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Literature Review

Analysis of the Concepts and Application of *Murabahah* and *Musyarakah* Financing in Islamic Banking

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Abstract

Islamic banking offers various Sharia-based financing contracts, yet some are used more often than others. This qualitative literature study analyzes the concept and application of *murabahah* and *musyarakah* financing and identifies the factors behind the dominance of one contract in practice, using descriptive-analytical analysis. The literature analyzed comprises 25 references, including books, academic journal articles, fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and other publications on Islamic banking published between 2000 and 2025. Sources were selected for their relevance to the concept and application of the *murabahah* and *musyarakah* contracts, their Sharia foundations, and the factors shaping their implementation in Islamic banking in Indonesia. The synthesis of the literature shows that *murabahah* tends to dominate because it offers margin certainty, carries risks that are comparatively easier to estimate, and makes financing easier to manage and supervise. *Musyarakah*, on the other hand, represents the principles of partnership and risk sharing through capital participation and profit distribution based on mutual agreement. Its implementation faces challenges in the form of business risk, supervisory complexity, and information asymmetry between the bank and the customer. The dominance of *murabahah* is also related to considerations of transaction efficiency, risk management, financial stability, and supervisory capacity. Developing *musyarakah* financing requires stronger governance, greater transparency, and technology to monitor customers' business performance. This study highlights the gap between the partnership and risk-sharing principles of Islamic economics and a practice that favors certainty and ease of management.

Keywords: Islamic Banking, *Musyarakah*, Profit-Sharing Financing, Transaction Costs.

1. Introduction

Over the past decade, the global Islamic financial industry has grown significantly and has become an increasingly credible alternative within the world economy. The Islamic Financial Services Board (IFSB) reported that global Islamic financial assets reached around USD 3.88 trillion in 2024. This growth was supported by the expansion of Islamic banking, the sukuk market, and Islamic insurance services. It reflects the growing role of Islamic finance in a global financial system built on the principles of justice, transparency, and risk sharing. In Islamic banking, financing is channeled through various contracts that must comply with Sharia requirements, including the prohibition of *riba*, *gharar*, and *maysir*. Two widely used contracts are *murabahah* and *musyarakah*, each with different characteristics and financing mechanisms.

Murabahah is a sale-and-purchase contract in which the bank discloses the acquisition cost of the goods and sets a profit margin agreed upon with the customer. Under this contract,

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the selling price and payment schedule are fixed from the outset, which makes it relatively easy to apply in banking operations. *Musyarakah*, by contrast, is a partnership contract in which two or more parties contribute capital to run a business. Profits are distributed according to an agreed ratio (*nisbah*), while financial losses are borne in proportion to capital contribution, unless negligence or a violation attributable to a particular party is involved. The two contracts differ in transaction structure, income mechanism, risk sharing, and supervisory needs. Sale-based financing gives certainty about the contractual payment amount, whereas partnership-based financing ties the distribution of returns to business performance. Even so, *murabahah* still faces default risk and Sharia compliance risk, while *musyarakah* requires adequate information management and business monitoring. For this reason, it is not appropriate to set the two contracts against each other on the assumption that one is more Islamic than the other. Both should be assessed by how well their implementation conforms to Sharia, the characteristics of customer needs, and the purpose of the financing.

These differences in characteristics also help explain why the two contracts are applied differently in Islamic banking. Smolo and Nagayev (2024) describe features of Islamic banking related to financing structure, assets, and risk sharing, although its stability still depends on contract forms and operational practices. Tisdell and Ahmad (2018) discuss the tendency for sale-based financing to prevail because it is comparatively easier to implement than partnership-based financing. In practice, *murabahah* allows the bank to fix the selling price and payment schedule at the start, whereas *musyarakah* requires assessing business performance and calculating profit distribution on an ongoing basis. This does not mean that *murabahah* is always safer or that *musyarakah* is always riskier, since the level of risk also depends on customer quality, business sector, governance, and the bank's ability to supervise. The dominance of *murabahah* therefore needs to be analyzed through the contractual characteristics and operational considerations behind the choice of contract.

In partnership-based financing, information asymmetry, moral hazard, and limited monitoring are among the challenges that can influence a bank's decisions. Pramesti and Anggraini (2024) as well as Sabrina and Abd Majid (2020) discuss the obstacles to implementing profit-sharing financing, which relate to business risk and the difficulty of supervising customer activities. The study by Roziq et al. (2026) on the performance of *musyarakah* financing in Indonesian Islamic banks also points to the importance of Islamic business ethics and monitoring in managing risk and improving financing performance. These findings show that the success of *musyarakah* depends not only on the characteristics of the contract but also on how well the partnership relationship is managed. On the other hand, the dominance of *murabahah* does not automatically mean that its implementation is free of Sharia compliance problems. Ikhwan et al. (2025), through a systematic review of *murabahah* practice in Indonesia, identified issues concerning margin transparency, asset ownership, and Sharia supervision. This shows that operational convenience must still be balanced with compliance with contractual requirements. In the Indonesian context, Irham (2025) shows that the financing structure of Islamic banks is still dominated by *murabahah* compared with *musyarakah* and mudharabah. Thus, the main issue is not simply which contract is used more often, but how contractual characteristics, governance, and operational needs shape its application without setting aside Sharia principles.

To explain this tendency in the choice of contract, agency theory and transaction cost theory can serve as the basis for analysis. Agency theory explains the potential for conflicts of interest and monitoring costs in contractual relationships where the parties hold different information and interests (Jensen & Meckling, 1976). In *musyarakah*, the bank needs sufficient information on the partner's income, costs, and business performance to ensure that

profits are shared as agreed. Information imbalance can heighten moral hazard and the need for monitoring. In *murabahah*, on the other hand, the selling price and payment schedule fixed in the contract reduce the dependence of the bank's contractual income on the customer's reported business profit, although default risk and compliance risk remain. This perspective is useful for understanding how monitoring needs and information control can shape a bank's consideration when choosing a contract. Transaction cost theory, meanwhile, holds that the choice of contract form is influenced by the costs of searching for information, negotiating, drafting agreements, monitoring, and enforcing contracts (Williamson, 1981). In *musyarakah* financing, assessing business performance and calculating profit sharing continuously may increase the need for supervisory resources. *Murabahah* may have procedures that are easier to standardize, but it still requires verification of the transaction, asset ownership, and compliance with Sharia provisions. Both theories are used to analyze operational and governance considerations in choosing a contract, not to conclude that *murabahah* is always more efficient or that *musyarakah* always costs more under every condition.

