Islamic Home Financing-I under Bank Islam: A Conceptual Review of Shariah Principles, Tawarruq Contract and Financing Products in Malaysia

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ABSTRACT

Islamic home financing is an alternative financial solution that enables individuals to own properties while adhering to Shariah principles, particularly the prohibition of riba (interest), gharar (excessive uncertainty), and maysir (speculation). Unlike conventional interest-based housing loans, Islamic home financing operates through Shariah-compliant contractual arrangements involving asset transactions and agreed profit mechanisms. In Malaysia, several Islamic financing contracts are commonly applied, including Bai' Bithaman Ajil (BBA), Musharakah Mutanaqisah (MM), Ijarah, and Tawarruq. This conceptual paper examines Islamic home financing, with particular emphasis on Bank Islam's Home Financing-i facility. The discussion focuses on the fundamental principles of Islamic home financing, the application of the Tawarruq contract, and the characteristics of two financing products offered by Bank Islam, namely Baiti Home Financing-i and Wahdah Home Financing-i. It also examines the financing structure, eligibility requirements, benefits, and potential limitations of these products in meeting different customer needs. Through a conceptual review of relevant literature and product information, this paper highlights how Bank Islam integrates Shariah compliance into its home financing facilities while providing solutions for property purchases and refinancing. Overall, Islamic home financing represents an alternative to conventional financing by combining contractual transparency, asset-based transactions, and ethical financial principles while addressing the financial needs of property owners.

Keywords: Islamic home financing, Bank Islam, Tawarruq, Baiti Home Financing-i, Wahdah Home Financing-i, Shariah compliance.

INTRODUCTION

Islamic finance has emerged as a significant element of the Malaysian financial framework, especially in offering financial solutions that adhere to Islamic tenets (Mohd Faisal & Mamat, 2022). A notable application is Islamic home financing, which allows individuals to acquire residential properties without engaging in interest-based dealings. Islamic home financing is designed based on the prohibition of riba (interest), gharar (excessive uncertainty), and maysir (speculative activities), thereby providing an ethical and transparent alternative to conventional housing loans (Noor et al., 2026; Uluyol, 2026; Assrudin et al., 2025).

In contrast to traditional home finance, which typically entails borrowing funds with interest, Islamic home financing functions through Shariah-compliant agreements centered on asset sales, lease contracts, or partnership frameworks. These contracts ensure that financing activities comply with Islamic legal and ethical requirements. In Malaysia, common Islamic home financing structures include Bai' Bithaman Ajil (BBA), Musharakah Mutanaqisah (MM), Ijarah, and Tawarruq (Shahwan et al., 2023; Hasmad & Alosman, 2022; Ibrahim & Kamarudin, 2018; Abdull Manaf et al., 2017).

Bank Islam is one of the financial organizations providing Islamic home financing solutions to suit the property ownership needs of Malaysian customers. The Home Financing-i service offers funding for the acquisition of residential properties, refinancing options, and some commercial establishments. The establishment is organized utilizing the Tawarruq Shariah agreement and implements a variable profit rate linked to the Standardized Base

Rate (SBR). Given that this is a secured lending arrangement, clients must offer the financed asset as collateral (Bank Islam Malaysia Berhad, 2025a, 2025b). The funding is organized according to the Tawarruq Shariah agreement, which acts as the foundational Islamic financing method.

Previous studies have examined various aspects of Islamic home financing, including the Shariah principles underlying financing contracts, the application of Tawarruq in Islamic banking, and the development of Islamic financing products in Malaysia (Ishak et al., 2026; Abdullah et al., 2025; Saeed et al., 2025; Panggi et al., 2024). Research on Tawarruq has particularly focused on its operational structure, Shariah permissibility and implementation within Islamic financial institutions. However, these discussions do not necessarily provide an integrated understanding of how Shariah contractual requirements interact with institutional governance, financial affordability and customer suitability in determining the effectiveness of Islamic home financing.

Furthermore, the evaluation of Islamic home financing products frequently emphasises their contractual characteristics and Shariah compliance, while comparatively less attention is given to the relationship between financing structures, repayment risks and the long-term financial circumstances of customers. In particular, there is a need to examine how these dimensions can be integrated when evaluating different financing purposes, such as residential property acquisition and refinancing.

