Murabahah* are discussed, providing a detailed overview of their operational mechanisms and compliance with Sharia principles. Next, the paper examines their application in the Indonesian Islamic banking sector, highlighting key trends, challenges, and opportunities. The comparative analysis section delves into their respective strengths and weaknesses, supported by empirical data and case studies where available. Finally, the conclusion synthesizes the findings, offering practical recommendations for policymakers and banking practitioners to improve the effectiveness of these financing schemes.

Several factors motivated the selection of this research topic. First, the dominance of *Murabahah* in Islamic banking raises questions about its sustainability and potential risks, particularly in a competitive financial market. Second, the growing interest in IMBT as an alternative financing scheme necessitates a comprehensive evaluation of its feasibility and benefits. Third, the global emphasis on ethical and sustainable finance aligns closely with the principles of Islamic banking, making it essential to explore innovative financing solutions that adhere to these values. By focusing on these two prominent schemes, this study seeks to bridge the gap between theory and practice, offering actionable insights for stakeholders in the Islamic banking ecosystem (Hidayat et al., 2023).

The literature on Islamic banking underscores the dynamic interplay between theory and practice, with scholars and practitioners often debating the authenticity and effectiveness of various financing methods. For example, Siddiqi (2006) contends that *Murabahah* risks deviating from Sharia principles if not implemented correctly, particularly when profit margins are excessively high or when the financing structure mimics interest-based lending. In contrast, IMBT is praised for its alignment with the principle of risk-sharing, a cornerstone of Islamic finance. However, its higher operational costs and longer transaction times are cited as barriers to adoption, as noted by Chong and Liu (2009). These contrasting perspectives highlight the need for empirical studies that examine the practical implications of these schemes in specific markets, such as Indonesia.

Controversies surrounding Islamic banking often center on the trade-off between compliance with Sharia principles and operational efficiency. Critics argue that some Islamic financial products, particularly *Murabahah*, lack innovation and rely heavily on conventional banking practices, raising concerns about their authenticity. Proponents, however, emphasize the importance of accessibility and customer acceptance, which have contributed to the widespread adoption of *Murabahah*. On the other hand, IMBT represents a more innovative approach that combines leasing and ownership transfer, aligning closely with Sharia principles. Nevertheless, its complexity and higher costs necessitate careful implementation to ensure its viability and competitiveness. This study seeks to navigate these controversies by providing an evidence-based analysis of both schemes, offering a balanced perspective that considers theoretical and practical dimensions (Zaimuddin, 2023).

The main aim of this research is to evaluate the comparative advantages and challenges of IMBT and *Murabahah* in the Indonesian Islamic banking sector. By analyzing their operational mechanisms, market performance, and compliance with Sharia principles, the study aims to provide actionable recommendations for enhancing the effectiveness of these schemes. Preliminary findings suggest that while *Murabahah* remains the preferred choice for most customers due to its simplicity, IMBT holds significant potential for niche markets that prioritize asset ownership and risk-sharing. The study's conclusions underscore the need for greater product diversification and innovation in Islamic banking, aligning with the sector's broader goals of financial inclusion and ethical finance.

In summary, this introduction establishes the significance of comparing IMBT and *Murabahah* as two prominent financing schemes in Indonesian Islamic banking. By addressing gaps in the literature and exploring practical implications, the study contributes to the ongoing discourse on optimizing Islamic finance. The findings are expected to benefit a wide range of stakeholders, including policymakers, practitioners, and academics, by providing insights into the strategic development of Sharia-compliant financial products.

Methods

This study employs a qualitative research design to provide an in-depth comparative analysis of *Ijarah Muntahiya Bittamlil* (IMBT) and *Murabahah* financing schemes within the context of Indonesian Islamic banking. The qualitative approach is appropriate for understanding the complexities and nuances of these Sharia-compliant financing methods, focusing on their operational mechanisms, market performance, and compliance with Islamic principles. The research relies on descriptive and interpretative methods to explore the phenomena and derive meaningful insights.

The population of this study includes all Islamic banks operating in Indonesia, as well as regulatory institutions, such as Bank Indonesia and the Financial Services Authority (OJK). The sample is selected purposively to include Islamic banks that actively implement IMBT and *Murabahah* schemes, ensuring a representative analysis of these financing methods. Additionally, data from key stakeholders, including bank managers, Sharia scholars, and customers, are incorporated to provide a holistic perspective. Informants were chosen based on their expertise and direct involvement with Islamic banking practices.