Viewed critically, previous studies show that the discussion of *murabahah* and *musyarakah* covers contract characteristics, financing risk, and implementation obstacles. Smolo and Nagayev (2024) offer a perspective on financing characteristics and the stability of Islamic banking, while Tisdell and Ahmad (2018) discuss the tendency to use sale-based financing. Pramesti and Anggraini (2024) and Sabrina and Abd Majid (2020) highlight the obstacles to profit-sharing financing, while Irham (2025) describes the dominance of *murabahah* in the financing structure of Indonesian Islamic banking. More recent findings by Ikhwan et al. (2025) indicate that the dominance of *murabahah* also needs to be evaluated in terms of Sharia compliance, while Roziq et al. (2026) stress the relevance of business ethics and monitoring in managing *musyarakah* financing. Taken together, these studies show that the choice of contract is related not only to payment certainty or business risk but also to supervisory capacity, governance quality, and the conformity of procedures with Sharia provisions. Nevertheless, studies of the conceptual characteristics of the two contracts and studies of their operational considerations need to be integrated, so that the dominance of *murabahah* is not explained merely as a result of ease of implementation, and *musyarakah* is not viewed only in terms of its obstacles and risks. Integrating agency theory and transaction cost theory can provide an analytical framework for understanding the relationship among contract characteristics, information management, monitoring needs, and the operational considerations of Islamic banks.

Based on the above, this study aims to analyze the concept and application of *murabahah* and *musyarakah* financing in Islamic banking. The discussion covers the definition and characteristics of the contracts, Sharia provisions, financing mechanisms, risk sharing, and the operational considerations that affect their application. By integrating the perspectives of agency theory and transaction cost theory, this study seeks to explain the differences between the two contracts and the factors that may influence their use, without contrasting their legitimacy in Islamic finance. The results are expected to contribute to the Islamic economics and finance literature and to give banks a basis for matching financing contracts to business characteristics, customer needs, supervisory capacity, and Sharia compliance principles.

2. Literature Review

2.1. Banking

According to Putera (2020), banking covers the activities and processes of collecting funds from the public and channeling them back to meet financial needs. In carrying out the intermediation function, banks collect funds through savings, current accounts, and time deposits, and then distribute them to the public through various forms of financing or credit. Banks also provide financial services such as fund transfers, payments, and the use of debit and credit cards (Dalimunthe & Lubis, 2023). In Islamic banking, this intermediation function is carried out through contracts that must comply with Sharia principles. The choice of financing contract is therefore related not only to fund distribution and risk management but also to the characteristics of the transaction, the income mechanism, risk sharing, and fulfillment of Sharia requirements. These aspects form the basis for understanding the differences in how *murabahah* and *musyarakah* financing are applied in the operations of Islamic banks.

2.2. *Murabahah* Financing

Etymologically, *murabahah* derives from the Arabic words *rabaha*, *yurabihu*, and *murabahatan*, which relate to the meaning of gaining profit. This concept is reflected in the term *tijaratun rabihah*, meaning profitable trade, and in *baa'u asysyai murabahatan*, which refers to selling goods at a profit. According to Ibn Jazi, a *murabahah* transaction takes place when the seller informs the buyer of the cost price of the goods together with the profit the seller wishes to obtain (Naf'an, 2014).

In Islamic banking practice, *murabahah* is a sale-and-purchase contract in which the bank sells goods to the customer at a price made up of the acquisition cost and an agreed profit margin. Transparency of the cost price and margin is an important characteristic of this contract. This structure allows the payment amount to be fixed in the contract, but its implementation must still meet Sharia requirements, including the validity of the sale transaction and ownership of the goods in accordance with applicable provisions. *Murabahah* needs to be distinguished from partnership-based financing because the bank's income comes from the agreed sales margin rather than from a share of the customer's business profit.

2.3. *Musyarakah* Financing

Etymologically, *musyarakah* derives from an Arabic term related to the meaning of combining, mixing, or including something together with another party. The term *syirkah* comes from the root verb *syarika* (*fi'il madhi*), *yashruku* (*fi'il mudhari'*), and *syarikan*, *syirkatan*, or *syarikatan* (*masdar*), which refers to a partnership or association in a business (Al-Munawwir Dictionary). In its linguistic sense, *syirkah* describes the joining of two or more parts so that each becomes part of a shared whole.

In the context of Islamic banking, *musyarakah* is a cooperation contract between two or more parties, each of whom contributes capital to carry out a business activity. Profits are distributed according to an agreed *nisbah*, while financial losses are borne in proportion to capital contribution, with attention to Sharia provisions on negligence and breach of contract. Unlike *murabahah*, which rests on a sale-and-purchase transaction, *musyarakah* places the parties in a partnership that calls for business management, openness of information, and distribution of returns as agreed. For this reason, implementing *musyarakah* requires adequate monitoring mechanisms and governance so that the rights and obligations of the parties can be fulfilled proportionally.

2.4. Theoretical Analysis and Previous Studies

Agency theory explains the potential for conflicts of interest and information asymmetry in contractual relationships, which can raise monitoring costs (Jensen & Meckling, 1976). In *musyarakah* financing, the bank needs to monitor the partner's business performance to ensure transparency and accuracy in profit sharing, and so may face moral hazard problems (Ardiansyah, 2014). This perspective is complemented by transaction cost theory, which explains that the choice of contract is influenced by the costs of information, negotiation, monitoring, and enforcement of agreements (Williamson, 1981). Compared with *musyarakah*, *murabahah* has a selling price and payment structure agreed from the start, so it is relatively easier to standardize. Together, the two theories help explain the tendency to use *murabahah*, but this does not mean the contract is always more efficient or that *musyarakah* is always riskier.

Conceptually, *murabahah* is sale-based financing with an agreed margin, whereas *musyarakah* is partnership-based financing with profits shared according to an agreed *nisbah* and losses allocated in proportion to capital, with attention to Sharia provisions. These differences affect the income mechanism, risk sharing, and monitoring needs, but they do not show that one contract is more Islamic than the other. Smolo and Nagayev (2024) discuss financing characteristics and the stability of Islamic banking, while Tisdell and Ahmad (2018) explain the tendency for sale-based financing to dominate. Pramesti and Anggraini (2024) and Sabrina and Abd Majid (2020) highlight the obstacles to profit-sharing financing, while Irham (2025) shows the dominance of *murabahah* in the financing structure of Indonesian Islamic banking. These findings indicate that the choice of contract needs to be understood through contract characteristics, risk management, and supervisory capacity, not merely through income certainty.

The synthesis of previous studies shows that discussions of the two contracts still need to link contractual characteristics with the operational considerations that affect their use. The dominance of *murabahah* cannot be explained sufficiently by ease of implementation, just as the limited use of *musyarakah* does not automatically indicate weak application of Sharia principles. This study therefore analyzes the concept and application of *murabahah* and *musyarakah* by considering Sharia provisions, financing mechanisms, risk sharing, and the perspectives of agency theory and transaction cost theory. This approach is expected to give a more balanced understanding of the differences between the two contracts and the factors related to their application in Islamic banking.

3. Methods

This study uses a qualitative approach with a qualitative comparative literature review method to analyze the concept and application of *murabahah* and *musyarakah* financing in Islamic banking. The review focuses on comparing contract characteristics, financing mechanisms, risk sharing, monitoring needs, and the operational factors related to the dominance of *murabahah* and the application of *musyarakah*. The literature reviewed comprises 25 references, including books, scientific journal articles, fatwas of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI), and other publications on Islamic banking published between 2000 and 2025. Sources were selected for their relevance to the research objectives and to the discussion of the two contracts in the context of Islamic banking in Indonesia.