Although previous studies have extensively discussed the application of Tawarruq in Islamic banking (Abdullah et al., 2025; Bahrain et al., 2025; Shahrul Azmi et al., 2024; Dewaya, 2024), the Shariah permissibility of organised Tawarruq and the development of Islamic home financing products, these discussions often examine contractual compliance and financing operations as separate areas of investigation. Consequently, the relationship between Shariah contractual integrity, institutional governance, financial risk management and customer affordability remains insufficiently integrated within a single conceptual evaluation framework. In particular, the application of Tawarruq in residential property financing raises important questions concerning the relationship between the formal fulfilment of Shariah contractual requirements and the broader financial objectives of Islamic banking, including transparency, fairness and financial sustainability. Furthermore, the suitability of financing products may differ according to customers' financial circumstances and financing purposes, particularly between property acquisition and refinancing. Addressing these issues requires an integrated conceptual approach that evaluates Islamic home financing beyond contractual permissibility by considering its governance arrangements, financial implications and customer-related outcomes.

Concept of Islamic Home Financing

Islamic home financing denotes a financial arrangement that allows individuals to obtain real estate through transactions adhering to Shariah law. Its primary goal is to simplify the process of property ownership by eliminating the need for prohibited elements like riba, gharar, and maysir (Uluyol, 2026; Syed Noh & Nazri, 2024).

The primary distinction between Islamic and traditional house finance resides in the contractual connection between the financial institution and the customer. Conventional house loans entail borrowing money and repaying the principal coupled with interest (Bäckman et al., 2026; Mai & Scheule, 2026; Ismail et al., 2024). In contrast, Islamic home financing uses Shariah-compliant contractual arrangements involving the sale, purchase, lease, or joint ownership of assets.

Several contracts are commonly used in Islamic home financing in Malaysia:

1. Bai’ Bithaman Ajil (BBA): A deferred-payment sale contract in which an asset is sold at an agreed price payable over an agreed period.

2. Musharakah Mutanaqisah (MM): A diminishing partnership arrangement in which the customer gradually purchases the bank's ownership share in the property.

3. Ijarah: A leasing arrangement in which the financial institution leases an asset to the customer in return for rental payments.

4. Tawarruq: A financing arrangement involving the purchase and subsequent sale of commodities to facilitate cash financing through Shariah-compliant transactions.

These contracts enable multiple means for funding property ownership while preserving conformity with Islamic financial principles (Abdull Manaf et al., 2017).

Overview of Bank Islam Home Financing-i

Bank Islam provides Home Financing-i, a secured Islamic financing solution tailored to meet various property financing needs. The establishment functions with a variable profit rate, where the profit is determined by the monthly diminishing balance approach.

The monthly payment and financing expenses could be influenced by fluctuations in the Standardized Base Rate (SBR). Customers should be aware that the floating-rate structure may result in revisions to their repayment obligations as the appropriate benchmark rate changes. As a secured lending arrangement, clients must offer the financed asset as security to the financial institution. This configuration ensures protection for the financial entity during the duration of the financing (Bank Islam Malaysia Berhad, 2025a, 2025b).

Bank Islam Home Financing-i caters to many financing objectives, including: Acquisition of finished residential properties, Acquisition of residential properties in development, Refinancing of finished residential properties, and Acquisition of commercial premises. The establishment employs the Tawarruq Shariah agreement as its foundational finance method. This arrangement enables the bank to provide financing through commodity-based transactions rather than conventional interest-based lending.

Extending from the above paragraph, Home Financing-i also offers several customer-friendly features. The processing fee is waived, and there is no lock-in period which allows customers to settle the financing early while receiving Ibra' (rebate) on the unearned deferred profit. Unlike conventional loans, late payment is subject to Ta'widh (compensation) rather than interest, ensuring compliance with Shariah principles (Kamaludin et al., 2026; Amirul Shazli et al., 2025; Mohd-Zameri et al., 2025; Yaakub et al., 2014). Customers are also encouraged to obtain Takaful protection to cover the outstanding financing amount in the event of death or total permanent disability. However, customers remain responsible for related costs such as legal fees, valuation fees, stamp duty, and other disbursement charges associated with the property financing (Bank Islam Malaysia Berhad, 2025a, 2025b).