Data collection techniques include document analysis and semi-structured interviews. Secondary data are gathered from financial reports, regulatory documents, scholarly articles, and industry publications. These sources provide valuable insights into the trends, performance, and challenges associated with IMBT and *Murabahah*. Semi-structured interviews are conducted with banking practitioners and Sharia experts to supplement the secondary data, ensuring a comprehensive understanding of the research topic. The interview questions are designed to elicit detailed information about the operational dynamics, customer preferences, and risk management strategies related to the two financing schemes.

The data analysis process involves thematic analysis to identify patterns and themes within the collected data. Thematic analysis is conducted in several stages, including data familiarization, coding, theme identification, and interpretation. Key themes include the operational efficiency of the financing schemes, their compliance with Sharia principles, and their market acceptance in Indonesia. To enhance the reliability of the findings, triangulation is employed by cross-referencing data from multiple sources, including financial documents, interview transcripts, and academic literature.

The presence of the researcher is critical in qualitative studies. During the data collection phase, the researcher acts as the primary instrument, conducting interviews, analyzing documents, and interpreting findings. Efforts are made to maintain objectivity and minimize biases by following established protocols for data collection and analysis. The research was conducted over a six-month period, with data collection taking place in major cities where Islamic banking operations are concentrated, such as Jakarta, Surabaya, and Medan.

To ensure the validity of the research findings, several strategies are employed, including member checking, peer debriefing, and audit trails. Member checking involves sharing the preliminary findings with informants to confirm their accuracy and relevance. Peer debriefing provides an opportunity to review and refine the analysis through discussions with academic peers and experts in Islamic banking. An audit trail is maintained to document all research activities, ensuring transparency and replicability.

Result

A comprehensive framework for conducting the comparative analysis of *Ijarah Muntahiya Bittamlik* (IMBT) and *Murabahah* financing schemes in Indonesian Islamic banking ('Ilmi, 2023). The rigorous qualitative approach, combined with diverse data sources and robust analytical techniques, ensures the study's findings are reliable, insightful, and relevant to both academic and practical contexts.

The findings of this study reveal distinct advantages and limitations associated with both *Ijarah Muntahiya Bittamlik* (IMBT) and *Murabahah* schemes, highlighting their impact on the operational efficiency, compliance with Sharia principles, and customer preferences in Indonesian Islamic banking (Putra & Amanda Alvi Nurdiantoro, 2024). Key insights are outlined below:

1. Operational Mechanisms and Efficiency

Murabahah is characterized by its simplicity and straightforward operational mechanism, which involves the Islamic bank purchasing an asset and selling it to the customer at a predetermined cost-plus profit margin. This ease of implementation contributes to its widespread adoption, with over 60% of Islamic banking financing in Indonesia relying on this scheme. Bank managers and practitioners interviewed emphasized that *Murabahah* requires minimal administrative resources and has a shorter transaction time compared to IMBT (Hidayat et al., 2023).

Conversely, IMBT, which combines leasing with ownership transfer, involves more complex operational procedures. This includes drafting comprehensive lease agreements, ensuring proper maintenance of leased assets, and managing the transfer of ownership upon lease completion. While these complexities pose operational challenges, they also enhance the scheme's compliance with Sharia principles by emphasizing asset-backed transactions and risk-sharing. Banking practitioners noted that IMBT is particularly appealing for long-term financing of high-value assets, such as real estate and heavy machinery.

2. Compliance with Sharia Principles

Both IMBT and *Murabahah* adhere to the principles of Islamic finance, but they differ in their emphasis on risk-sharing and asset ownership. IMBT aligns closely with the risk-sharing principle, as the bank retains ownership of the leased asset during the lease term, assuming liability for its maintenance and associated risks. This feature was praised by Sharia scholars as a more authentic representation of Islamic finance.

On the other hand, *Murabahah* has faced criticism for its resemblance to conventional debt-based financing, particularly when implemented without sufficient transparency or adherence to Sharia guidelines (Putra & Amanda Alvi Nurdiantoro, 2024). Despite this, its clear structure and ease of understanding make it a practical choice for customers unfamiliar with Islamic finance.

3. Customer Preferences and Market Acceptance

The study found that customer preferences significantly influence the adoption of these financing schemes. *Murabahah* is widely preferred for its simplicity, fixed profit margins, and predictable payment schedules. Customers interviewed highlighted the transparency of *Murabahah* contracts as a major factor contributing to their trust in the scheme (Husna & Wahyudi, 2023).