The inclusion criteria were publications issued between 2000 and 2025 that are relevant to the research objectives, particularly those discussing the concept and mechanisms of the

murabahah and *musyarakah* contracts, the Sharia provisions governing both, their application in Islamic banking, and the operational factors related to risk sharing, information asymmetry, monitoring costs, and the choice of financing contract. Literature on agency theory and transaction cost theory was also included where it supported the analysis of contract characteristics and the operational considerations of banks. The sources considered include scientific journal articles, academic books, DSN-MUI fatwas, and other relevant publications that can be traced through Google Scholar or the relevant publishers. The exclusion criteria were publications not directly related to *murabahah* or *musyarakah* financing, writings that only discuss conventional banking without analytical relevance to the research focus, sources that do not provide adequate information for the analytical categories, and duplicate publications. Applying these criteria was intended to retain literature that supports the conceptual comparison and the analysis of how the two contracts are applied in Islamic banking.

Data were collected through documentation, by examining relevant information from these sources. The information obtained was grouped into five categories: (1) principles and mechanisms of the contracts; (2) profit and risk sharing; (3) information asymmetry and monitoring costs; (4) tendencies in the application of *murabahah* and *musyarakah*; and (5) the implications of contract characteristics for the operational considerations of banks. The analysis was descriptive-comparative, comparing concepts and findings across sources to identify similarities, differences, and explanations for the tendency to use each contract. Differences in findings were examined in light of the focus and context of the sources cited.

The results of the comparison were then interpreted using agency theory and transaction cost theory. Agency theory was used to explain the links among information asymmetry, potential conflicts of interest, and monitoring needs, while transaction cost theory was used to analyze considerations related to information search, monitoring, and contract enforcement. Both perspectives were used to build a synthesis of the factors related to the application of *murabahah* and *musyarakah*, without assuming that either contract is always more efficient or riskier under every condition.

4. Results and Discussion

4.1. Research Results

Financing activity in Islamic economics is concerned not only with financial transactions but must also meet the principles of justice, honesty, transparency, and the prohibition of *riba*. *Murabahah* and *musyarakah* differ in transaction mechanism, profit sharing, risk handling, and monitoring needs. These differences form the basis for analyzing how the two contracts are applied in Islamic banking and the operational factors that may be related to the choice of financing contract.

4.1.1. Foundation of *Murabahah* (Sale and Purchase Contract)

QS. Al-Baqarah: 275

اللّٰهُ وَاَحَلَّ الرِّبٰوا وَحَرَّمَ الرِّبٰوا ۗفَمَنْ جَاۤءَهٗ مَوْعِظَةٌ مِّنْ رَّبِّهٖ فَانْتَهٰى فَلَهٗ مَا سَلَفَ ۗوَاَمْرُهٗٓ اِلَى اللّٰهِ ۗوَمَنْ عَادَ فَاُولٰۤىِٕكَ اَصْحٰبُ النَّارِ ۚهُمْ فِيْهَا خٰلِدُوْنَ ۝٢٧٥ يَمْحَقُ اللّٰهُ الرِّبٰوا وَيُرْبِى الصَّدَقٰتِ ۗوَاللّٰهُ لَا يُحِبُّ كُلَّ كَفَّارٍ اَثِيْمٍ ۝٢٧٦ اِنَّ الَّذِيْنَ اٰمَنُوْا وَعَمِلُوا الصّٰلِحٰتِ وَاَقَامُوا الصَّلٰوةَ وَاٰتَوُا الزَّكٰوةَ لَهُمْ اَجْرُهُمْ عِنْدَ رَبِّهِمْ ۚوَلَا خَوْفٌ عَلَيْهِمْ وَلَا هُمْ يَحْزَنُوْنَ ۝٢٧٧ يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوا اتَّقُوا اللّٰهَ وَذَرُوْا مَا بَقِيَ مِنَ الرِّبٰٓوا اِنْ كُنْتُمْ مُّؤْمِنِيْنَ ۝٢٧٨ فَاِنْ لَّمْ تَفْعَلُوْا فَاْذَنُوْا بِحَرْبٍ مِّنَ اللّٰهِ وَرَسُوْلِهٖ ۚوَاِنْ تُبْتُمْ فَلَكُمْ رُءُوْسُ اَمْوَالِكُمْ ۚلَا تَظْلِمُوْنَ وَلَا تُظْلَمُوْنَ ۝٢٧٩ وَاِنْ كَانَ ذُوْ عُسْرَةٍ فَنَظِرَةٌ اِلٰى مَيْسَرَةٍ ۗوَاَنْ تَصَدَّقُوْا خَيْرٌ لَّكُمْ اِنْ كُنْتُمْ تَعْلَمُوْنَ ۝٢٨٠ وَاتَّقُوْا يَوْمًا تُرْجَعُوْنَ فِيْهِ اِلَى اللّٰهِ ۗثُمَّ تُوَفّٰى كُلُّ نَفْسٍ مَّا كَسَبَتْ وَهُمْ لَا يُظْلَمُوْنَ ۝٢٨١ يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْٓا اِذَا تَدَايَنْتُمْ بِدَيْنٍ اِلٰٓى اَجَلٍ مُّسَمًّى فَاكْتُبُوْهُ ۗوَلْيَكْتُبْ بَّيْنَكُمْ كَاتِبٌۢ بِالْعَدْلِ ۗوَلَا يَاْبَ كَاتِبٌ اَنْ يَّكْتُبَ كَمَا عَلَّمَهُ اللّٰهُ فَلْيَكْتُبْ ۚوَلْيُمْلِلِ الَّذِيْ عَلَيْهِ الْحَقُّ وَلْيَتَّقِ اللّٰهَ رَبَّهٗ وَلَا يَبْخَسْ مِنْهُ شَيْـًٔا ۗفَاِنْ كَانَ الَّذِيْ عَلَيْهِ الْحَقُّ سَفِيْهًا اَوْ ضَعِيْفًا اَوْ لَا يَسْتَطِيْعُ اَنْ يُّمِلَّ هُوَ فَلْيُمْلِلْ وَلِيُّهٗ بِالْعَدْلِ ۗوَاسْتَشْهِدُوْا شَهِيْدَيْنِ مِنْ رِّجَالِكُمْ ۚفَاِنْ لَّمْ يَكُوْنَا رَجُلَيْنِ فَرَجُلٌ وَّامْرَاَتٰنِ مِمَّنْ تَرْضَوْنَ مِنَ الشُّهَدَاۤءِ اَنْ تَضِلَّ اِحْدٰىهُمَا فَتُذَكِّرَ اِحْدٰىهُمَا الْاُخْرٰى ۗوَلَا يَاْبَ الشُّهَدَاۤءُ اِذَا مَا دُعُوْا ۗوَلَا تَسْـَٔمُوْٓا اَنْ تَكْتُبُوْهُ صَغِيْرًا اَوْ كَبِيْرًا اِلٰٓى اَجَلِهٖ ۗذٰلِكُمْ اَقْسَطُ عِنْدَ اللّٰهِ وَاَقْوَمُ لِلشَّهَادَةِ وَاَدْنٰٓى اَلَّا تَرْتَابُوْٓا اِلَّآ اَنْ تَكُوْنَ تِجَارَةً حَاضِرَةً تُدِيْرُوْنَهَا بَيْنَكُمْ فَلَيْسَ عَلَيْكُمْ جُنَاحٌ اَلَّا تَكْتُبُوْهَا ۗوَاَشْهِدُوْٓا اِذَا تَبَايَعْتُمْ ۖوَلَا يُضَاۤرَّ كَاتِبٌ وَّلَا شَهِيْدٌ ۗوَاِنْ تَفْعَلُوْا فَاِنَّهٗ فُسُوْقٌۢ بِكُمْ ۗوَاتَّقُوا اللّٰهَ ۗوَيُعَلِّمُكُمُ اللّٰهُ ۗوَاللّٰهُ بِكُلِّ شَيْءٍ عَلِيْمٌ ۝٢٨٢ وَاِنْ كُنْتُمْ عَلٰى سَفَرٍ وَّلَمْ تَجِدُوْا كَاتِبًا فَرِهٰنٌ مَّقْبُوْضَةٌ ۗفَاِنْ اَمِنَ بَعْضُكُمْ بَعْضًا فَلْيُؤَدِّ الَّذِى اؤْتُمِنَ اَمَانَتَهٗ وَلْيَتَّقِ اللّٰهَ رَبَّهٗ ۗوَلَا تَكْتُمُوا الشَّهَادَةَ ۚوَمَنْ يَّكْتُمْهَا فَاِنَّهٗٓ اٰثِمٌ قَلْبُهٗ ۗوَاللّٰهُ بِمَا تَعْمَلُوْنَ عَلِيْمٌ ۝٢٨٣ لِلّٰهِ مَا فِى السَّمٰوٰتِ وَمَا فِى الْاَرْضِ ۗوَاِنْ تُبْدُوْا مَا فِيْٓ اَنْفُسِكُمْ اَوْ تُخْفُوْهُ يُحَاسِبْكُمْ بِهِ اللّٰهُ ۗفَيَغْفِرُ لِمَنْ يَّشَاۤءُ وَيُعَذِّبُ مَنْ يَّشَاۤءُ ۗوَاللّٰهُ عَلٰى كُلِّ شَيْءٍ قَدِيْرٌ ۝٢٨٤ اٰمَنَ الرَّسُوْلُ بِمَآ اُنْزِلَ اِلَيْهِ مِنْ رَّبِّهٖ وَالْمُؤْمِنُوْنَ ۗكُلٌّ اٰمَنَ بِاللّٰهِ وَمَلٰۤىِٕكَتِهٖ وَكُتُبِهٖ وَرُسُلِهٖ ۗلَا نُفَرِّقُ بَيْنَ اَحَدٍ مِّنْ رُّسُلِهٖ ۗوَقَالُوْا سَمِعْنَا وَاَطَعْنَا ۗغُفْرَانَكَ رَبَّنَا وَاِلَيْكَ الْمَصِيْرُ ۝٢٨٥ لَا يُكَلِّفُ اللّٰهُ نَفْسًا اِلَّا وُسْعَهَا ۗلَهَا مَا كَسَبَتْ وَعَلَيْهَا مَا اكْتَسَبَتْ ۗرَبَّنَا لَا تُؤَاخِذْنَآ اِنْ نَّسِيْنَآ اَوْ اَخْطَاْنَا ۚرَبَّنَا وَلَا تَحْمِلْ عَلَيْنَآ اِصْرًا كَمَا حَمَلْتَهٗ عَلَى الَّذِيْنَ مِنْ قَبْلِنَا ۚرَبَّنَا وَلَا تُحَمِّلْنَا مَا لَا طَاقَةَ لَنَا بِهٖ ۚوَاعْفُ عَنَّا ۗوَاغْفِرْ لَنَا ۗوَارْحَمْنَا ۗاَنْتَ مَوْلٰىنَا فَانْصُرْنَا عَلَى الْقَوْمِ الْكٰفِرِيْنَ ۝٢٨٦