Islamic home financing offers several benefits by incorporating Shariah principles into financial transactions. Recent studies have examined these benefits from different perspectives, particularly housing affordability, financial inclusion, consumer protection, and Shariah compliance (Musaddad et al., 2026; Uluyol, 2026; Yusoff et al., 2026; Wan Mohd Assrudin et al., 2025; Amin, 2024). Unlike conventional interest-based lending, Tawarruq-based financing establishes a contractual relationship through commodity sale and purchase transactions involving an agreed profit margin (Abdullah et al., 2025; Saeed et a., 2025; Yusli et al., 2024). This arrangement provides an alternative financing mechanism that avoids riba while promoting contractual transparency and compliance with Islamic financial principles. However, the degree of risk sharing differs according to the Shariah contract applied. For instance, Musharakah Mutanaqisah involves a partnership structure, whereas Tawarruq establishes a sale-and-purchase relationship between the contracting parties.

Tawarruq Contract in Bank Islam Home Financing-i

Tawarruq is one of the Shariah-compliant contracts applied in Islamic financial institutions to facilitate financing arrangements (Ishak et al., 2026; Dewaya, 2024). It involves a series of commodity sale transactions whereby a customer obtains financing through the purchase and subsequent sale of commodities. The Shariah contract underlying Bank Islam's Home Financing-i is Tawarruq, a financing arrangement involving three or more parties that enables customers to obtain cash through a series of commodity sale transactions rather than an interest-based loan.

In Bank Islam's Home Financing-i, the Tawarruq structure consists of two sale and purchase contracts. First, the customer purchases a Shariah-compliant commodity from Bank Islam on a Murabahah (cost-plus-profit) basis at the Bank's Sale Price. Subsequently, acting as the customer's Wakalah (agent), Bank Islam sells the commodity to a third-party buyer on a cash and spot basis, with the sale proceeds disbursed to the customer for the purchase or refinancing of a property. The customer then repays the Bank's Sale Price through instalments according to the agreed financing terms (Bank Islam Malaysia Berhad, 2025a).

In general, the Tawarruq mechanism involves the following procedures. First commodity supplier sells the commodity to the customer through the purchasing agency arrangement. Next, customer acquires ownership by customer purchases the commodity through the bank under a Wakalah appointment. Next is deferred Murabahah sale. Bank sells the commodity to the customer at an agreed deferred selling price. Customer's subsequent spot sale, bank acts as the customer's selling agent to sell the commodity to a third-party buyer. Lastly is financing proceeds. Cash proceeds are made available for the property purchase or refinancing. There is an important distinction here whereby the bank may act as the customer's agent in both commodity transactions, but the underlying sale contracts remain separate. Murabahah is a cost-plus-profit sale. Meanwhile, Wakalah is an agency appointment. Tawarruq is the overall commodity-based financing arrangement and Musawamah is a sale where the seller and purchaser agree on a price without disclosure of the original acquisition cost.

For Bank Islam Home Financing-i, the Tawarruq contract provides the Shariah-compliant foundation for the financing facility. The agreed selling price and payment obligations are determined according to the contractual arrangement between the bank and the customer. The application of Tawarruq demonstrates how Islamic financial institutions can structure modern financing products while maintaining compliance with Shariah requirements. Nevertheless, the validity of the arrangement depends on the proper execution of the commodity transactions, ownership transfer, and contractual sequence.

The Tawarruq arrangement incorporates Shariah contracts such as Murabahah, Musawamah, and Wakalah to facilitate Islamic financing through genuine commodity-based sale and purchase transactions (Abdullah et al., 2025). Under this arrangement, the bank purchases an identifiable commodity and sells it to the customer at a deferred price, after which the commodity is sold to a third party on a cash basis. This structure distinguishes Islamic financing from conventional interest-based lending by establishing the financing obligation through underlying sale and purchase contracts rather than an interest-bearing loan (Bank Negara Malaysia, 2020; Bank Negara Malaysia, 2018). Under Shariah, Tawarruq is permissible only when each sale contract is executed independently, the commodity genuinely exists, ownership and possession are transferred before resale, and the commodity is ultimately sold to a different third party (Saeed et al., 2025). To ensure compliance, every transaction is properly documented and subjected to Shariah audit to verify the existence of the commodity, ownership transfer, and fulfilment of all contractual requirements. Failure to satisfy these conditions, such as selling the commodity before taking ownership or reselling it to the original supplier, renders the Tawarruq transaction invalid (Kuwait Finance House, 2026; Bank Negara Malaysia, 2018).

