

Islamic Banking & Finance Issues & Solutions

Edited by
Umar Mohammed Idris

Research Management Centre
INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA



ISLAMIC BANKING & FINANCE
Issues & Solutions

Edited by
Umar Mohammed Idris



IIUM Press

Published by:
IIUM Press
International Islamic University Malaysia

First Edition, 2011
©IIUM Press, IIUM

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without any prior written permission of the publisher.

Perpustakaan Negara Malaysia Cataloguing-in-Publication Data

Umar Mohammed Idris. Islamic Banking and Finance: Issues and Solutions.

Bibliography p.
Includes Index
ISBN

ISBN: 978-967-0225-90-6

Printed by :
IIUM PRINTING SDN. BHD.
No. 1, Jalan Industri Batu Caves 1/3
Taman Perindustrian Batu Caves
Batu Caves Centre Point
68100 Batu Caves
Selangor Darul Ehsan

TABLE OF CONTENTS

TABLE OF CONTENTS.....	v
Acknowledgement.....	vii
PART I: ISLAMIC BANKING AND FINANCE	1
1. Introduction <i>Umar Mohammed Idris</i>	2
2. Consumers' Acceptance on Islamic Home Financing: Empirical Evidence on Bai Bithaman Ajil (BBA) in Malaysia <i>Dzuljastri Abdul Razak, Mustafa Omar Mohammed & Fauziah Md Taib</i>	11
3. Bridging Islamic Juristic Differences in Contemporary Islamic Finance <i>Younes Soualhi</i>	41
4. Who patronizes Islamic Banks in Indonesia? <i>Muhamad Abduh and Mohd Azmi Omar</i>	73
PART II: ISLAMIC CAPITAL MARKET.....	89
5. Malaysian Islamic Capital Market: Regulatory and Legal Scaffold Altercations in The Legal "Thick" Jungle <i>Rusni Hassan & Adnan Yusoff</i>	90

6. Examination of the AAOIFI Pronouncement on Sukuk Issuance and its Implication on the Future Sukuk Structure in the Islamic Capital Market in Malaysia
Umar Mohammed Idris & Ahcene Lahsasna.....109

PART III: CORPORATE GOVERNANCE.....137

7. Better Corporate Governance Contribute Towards Higher Disclosure on Operations of Islamic Banking in Malaysia?
Sheila Nu Nu Htay.....138
8. Antecedents of Zakat Payers Trust in an Emerging Zakat Sector: The Role of Board Capital and Organisational Behaviour
Mustafa, M.O.A., Muslim, H.S.M and Adnan, M.A...... 161
9. **CONCLUSION** *Umar Mohammed Idris*.....193
- Glossary of Terms.....195

Chapter Two

Consumers' Acceptance of Islamic Home Financing: Empirical Evidence on *Bai Bithaman Ajil* (BBA) in Malaysia

Dzuljastri Abdul Razak, Mustafa Omar Mohammed & Fauziah Md Taib

Abstract: *Bai Bithaman Ajil* (BBA) is the most predominant mode of home financing in Malaysia since the introduction of Islamic banking in 1983. The BBA is a deferred installment sale where bank capitalizes on its profit up front in the sale of property. The concept is similar to debt financing which is often resulted in high cost. The BBA as practiced in Malaysia is seen not to be in compliant with the *Shariah* principle as the bank does not take the risk of ownership and liability of the property. Given the controversial features of the BBA, it is anticipated that there was high level of dissatisfaction among the present and potential BBA customers, including Muslims and the Non-Muslims. Based on a survey of 300 owners and potential house owners, there was high level of dissatisfaction among customers, as evidenced by their low intention to use the BBA. Muslim customers in general are concerned about the features of BBA notably its compliance with *Shariah* as well as its inability to fulfill the broad objective of justice, equality and societal well being. The Non-Muslim customers however, seem to have greater beliefs in BBA and its ability to fulfill socially desirable objectives. The discontent feelings signal the urgent need by the bankers to come up with alternatives of Islamic home financing product. *Musharakah Mutanaqisah* or the Diminishing Partnership concept has been proposed to replace BBA for its esteemed features.

Key words: Islamic home financing, *Bai Bithaman Ajil*, consumers' acceptance, Diminishing Partnership, empirical evidence.