QS. Al-Baqarah verse 275 distinguishes sale from *riba* and provides the normative basis for sale transactions that comply with Sharia principles. In a *murabahah* contract, the bank

acts as the seller, disclosing the acquisition cost of the goods and setting a profit margin agreed with the customer. However, a contract's conformity with Sharia principles is determined not only by the presence of a margin but also by the fulfillment of the requirements of sale and the applicable contractual conditions.

QS. An-Nisa: 29

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْا لَا تَأْكُلُوْٓا اَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ اِلَّآ اَنْ تَكُوْنَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ ۗوَلَا تَقْتُلُوْٓا اَنْفُسَكُمْ ۗاِنَّ اللّٰهَ كَانَ بِكُمْ رَحِيْمًا ﴿٢٩﴾

"O you who believe, do not consume one another's wealth in a vain manner, except by way of trade that takes place on the basis of mutual consent..."

QS. An-Nisa verse 29 affirms the prohibition of acquiring wealth by illegitimate means and the importance of the parties' consent in a transaction. This principle is relevant to the implementation of *murabahah*, particularly the disclosure of information on the acquisition cost of the goods, the profit margin, and the selling price. Transparency is needed so that the parties understand their rights and obligations and can agree to the transaction without coercion. In Islamic banking, the implementation of *murabahah* also refers to DSN-MUI Fatwa No. 04/DSN-MUI/IV/2000.