One of the key advantages of Tawarruq is its flexibility in providing Shariah-compliant financing for various purposes, including home purchases, working capital, and trade financing, while avoiding the elements of riba, gharar, and maysir (Bank Negara Malaysia, 2022). Nevertheless, some scholars have raised concerns regarding organised Tawarruq (Tawarruq Masrafi), particularly where the bank acts as the customer's purchasing and selling agent throughout the transaction. Critics argue that extensive reliance on dual agency may reduce genuine customer participation and make the arrangement resemble a financing mechanism rather than a real trade transaction. Despite these concerns, the practice is permitted in Malaysia, provided it complies with the operational and Shariah requirements stipulated by Bank Negara Malaysia (Islamic Bankers Resource Centre, 2025).

Types of Home Financing Products Offered by Bank Islam

Bank Islam offers two main products under its home financing category, namely Baiti Home Financing-i and Wahdah Home Financing-i. Although both products are structured using Islamic financing principles, they serve different customer requirements.

Baiti Home Financing-i

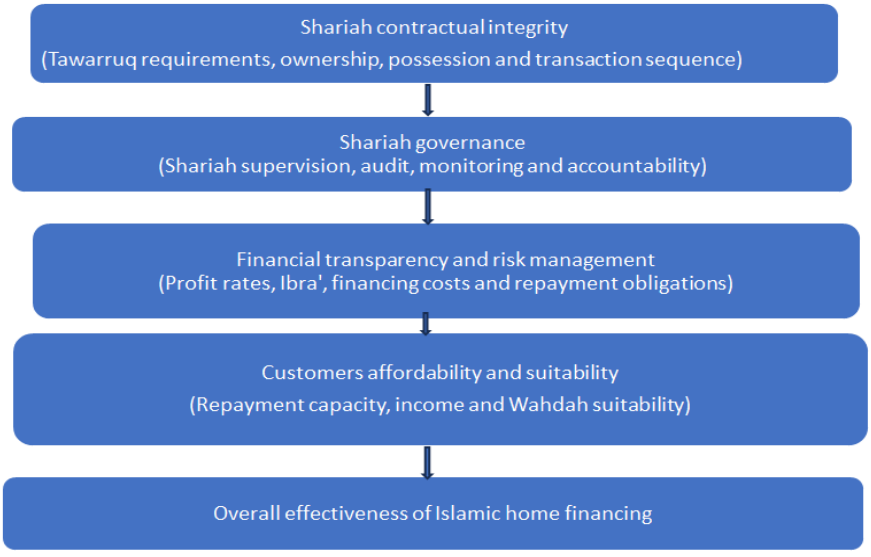
Baiti Home Financing-i is designed for individuals who intend to purchase new residential properties, including completed properties and properties under construction. The product provides financing of up to 90% of the property's value, subject to the bank's assessment and approval. The financing tenure can extend up to 35 years or until the customer reaches the age of 70, whichever is applicable under the bank's terms and conditions. This product is suitable for various customer groups, including, Salaried employees, Professionals, Business owners, First-time homebuyers, and Individuals purchasing subsequent residential properties. Baiti Home Financing-i provides an opportunity for individuals and families to achieve property ownership through a Shariah-compliant financing arrangement.

Wahdah Home Financing-i

Wahdah Home Financing-i is intended for existing homeowners who wish to refinance their completed residential properties. Refinancing allows customers to restructure their existing financing arrangements, potentially obtain more favourable financing terms, or improve their cash flow based on their financial circumstances (Bank Islam Malaysia Berhad, 2025a, 2025b). Similar to Baiti Home Financing-i, Wahdah Home Financing-i provides financing of up to 90%, subject to the bank's approval and applicable requirements. However, its financing tenure is determined according to the bank's prevailing policies. Refinancing may allow existing homeowners to restructure their financial commitments or obtain financing under different terms, depending on their outstanding financing balance, property valuation, eligibility and the bank's assessment.

Eligibility Requirements for Bank Islam Home Financing-i

Bank Islam establishes specific eligibility requirements to ensure that applicants have the necessary legal and financial capacity to undertake the financing commitment. Based on the available product information, the general eligibility conditions may include Malaysian citizenship, a minimum age of 18 years, satisfactory financial standing and a stable source of income. Applicants may also be required to demonstrate sufficient employment or business experience, subject to the bank's prevailing credit assessment and product-specific requirements. In addition to the general eligibility conditions, applicants may be required to provide supporting documents, including identification documents, income statements, employment verification, business financial records, and relevant property documents. The bank's approval remains subject to its credit assessment, internal financing policies, and applicable Shariah and regulatory requirements.