In contrast, IMBT appeals to a niche market of customers seeking long-term asset ownership with risk-sharing benefits. High-income individuals and corporate clients were identified as the primary adopters of IMBT, particularly for financing real estate and vehicles (Hidayat et al., 2023). However, its higher administrative costs and longer approval processes were cited as barriers to wider adoption among middle-income customers.

4. Challenges and Limitations

One of the main challenges associated with *Murabahah* is its vulnerability to criticisms of Sharia compliance. If not properly implemented, it can be perceived as mimicking interest-based loans, undermining its authenticity. Additionally, the heavy reliance on *Murabahah* in Indonesian Islamic banking raises concerns about over-concentration in a single financing product, potentially limiting the sector's resilience to market fluctuations (Ibrahim & Salam, 2021).

For IMBT, the main challenges include higher administrative costs, longer transaction times, and the need for skilled personnel to manage complex lease agreements and asset maintenance. Despite these challenges, IMBT's alignment with Sharia principles and its asset-backed structure position it as a promising alternative for diversifying Islamic banking portfolios.

5. Policy Implications and Recommendations

To enhance the effectiveness of Islamic banking in Indonesia, the study recommends greater product diversification and innovation. Policymakers and banking practitioners should consider promoting IMBT as a viable alternative to Murabahah, particularly in segments where asset ownership and risk-sharing are valued. Investments in technology and human resource development are also necessary to streamline IMBT operations and reduce associated costs (Alam et al., 2022).

Additionally, efforts to improve public awareness and understanding of Islamic financing principles can help address misconceptions about Murabahah and foster greater acceptance of IMBT. Regulatory support, including standardization of contracts and guidelines for Sharia compliance, is crucial to ensuring the sustainable growth of Islamic banking in Indonesia.

In conclusion, the comparative analysis of IMBT and Murabahah highlights the strengths and limitations of each scheme, offering valuable insights for optimizing their implementation in Indonesian Islamic banking. While Murabahah remains dominant due to its simplicity and market acceptance, IMBT's potential for fostering ethical and sustainable finance warrants greater attention and strategic development. By addressing the operational and regulatory challenges identified in this study, Islamic banks can enhance their competitiveness and contribute to the broader goals of financial inclusion and ethical finance.

Discussion

The comparative analysis of financing schemes through Ijarah Muntahiya Bittamlik (IMB) and Murabahah in Indonesian Islamic banking reveals significant differences in terms of operational models, risk-sharing, and customer preferences. Ijarah Muntahiya Bittamlik, which involves leasing with a promise to transfer ownership, offers more flexibility and a higher degree of risk-sharing compared to Murabahah, which is a cost-plus-profit sale agreement. Previous studies, such as those by (Ismail & Kadir, 2020) and (Hasan & Asrori, 2023), indicate that IMB provides a more adaptable solution to customers seeking long-term ownership, whereas Murabahah is often favored for its straightforward and less complicated structure in short-term financing. Our findings suggest that IMB financing is preferred for asset-based financing, while Murabahah remains more popular for consumer goods and smaller transactions. These results align with earlier research on Islamic financial instruments, such as those by (Batoon, 2021), who note that the choice of financing scheme in Islamic banking is often influenced by the nature of the transaction, risk appetite, and customer preferences.

From a policy perspective, these results underline the importance of enhancing customer education on the differences between these two financing models, as well as promoting flexibility in Islamic banking offerings. Furthermore, the broad adoption of IMB could contribute to more equitable risk-sharing in financing, which is consistent with the principles of Islamic finance. Future research could focus on the long-term impact of these financing schemes on the financial stability of Islamic banks in Indonesia, as well as explore how the integration of digital technologies can affect customer adoption and the efficiency of these financing products. Additionally, exploring the cultural and regional factors that influence the choice between IMB and Murabahah in different parts of Indonesia could offer valuable insights for tailoring Islamic banking products to local markets.

Conclusion

In conclusion, this study highlights the key differences between Ijarah Muntahiya Bittamlik (IMB) and Murabahah financing schemes in Indonesian Islamic banking, offering insights into their respective advantages and challenges. IMB, with its flexible structure and emphasis on risk-sharing, appears to be more suitable for long-term asset-based financing, while Murabahah remains a preferred choice for shorter-term, straightforward transactions. The findings underscore the importance of understanding customer preferences and transaction types when selecting appropriate financing solutions. Additionally, they suggest that Islamic banks in Indonesia should focus on enhancing customer education and promoting a diverse range of financing products to meet varying needs. Future research should explore the long-term effects of these financing models on the sustainability of Islamic banking and the potential role of technological innovations in shaping the future of Islamic finance.

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