QS. Sad: 24

هُمٌّ مَّا وَقَلِيْلٌ مَّا هُمْ ۗوَظَنَّ دَاوٗدُ اَنَّمَا فَتَنّٰهُ فَاسْتَغْفَرَ رَبَّهٗ وَخَرَّ رَاكِعًا وَّاَنَابَ ۩ ﴿٢٤﴾ فَغَفَرْنَا لَهٗ ذٰلِكَ ۗوَاِنَّ لَهٗ عِنْدَنَا لَزُلْفٰى وَحُسْنَ مَاٰبٍ ﴿٢٥﴾ يٰدَاوٗدُ اِنَّا جَعَلْنٰكَ خَلِيْفَةً فِى الْاَرْضِ فَاحْكُمْ بَيْنَ النَّاسِ بِالْحَقِّ وَلَا تَتَّبِعِ الْهَوٰى فَيُضِلَّكَ عَنْ سَبِيْلِ اللّٰهِ ۗاِنَّ الَّذِيْنَ يَضِلُّوْنَ عَنْ سَبِيْلِ اللّٰهِ لَهُمْ عَذَابٌ شَدِيْدٌ ۢبِمَا نَسُوْا يَوْمَ الْحِسَابِ ﴿٢٦﴾ وَمَا خَلَقْنَا السَّمَاۤءَ وَالْاَرْضَ وَمَا بَيْنَهُمَا بَاطِلًا ۗذٰلِكَ ظَنُّ الَّذِيْنَ كَفَرُوْا ۚفَوَيْلٌ لِّلَّذِيْنَ كَفَرُوْا مِنَ النَّارِ ﴿٢٧﴾ اَمْ نَجْعَلُ الَّذِيْنَ اٰمَنُوْا وَعَمِلُوا الصّٰلِحٰتِ كَالْمُفْسِدِيْنَ فِى الْاَرْضِ اَمْ نَجْعَلُ الْمُتَّقِيْنَ كَالْفُجَّارِ ﴿٢٨﴾ كِتٰبٌ اَنْزَلْنٰهُ اِلَيْكَ مُبٰرَكٌ لِّيَدَّبَّرُوْٓا اٰيٰتِهٖ وَلِيَتَذَكَّرَ اُولُوا الْاَلْبَابِ ﴿٢٩﴾ وَوَهَبْنَا لِدَاوٗدَ سُلَيْمٰنَ ۗنِعْمَ الْعَبْدُ ۗاِنَّهٗٓ اَوَّابٌ ﴿٣٠﴾ اِذْ عُرِضَ عَلَيْهِ بِالْعَشِيِّ الصّٰفِنٰتُ الْجِيَادُ ﴿٣١﴾ فَقَالَ اِنِّيْٓ اَحْبَبْتُ حُبَّ الْخَيْرِ عَنْ ذِكْرِ رَبِّيْ ۚحَتّٰى تَوَارَتْ بِالْحِجَابِ ﴿٣٢﴾ رُدُّوْهَا عَلَيَّ ۗفَطَفِقَ مَسْحًاۢ بِالسُّوْقِ وَالْاَعْنَاقِ ﴿٣٣﴾ وَلَقَدْ فَتَنَّا سُلَيْمٰنَ وَاَلْقَيْنَا عَلٰى كُرْسِيِّهٖ جَسَدًا ثُمَّ اَنَابَ ﴿٣٤﴾ قَالَ رَبِّ اغْفِرْ لِيْ وَهَبْ لِيْ مُلْكًا لَّا يَنْۢبَغِيْ لِاَحَدٍ مِّنْۢ بَعْدِيْ ۗاِنَّكَ اَنْتَ الْوَهَّابُ ﴿٣٥﴾ فَسَخَّرْنَا لَهُ الرِّيْحَ تَجْرِيْ بِاَمْرِهٖ رُخَاۤءً حَيْثُ اَصَابَ ﴿٣٦﴾ وَالشَّيٰطِيْنَ كُلَّ بَنَّاۤءٍ وَّغَوَّاصٍ ﴿٣٧﴾ وَّاٰخَرِيْنَ مُقَرَّنِيْنَ فِى الْاَصْفَادِ ﴿٣٨﴾ هٰذَا عَطَاۤؤُنَا فَامْنُنْ اَوْ اَمْسِكْ بِغَيْرِ حِسَابٍ ﴿٣٩﴾ وَاِنَّ لَهٗ عِنْدَنَا لَزُلْفٰى وَحُسْنَ مَاٰبٍ ﴿٤٠﴾ وَاذْكُرْ عَبْدَنَآ اَيُّوْبَ ۘاِذْ نَادٰى رَبَّهٗٓ اَنِّيْ مَسَّنِيَ الشَّيْطٰنُ بِنُصْبٍ وَّعَذَابٍ ﴿٤١﴾ اُرْكُضْ بِرِجْلِكَ ۚهٰذَا مُغْتَسَلٌۢ بَارِدٌ وَّشَرَابٌ ﴿٤٢﴾ وَوَهَبْنَا لَهٗٓ اَهْلَهٗ وَمِثْلَهُمْ مَّعَهُمْ رَحْمَةً مِّنَّا وَذِكْرٰى لِاُولِى الْاَلْبَابِ ﴿٤٣﴾ وَخُذْ بِيَدِكَ ضِغْثًا فَاضْرِبْ بِّهٖ وَلَا تَحْنَثْ ۗاِنَّا وَجَدْنٰهُ صَابِرًا ۗنِعْمَ الْعَبْدُ ۗاِنَّهٗٓ اَوَّابٌ ﴿٤٤﴾ وَاذْكُرْ عِبٰدَنَآ اِبْرٰهِيْمَ وَاِسْحٰقَ وَيَعْقُوْبَ اُولِى الْاَيْدِيْ وَالْاَبْصَارِ ﴿٤٥﴾ اِنَّآ اَخْلَصْنٰهُمْ بِخَالِصَةٍ ذِكْرَى الدَّارِ ﴿٤٦﴾ وَاِنَّهُمْ عِنْدَنَا لَمِنَ الْمُصْطَفَيْنَ الْاَخْيَارِ ﴿٤٧﴾ وَاذْكُرْ اِسْمٰعِيْلَ وَالْيَسَعَ وَذَا الْكِفْلِ ۗوَكُلٌّ مِّنَ الْاَخْيَارِ ﴿٤٨﴾ هٰذَا ذِكْرٌ ۗوَاِنَّ لِلْمُتَّقِيْنَ لَحُسْنَ مَاٰبٍ ﴿٤٩﴾ جَنّٰتِ عَدْنٍ مُّفَتَّحَةً لَّهُمُ الْاَبْوَابُ ﴿٥٠﴾ مُتَّكِـِٕيْنَ فِيْهَا يَدْعُوْنَ فِيْهَا بِفَاكِهَةٍ كَثِيْرَةٍ وَّشَرَابٍ ﴿٥١﴾ وَعِنْدَهُمْ قٰصِرٰتُ الطَّرْفِ اَتْرَابٌ ﴿٥٢﴾ هٰذَا مَا تُوْعَدُوْنَ لِيَوْمِ الْحِسَابِ ﴿٥٣﴾ اِنَّ هٰذَا لَرِزْقُنَا مَا لَهٗ مِنْ نَّفَادٍ ﴿٥٤﴾ هٰذَا ۗوَاِنَّ لِلطّٰغِيْنَ لَشَرَّ مَاٰبٍ ﴿٥٥﴾ جَهَنَّمَ ۚيَصْلَوْنَهَا فَبِئْسَ الْمِهَادُ ﴿٥٦﴾ هٰذَا ۙفَلْيَذُوْقُوْهُ حَمِيْمٌ وَّغَسَّاقٌ ﴿٥٧﴾ وَّاٰخَرُ مِنْ شَكْلِهٖٓ اَزْوَاجٌ ﴿٥٨﴾ هٰذَا فَوْجٌ مُّقْتَحِمٌ مَّعَكُمْ ۗلَا مَرْحَبًا بِهِمْ ۗاِنَّهُمْ صَالُوا النَّارِ ﴿٥٩﴾ قَالُوْا بَلْ اَنْتُمْ ۗلَا مَرْحَبًا بِكُمْ ۗاَنْتُمْ قَدَّمْتُمُوْهُ لَنَا ۚفَبِئْسَ الْقَرَارُ ﴿٦٠﴾ قَالُوْا رَبَّنَا مَنْ قَدَّمَ لَنَا هٰذَا فَزِدْهُ عَذَابًا ضِعْفًا فِى النَّارِ ﴿٦١﴾ وَقَالُوْا مَا لَنَا لَا نَرٰى رِجَالًا كُنَّا نَعُدُّهُمْ مِّنَ الْاَشْرَارِ ﴿٦٢﴾ اَتَّخَذْنٰهُمْ سِخْرِيًّا اَمْ زَاغَتْ عَنْهُمُ الْاَبْصَارُ ﴿٦٣﴾ اِنَّ ذٰلِكَ لَحَقٌّ تَخَاصُمُ اَهْلِ النَّارِ ﴿٦٤﴾ قُلْ اِنَّمَآ اَنَا مُنْذِرٌ ۖوَّمَا مِنْ اِلٰهٍ اِلَّا اللّٰهُ الْوَاحِدُ الْقَهَّارُ ﴿٦٥﴾ رَبُّ السَّمٰوٰتِ وَالْاَرْضِ وَمَا بَيْنَهُمَا الْعَزِيْزُ الْغَفَّارُ ﴿٦٦﴾ قُلْ هُوَ نَبَؤٌا عَظِيْمٌ ﴿٦٧﴾ اَنْتُمْ عَنْهُ مُعْرِضُوْنَ ﴿٦٨﴾ مَا كَانَ لِيَ مِنْ عِلْمٍ بِالْمَلَاِ الْاَعْلٰٓى اِذْ يَخْتَصِمُوْنَ ﴿٦٩﴾ اِنْ يُّوْحٰٓى اِلَيَّ اِلَّآ اَنَّمَآ اَنَا نَذِيْرٌ مُّبِيْنٌ ﴿٧٠﴾ اِذْ قَالَ رَبُّكَ لِلْمَلٰۤئِكَةِ اِنِّيْ خَالِقٌۢ بَشَرًا مِّنْ طِيْنٍ ﴿٧١﴾ فَاِذَا سَوَّيْتُهٗ وَنَفَخْتُ فِيْهِ مِنْ رُّوْحِيْ فَقَعُوْا لَهٗ سٰجِدِيْنَ ﴿٧٢﴾ فَسَجَدَ الْمَلٰۤئِكَةُ كُلُّهُمْ اَجْمَعُوْنَ ﴿٧٣﴾ اِلَّآ اِبْلِيْسَ ۗاِسْتَكْبَرَ وَكَانَ مِنَ الْكٰفِرِيْنَ ﴿٧٤﴾ قَالَ يٰٓاِبْلِيْسُ مَا مَنَعَكَ اَنْ تَسْجُدَ لِمَا خَلَقْتُ بِيَدَيَّ ۗاَسْتَكْبَرْتَ اَمْ كُنْتَ مِنَ الْعَالِيْنَ ﴿٧٥﴾ قَالَ اَنَا خَيْرٌ مِّنْهُ ۗخَلَقْتَنِيْ مِنْ نَّارٍ وَّخَلَقْتَهٗ مِنْ طِيْنٍ ﴿٧٦﴾ قَالَ فَاخْرُجْ مِنْهَا فَاِنَّكَ رَجِيْمٌ ﴿٧٧﴾ وَّاِنَّ عَلَيْكَ لَعْنَتِيْٓ اِلٰى يَوْمِ الدِّيْنِ ﴿٧٨﴾ قَالَ رَبِّ فَاَنْظِرْنِيْٓ اِلٰى يَوْمِ يُبْعَثُوْنَ ﴿٧٩﴾ قَالَ فَاِنَّكَ مِنَ الْمُنْظَرِيْنَ ﴿٨٠﴾ اِلٰى يَوْمِ الْوَقْتِ الْمَعْلُوْمِ ﴿٨١﴾ قَالَ فَبِعِزَّتِكَ لَاُغْوِيَنَّهُمْ اَجْمَعِيْنَ ﴿٨٢﴾ اِلَّا عِبَادَكَ مِنْهُمُ الْمُخْلَصِيْنَ ﴿٨٣﴾ قَالَ فَالْحَقُّ ۗوَالْحَقَّ اَقُوْلُ ﴿٨٤﴾ لَاَمْلَـَٔنَّ جَهَنَّمَ مِنْكَ وَمِمَّنْ تَبِعَكَ مِنْهُمْ اَجْمَعِيْنَ ﴿٨٥﴾ قُلْ مَآ اَسْـَٔلُكُمْ عَلَيْهِ مِنْ اَجْرٍ وَّمَآ اَنَا مِنَ الْمُتَكَلِّفِيْنَ ﴿٨٦﴾ اِنْ هُوَ اِلَّا ذِكْرٌ لِّلْعٰلَمِيْنَ ﴿٨٧﴾ وَلَتَعْلَمُنَّ نَبَاَهٗ بَعْدَ حِيْنٍ ﴿٨٨﴾