Proposed Conceptual Framework

Source: Proposed by the authors based on the conceptual synthesis of Islamic finance literature

Theoretically grounded conceptual framework;

Framework dimension	Relevant authoritative literature
Shariah contractual integrity	AAOIFI Shariah Standards; BNM Tawarruq Policy Document
Shariah governance	BNM Shariah Governance Policy Document (2019)
Financial transparency and risk management	BNM policy documents; Islamic Financial Services Board standards
Customer affordability and suitability	Maqasid al-Shariah; financial consumer protection literature

RESEARCH METHODOLOGY

This paper adopts a conceptual literature review approach to examine the application of Tawarruq in Islamic home financing, with particular reference to Bank Islam's Baiti Home Financing-i and Wahdah Home Refinancing-i. The approach involves reviewing relevant academic literature, Islamic finance standards, regulatory policy documents and official institutional publications to develop an integrated understanding of the Shariah and financial dimensions of Islamic home financing.

Relevant literature is identified through academic databases and scholarly search platforms, including Scopus, Web of Science and Google Scholar, subject to availability. The search focuses on publications relating to Islamic home financing, Tawarruq, organised Tawarruq, Shariah governance, financial affordability and Islamic banking products. Regulatory materials issued by Bank Negara Malaysia, standards published by AAOIFI and relevant resolutions of the International Islamic Fiqh Academy are also considered to establish the Shariah and regulatory foundations of the discussion.

The selected materials are evaluated based on their relevance to the research objectives, academic credibility and contribution to understanding Islamic home financing. Official Bank Islam product disclosures are examined to identify the contractual arrangements, financing characteristics, eligibility requirements and customer-related features of Baiti and Wahdah. The literature and institutional information are subsequently synthesised through thematic analysis according to four dimensions: Shariah contractual integrity, Shariah governance, financial transparency and risk management, and customer affordability and suitability.

The synthesis of these themes provides the foundation for developing the proposed conceptual framework. Rather than conducting an empirical investigation, this paper aims to integrate existing theoretical, regulatory and institutional perspectives to provide a critical conceptual evaluation of Tawarruq-based Islamic home financing.

DISCUSSION

Despite its advantages, the application of Tawarruq in Islamic home financing has also attracted criticism, particularly concerning organised Tawarruq (Tawarruq Masrafi). Some scholars argue that the extensive involvement of financial institutions as agents in commodity transactions may reduce the customer's direct participation and create similarities with conventional financing arrangements. This raises questions regarding the extent to which the transactions fulfil the underlying objectives of Islamic commercial law. Nevertheless, Tawarruq remains an accepted financing mechanism in Malaysia, subject to compliance with the relevant Shariah requirements and regulatory guidelines. Therefore, effective Shariah governance, proper transaction documentation and continuous monitoring are essential to maintaining the integrity of the financing arrangement.

Islamic home financing plays an important role in providing an alternative financing mechanism for individuals seeking property ownership without participating in conventional interest-based transactions. The application of Shariah-approved contracts enables Islamic financial institutions to structure financing products according to Islamic legal and ethical principles.

In the context of Bank Islam, Home Financing-i demonstrates the application of Tawarruq as an underlying contractual arrangement. This structure allows the bank to provide financing through commodity transactions involving an agreed selling price and deferred payment obligations.

One of the advantages of Bank Islam Home Financing-i is the absence of profit compounding as stated in its product features. This means that the financing does not incorporate the capitalisation of unpaid profit into the outstanding financing amount in the same manner as compounding-based arrangements. Consequently, customers may benefit from greater transparency in understanding their financing obligations. Nevertheless, customers remain responsible for making timely repayments, as late payment charges (Ta'widh) may apply when instalments are overdue. Furthermore, changes in the SBR may influence the applicable profit rate and monthly instalments (Bank Islam Malaysia Berhad, 2025b).

Another advantage of Bank Islam Home Financing-i is the absence of a lock-in period and the provision of Ibra' upon full early settlement. This allows customers to settle their financing before the maturity date without incurring a lock-in penalty, while receiving a rebate on the applicable unearned deferred profit. Such an arrangement provides customers with greater flexibility in managing their long-term financial commitments (Bank Islam Malaysia Berhad, 2025a).