"And indeed, most of those who form partnerships wrong one another, except those who believe and do righteous deeds..."

This verse shows that the concept of *syirkah* (business cooperation) is already recognized in Islam, but it must be founded on faith, honesty, and responsibility. In the context of *musyarakah*, this verse becomes the basis that business cooperation must avoid ظلم (injustice), including profit manipulation or the concealment of business information.
Hadith of the Prophet Muhammad SAW

"Allah says: I am the third party of two people in a partnership as long as one of them does not betray the other. If one of them betrays the other, I leave them." (Narrated by Abu Dawud)

The hadith narrated by Abu Dawud on partnership stresses trustworthiness (*amanah*) and the prohibition of betrayal in cooperation. In the context of *musyarakah*, this value is relevant to business management and to the disclosure of information on income, costs, and business performance, which form the basis of profit sharing. The implementation of *musyarakah* in Islamic banking also refers to DSN-MUI Fatwa No. 08/DSN-MUI/IV/2000.

Both contracts therefore rest on Sharia foundations that emphasize compliance with transaction requirements, justice, transparency, and responsibility. The difference in contract structure, with *murabahah* as a sale-and-purchase contract and *musyarakah* as a business partnership contract, has implications for the income mechanism, risk allocation, and monitoring needs. These differences are analyzed further through a comparison of the characteristics and application mechanisms of the two contracts.

4.1.2. Comparison of Characteristics and Financing Mechanisms

The differences between *murabahah* and *musyarakah* can be seen in the contract structure, the role of the bank, the profit mechanism, loss allocation, and monitoring needs. Table 1 presents a conceptual synthesis of the differences between the two contracts as a basis for understanding their operational implications.

Table 1. Analytical Comparison of *Murabahah* and *Musyarakah* Financing

Aspect	*Murabahah*	*Musyarakah*
Contract structure	Sale and purchase with disclosure of the acquisition cost and an agreed margin	Business partnership with capital contributions from the parties
Role of the bank	Seller of the financed goods	Business partner contributing capital
Profit mechanism	Margin is set in the sale contract	Profit is distributed according to an agreed *nisbah*
Loss allocation	The bank faces the risk of asset ownership before the sale and payment risk after the transaction, in accordance with the contract provisions	Financial losses in principle follow the proportion of capital contribution, with attention to provisions on negligence and breach
Main risks	Asset ownership risk, transaction operational risk, and default risk	Business risk, operational risk, information asymmetry, and business management risk
Monitoring needs	Focuses on transaction compliance, ownership and delivery of goods, documentation, and payment	Requires monitoring of business performance, financial statements, and compliance with the partnership agreement
Income characteristics	The selling price and margin are agreed in the contract, but actual receipts still depend on the fulfillment of payment obligations	Income depends on business performance and the agreed *nisbah*
Operational considerations	The transaction process is potentially more standardized, but still requires adequate controls	Verifying business results and monitoring the partner may require more intensive information and supervision
Implications for contract choice	Can offer higher predictability of contractual income	Allows sharing of business results, but realized income may fluctuate with business performance

Source: Author's conceptual synthesis based on contract characteristics and relevant Sharia provisions

Table 1 shows that the main difference between the two contracts lies in the contract structure and the income mechanism. In *murabahah*, the selling price and profit margin are agreed at the time of the contract, so contractual income is easier to predict than under a mechanism of sharing business results. Even so, an agreed margin does not guarantee that all income will be realized, because the bank still faces the risks of late payment, default, and other risks related to carrying out the transaction.

In *musyarakah*, profits are distributed according to the nisbah agreed by the partners, while financial losses in principle are borne in proportion to capital contribution. This rule needs to be distinguished from losses arising from negligence, breach of agreement, or actions inconsistent with a party's obligations. *Musyarakah* therefore cannot be understood merely

as a risk-sharing mechanism; it is also a partnership relationship that requires adequate governance and business information.

These differences also affect monitoring needs. In *murabahah*, monitoring mainly concerns the conformity of the sale transaction, fulfillment of the contract provisions, delivery of the goods, and payment of the customer's obligations. In *musyarakah*, the bank needs adequate information on the progress of the business, its income, its costs, and the partner's financial condition. This information is important for assessing business results and determining profit sharing in accordance with the agreement.

4.1.3. Application Mechanism of *Murabahah* and *Musyarakah*

The fundamental differences between *murabahah* and *musyarakah* lie in their contractual structures, profit mechanisms, and risk allocation. *Murabahah* is a sale-and-purchase contract in which the acquisition cost and profit margin are disclosed and agreed upon by the parties. However, an agreed margin does not guarantee the bank's actual profitability, as payment defaults and other transaction-related risks may still occur. In contrast, *musyarakah* is a partnership contract in which profits are distributed according to an agreed ratio (*nisbah*), while financial losses are generally allocated according to each party's capital contribution, subject to applicable Sharia principles and provisions concerning negligence or contractual violations. These differences have implications for financing procedures, monitoring requirements, and risk management in Islamic banking.

Table 2. Application Mechanism of *Murabahah* and *Musyarakah*

Stage	*Murabahah*	*Musyarakah*
Financing Application	The customer submits a request to purchase goods (house, vehicle, business capital) to the Islamic bank	The customer submits a business cooperation proposal to the Islamic bank
Bank Analysis	The bank conducts a financing feasibility analysis (5C: Character, Capacity, Capital, Collateral, Condition)	The bank analyzes the business feasibility, business prospects, and profit potential
Contract/Agreement	The sale and purchase contract is agreed between the bank and the customer at the cost price + margin	The capital cooperation contract is agreed with the division of the profit-sharing ratio
Fund Disbursement	The bank buys goods from a supplier and then sells them to the customer	The bank and the customer both contribute business capital
Management	The goods become the property of the customer, and the bank does not take part in managing the business	The business is managed jointly or by one of the parties according to the agreement
Profit	The bank earns a fixed margin that was agreed at the beginning	Profit is shared based on the agreed profit-sharing ratio
Risk	The main risk is customer default	Business risk is borne together according to capital share
Role of the Bank	Seller of goods (intermediary financing)	Business partner or investor (*shahibul maal* and/or *syarik*)
Settlement	The customer pays fixed installments until fully paid	Business profit sharing is carried out periodically according to profit

The comparison in Table 2 indicates that *murabahah* and *musyarakah* require different approaches to financing administration and risk monitoring. In *murabahah*, the bank's primary responsibilities include ensuring compliance with the sale-and-purchase sequence, disclosing the transaction price, and monitoring customer payments. In *musyarakah*, monitoring also involves evaluating business performance, verifying financial information, and ensuring that profit distribution follows the agreed *nisbah*. These distinctions suggest that *murabahah* emphasizes transaction and payment controls, whereas *musyarakah* requires more continuous business monitoring. This comparison represents a synthesis of the contractual characteristics of the two financing schemes rather than the results of direct testing or observation of bank operations.

4.2. Discussion

The reviewed literature shows that *murabahah* is widely discussed as one of the main forms of financing in Islamic banking practice, compared with *musyarakah*. This tendency can be understood through considerations of risk management, liquidity needs, and the stability of the bank's receipts (Kurniawati, 2021). From the perspective of financial intermediation, banks collect and channel funds while taking into account risk and the sustainability of their operations (Saputri et al., 2025). The characteristics of *murabahah*, namely a selling price and margin agreed at the start of the contract, can help banks estimate receipts based on the payment schedule. However, margin certainty in the contract does not guarantee the realization of income or the bank's profitability, since both are still affected by the customer's ability to pay, default risk, and operating costs.

From the perspective of agency theory, the differences in characteristics between the two contracts can be analyzed through the potential for conflicts of interest and information asymmetry among the parties involved. Jensen and Meckling (1976) explain that agency relationships can give rise to agency costs when the interests of the parties are not fully aligned and monitoring mechanisms are needed. In *musyarakah*, the bank as one of the partners may have limited access to information on the income, costs, and performance of the business managed by the partner. This information imbalance can make it harder to verify business results and increases the need for monitoring. Even so, agency problems are not found only in *musyarakah*. In *murabahah*, the bank still needs to ensure compliance with the transaction stages, documentation, ownership of the goods before sale, and fulfillment of payment obligations. The two contracts differ in the type of information that must be verified and in the aspects on which supervision focuses.

The transaction cost perspective also helps explain these differences in operational needs. Williamson (1981) places transaction costs and governance structures as important aspects of understanding how economic relationships are organized. In *musyarakah* financing, business assessment, performance monitoring, verification of financial statements, and calculation of business results may require more administrative resources and more intensive supervision. *Murabahah*, by contrast, may have more standardized procedures because the selling price and margin are agreed in the contract. However, this does not mean that all transaction costs of *murabahah* are always lower. The bank still needs to carry out feasibility checks, transaction verification, documentation, collection, and handling of problem financing. Transaction cost theory is therefore used to explain possible differences in the management needs of the two contracts, not as direct evidence that one is always more efficient.