Furthermore, Home Financing-i's competitive advantage over traditional home loans lies in its robust Shariah governance framework. It is subject to review, approval, and monitoring by a dedicated Shariah committee. This ensures that Home Financing-i complies with Shariah principles throughout the financing process. It also enhances Home Financing-i's accountability, ensuring the proper implementation of its financing structures (Bank Islam Malaysia Berhad, 2025a, 2025b). This process gives customers greater confidence that Home Financing-i is consistently managed in accordance with established principles.

Consequently, the Shariah committee continuously monitors financing arrangements to ensure they conform to approved Shariah guidelines and product structures, thereby mitigating the risk of non-compliance (Bank Negara Malaysia, 2013). In contrast, traditional banks primarily operate under financial and regulatory oversight, but this oversight typically focuses on profitability, legal compliance, and risk management. They do not possess a Shariah governance framework similar to Home Financing-i. Therefore, traditional banks cannot enhance transparency and customer trust to the same extent as Home Financing-i. Thus, Home Financing-i has a significant advantage in building customer trust.

In addition, Home Financing-i's competitive advantage lies in the greater predictability of its profit rate. Conventional mortgage interest rates are variable, typically fluctuating based on a central bank's benchmark interest rate. Therefore, when interest rates rise, the monthly repayment amount also increases. For example, a mortgage rate of 3.85% could rise to 4.50% when the benchmark rate increases. This creates uncertainty and financial stress for borrowers, making it difficult for them to cope with unpredictable repayments and plan for their long-term finances (Sivagnanam, 2006).

Moreover, another important characteristic of Bank Islam Home Financing-i is its ceiling profit rate mechanism. Although the facility operates on a floating profit rate linked to the Standardised Base Rate (SBR), the Bank establishes a Ceiling Profit Rate (CPR) to limit the maximum contractual financing cost. The Effective Profit Rate (EPR), which determines the applicable profit calculation, may fluctuate depending on changes in the SBR. When the EPR is lower than the CPR, customers may receive Ibra' (rebate) on the difference in profit. This arrangement provides customers with greater certainty regarding their maximum contractual payment obligations while allowing the financing rate to respond to prevailing economic conditions (Bank Islam Malaysia Berhad, 2025a, 2025b).

Although Bank Islam Home Financing-i provides a ceiling profit rate, its floating-rate structure exposes customers to changes in the Standardised Base Rate (SBR). An increase in the SBR may result in higher monthly instalments and overall financing costs, potentially affecting customers' repayment capacity. Therefore, customers should evaluate their long-term financial commitments and ensure that they have sufficient financial flexibility to accommodate possible increases in instalments. This demonstrates that Shariah compliance does not necessarily eliminate financial risks associated with property financing.

A key competitive advantage of Home Financing-i is its ethical and socially responsible financing framework. Conventional banks have fewer restrictions on the source and use of funds, typically evaluating financing decisions based on factors such as profitability, legal compliance, and risk return profile. Home Financing-i operates in accordance with Islamic principles, which emphasise ethical behaviour, social responsibility, justice, and fairness in financial transactions.

Guided by the objectives of Maqasid Shariah and Value-Based Intermediation (VBI), Islamic financial institutions are encouraged to promote equitable wealth distribution, shared responsibility, social well-being, and sustainable economic development rather than focusing solely on profit maximisation (Md Nor et al., 2026; Bank Negara Malaysia, 2025). It prohibits investments in harmful sectors such as Riba (interest), Gharar (excessive uncertainty), Maysir (gambling), alcohol and other prohibited activities, ensuring that its financing activities comply with ethical and socially responsible norms. This system curbs excessive profiteering and speculation, thereby creating a financing system that promotes fairness, accountability, and transparency. It ensures that every fund is used for productive and socially beneficial purposes, not just for pure interest income, thus contributing to the overall well-being of society.

In this regard, Home Financing-i combines ethical values and social responsibility with financial goals, making this ethically sound financing model highly attractive to ethically conscious consumers. This gives Home Financing-i a significant competitive advantage over traditional home loans and is a key factor for many consumers when choosing a provider.

The final key competitive advantage lies in Home Financing-i's transparency and clarity in contract terms. In accordance with Shariah principles, Islamic banks are required to fully disclose information and provide clear agreements in their contracts (Bank Negara Malaysia, 2024a, 2024b). All key elements must be clearly listed in the contract, such as profit margins, purchase price, payment plans, and ownership structure. This is to minimise Gharar (excessive uncertainty) and ensure that customers are fully aware of their obligations and rights. This allows borrowers to make more informed decisions and avoid unexpected costs and misunderstandings during the financing process. At the same time, it also allows customers to more effectively compare different financing products, thereby choosing the option that best suits their financial needs and repayment ability.