These differences in characteristics also relate to the gap between the normative principles of Islamic finance and financing practice. Conceptually, *musyarakah* emphasizes business partnership through profit sharing based on an agreed *nisbah* and sharing of

financial losses in proportion to capital contribution, with attention to provisions on negligence or breach. This characteristic allows financing to be linked to productive activity through a partnership mechanism. However, its implementation requires governance that supports openness of information and business supervision. Ainunsari (2024) is cited in the discussion of Islamic financing practice and the tendency in the use of contracts, to the extent that the findings of that source do support this interpretation. The gap between principle and practice does not necessarily prove that Islamic banking fully follows the logic of conventional banking, but it points to the need to analyze contract characteristics, incentives, risks, and institutional capacity.

Within the risk-return trade-off framework, the choice of financing instrument can involve a balance between risk and the expected characteristics of returns. Discussions of the risks and characteristics of Islamic financing can also be found in Dinana and Susetyo (2025); Said and Hilalludin (2025); as well as Sardari and Rinaldy (2025). A *murabahah* margin agreed from the start can provide a more predictable basis for preparing the payment schedule, but it does not automatically result in lower overall risk or higher profitability. *Musyarakah* receipts, meanwhile, are tied to business results and are therefore more exposed to changes in business performance. This difference needs to be understood by considering the business sector, partner quality, contract structure, and the bank's ability to manage risk, rather than assuming that one contract is always more profitable than the other.

Limited business information and supervisory infrastructure may also affect the implementation of *musyarakah*. Difficulty in obtaining accurate and timely financial information can hinder the verification of business results and increase uncertainty in profit sharing. This issue relates to the discussion of information asymmetry and monitoring needs in Dinana and Susetyo (2025) as well as Kurnia et al. (2025). In this context, strengthening information systems can be considered as a way to support business reporting and monitoring. Even so, limited information cannot be treated as the only explanation for the use of *musyarakah*, because financing decisions can also be influenced by customer characteristics, bank risk policy, regulation, and market conditions.

A number of earlier studies discuss the tendency to use *murabahah* in the Islamic banking industry in various contexts (Altarawneh & Lucas, 2012; Bhatti et al., 2025; Gundogdu, 2018; Ikhwan et al., 2025; Malini & Putri, 2020; Novikov et al., 2020; Prabowo & Jamal, 2017). These studies serve as a point of comparison for placing the results of this literature synthesis in a broader discussion. The analytical contribution of this study lies in linking contract characteristics with potential information asymmetry, monitoring needs, and transaction execution costs. However, without direct testing of financing portfolio data, this study cannot determine how large the dominance of *murabahah* is in Indonesian Islamic banking, nor prove that these factors are the main cause of contract choice. The dominance of *murabahah* in this study is therefore understood as a tendency discussed in the literature, while the explanation of the structural factors behind it is a conceptual interpretation that still requires empirical testing.

On the other hand, *musyarakah* has characteristics that allow financing to be linked to productive business activity through a partnership and profit-sharing mechanism. Chapra (2000) provides a basis for discussing the principles of Islamic finance, especially where the cited part relates to risk sharing, justice, and productive economic activity. This potential needs to be weighed together with the challenges of information management, governance, and business supervision. *Musyarakah* therefore cannot be said to be always more ideal than *murabahah* for all financing needs. The suitability of each contract needs to be assessed based

on the financing purpose, business characteristics, Sharia provisions, risk profile, and the bank's operational capacity.

Based on the literature synthesis, digitalization of business reporting, improved transaction documentation, and risk-based strengthening of supervision can be considered as practical implications (Tampubolon & Sudiarti, 2025; Wahyudi, 2025). In *murabahah*, digital documentation could help trace the transaction stages, ownership and delivery of goods, and payment. In *musyarakah*, a digital reporting system could make it easier to submit and verify information on the partner's income, costs, and business progress. These recommendations are derived from the analysis of contract characteristics and operational issues in the literature, not from testing an intervention or directly evaluating the use of technology in this study. The effectiveness of digitalization and stronger supervision in reducing transaction costs or financing risk therefore still needs to be tested through empirical research.

This study has limitations that should be kept in mind when interpreting its results. First, the analysis depends on the scope and relevance of the selected literature, which was traced through Google Scholar and related publication sources. The synthesis may therefore be affected by the availability of sources and by differences in the contexts of earlier studies. Second, this study did not collect primary data through interviews with Islamic banking practitioners and did not directly test banks' financing portfolio data. The discussion of the tendency to use *murabahah*, monitoring costs, and information asymmetry is thus a literature-based interpretation, not an independent measurement of financing proportions or proof of a causal relationship. Future research could combine financing portfolio data, practitioner interviews, and cost and risk indicators to test the links among contract characteristics, monitoring needs, information limitations, and banks' decisions in choosing financing contracts.

5. Conclusion

This study aimed to analyze the differences in concept, mechanism, and application of *murabahah* and *musyarakah* financing in Islamic banking. The synthesis shows that the differences in how the two contracts are applied can be understood through the links among contract characteristics, monitoring needs, transaction costs, and potential information asymmetry. *Murabahah* has a transaction structure and margin agreed from the outset, whereas *musyarakah* requires monitoring of business performance and profit sharing based on an agreed *nisbah*. The analytical contribution of this study lies in integrating these factors to explain the operational considerations in applying the two contracts, without assuming that either is always more efficient or more profitable. In practical terms, digitalization of transaction documentation, greater transparency in business reporting, and risk-based strengthening of supervision can be considered to support the implementation of both contracts according to their characteristics. These recommendations are implications of the literature synthesis, not the result of directly testing an intervention.

This study is limited to the selected literature and did not directly test financing portfolio data or collect primary data from Islamic banking practitioners. It therefore cannot measure the extent of *murabahah*'s dominance or confirm empirically that transaction costs, information asymmetry, and monitoring needs are the main factors in the choice of contract. Future research could use financing portfolio data and practitioner input to test the links between these factors and contract choice decisions, and to evaluate the effectiveness of digital supervision and reporting systems in Islamic banking practice.

5.1. Conflict of Interest Statement

The authors affirm that they have no financial or personal ties that might be perceived as competing interests in connection with this manuscript.

5.2. Author Contributions

E.A.A.: Conceptualization, Methodology, Formal Analysis, Writing – Original Draft, Project Administration.
U.K.: Investigation, Data Curation, Validation, Writing – Review & Editing.
F.N.: Resources, Visualization, Writing – Review & Editing.

5.3. Funding Statement

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5.4. Informed Consent

As the study is based entirely on published literature and does not involve human participants, informed consent was not applicable.

5.5. Ethical Approval

The research relied solely on secondary sources such as books, journal articles, DSN-MUI fatwas, and other published materials and therefore did not involve human or animal subjects. No ethical approval was required.

5.6. Data Availability

All sources analyzed in this review are publicly available publications, cited in full in the reference list. Any additional notes on the coding and categorization of the reviewed literature may be requested from the corresponding author [E.A.A.].

5.7. Declaration of Generative AI and AI-assisted Technologies

During the preparation of this manuscript, the authors utilized ChatGPT (OpenAI) for language editing and readability improvement. All suggestions generated by the tool were subjected to critical review and revision by the authors to ensure factual accuracy, clarity of expression, and conformity with academic writing standards. The authors bear full responsibility for the integrity and content of this manuscript.

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