In contrast, traditional home loans often involve complex legal terminology, intricate interest calculations and fee structures, and potentially hidden charges (Sivagnanam, 2006). This ambiguity can confuse borrowers, preventing them from fully understanding their obligations. This information asymmetry leads to unexpected financial problems for borrowers. Therefore, the clarity and openness of Home Financing-i effectively enhance borrower trust in the bank, fostering a closer and more collaborative relationship. This allows them to effectively build long-term and stable customer relationships with borrowers, while further enhancing consumers' willingness to choose Home Financing-i

Nevertheless, Bank Islam Home Financing-i is its floating profit rate. Since the profit rate is linked to the Standardised Base Rate (SBR), changes in the benchmark rate may influence customers' monthly repayment obligations and overall financing costs. Therefore, customers should consider the potential financial implications of changes in the profit rate before committing to the facility.

Furthermore, the availability of Baiti Home Financing-i and Wahdah Home Financing-i demonstrates Bank Islam's effort to accommodate different property financing requirements. Baiti Home Financing-i focuses on facilitating property purchases, while Wahdah Home Financing-i provides refinancing opportunities for existing homeowners (Bank Islam Malaysia Berhad, 2025a, 2025b).

Both products offer financing margins of up to 90%, subject to the bank's assessment. This financing margin may reduce the initial financial burden on eligible customers. However, customers should also consider other expenses associated with property ownership, such as legal fees, valuation costs, takaful contributions, and other related charges.

Overall, Bank Islam Home Financing-i illustrates how Islamic financial institutions can combine Shariah-compliant contractual structures with modern banking facilities to meet the financial needs of customers. Its

effectiveness depends not only on Shariah compliance but also on transparency, affordability, and customers' understanding of their financing obligations.

This paper contributes to the Islamic home financing literature by developing an integrated conceptual framework that evaluates Tawarruq-based financing beyond its formal Shariah contractual structure. By integrating contractual integrity, Shariah governance, financial transparency and customer affordability, the framework provides a broader basis for assessing the effectiveness and sustainability of Islamic home financing products. The application of this framework to Bank Islam's Baiti Home Financing-i and Wahdah Home Refinancing-i illustrates how Shariah requirements and financial considerations can be jointly evaluated within different property financing contexts.

CONCLUSION

In conclusion, Islamic home financing provides an alternative approach to property ownership by ensuring that financial transactions comply with Shariah principles, particularly the prohibition of riba, gharar, and maysir. Through contracts such as BBA, Musharakah Mutanaqisah, Ijarah, and Tawarruq, Islamic financial institutions can offer financing solutions based on legitimate asset transactions and agreed contractual arrangements.

Bank Islam Home Financing-i represents an example of how these principles are implemented in Malaysia's Islamic banking industry. By adopting the Tawarruq contract, the bank provides a Shariah-compliant financing facility with a floating profit rate calculated using the monthly reducing balance method and linked to the Standardised Base Rate.

The availability of Baiti Home Financing-i and Wahdah Home Financing-i further demonstrates the bank's ability to accommodate different customer requirements, particularly residential property purchases and refinancing needs. Both products provide financing of up to 90%, subject to the bank's approval and applicable conditions.

Overall, Bank Islam Home Financing-i contributes to the development of Islamic financial services by providing customers with an alternative to conventional housing loans. Nevertheless, customers should carefully evaluate the financing structure, floating profit rate, repayment obligations, and associated costs before selecting a suitable product. This is important to ensure that the financing arrangement not only fulfils Shariah requirements but also supports long-term financial sustainability and responsible property ownership.

Nevertheless, the effectiveness of Islamic home financing depends not only on compliance with Shariah principles but also on the proper implementation of its contractual arrangements, affordability and effective risk management. In particular, the floating profit rate associated with Bank Islam Home Financing-i requires customers to consider potential changes in the SBR and their long-term repayment capacity. Furthermore, continuous Shariah supervision and transparency in commodity transactions are essential to maintaining public confidence in Tawarruq-based financing. Therefore, Islamic home financing should be evaluated from both Shariah and financial perspectives to ensure that it fulfils its intended objectives while supporting sustainable property ownership.

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