



**Selected Issues in
Islamic Banking
and Finance**



AKHTARZAITI HJ. ABDUL AZIZ



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JUSTIFICATION FOR MURABAHAH AS AN ALTERNATIVE TO RIBA

Dr Akhtarzait Abdul Aziz

Abstract

The prohibition of *Riba* (interest/usury) is the cornerstone of Islamic Financial Transactions, though it is not the only difference from the conventional counterpart. Islam stands strongly against *Riba* as is evident from the various *Quranic* verses and several *Hadith* (the traditions of the prophet Muhammad (p.b.u.h.)). This is in complete contrast with the current mainstream economy whereby *Riba* or interest is the backbone for all banking activities, either in its liabilities or asset sides. Thus, from the early days of the inception of Islamic Banking and Finance the aim has been to provide a viable alternative for the Muslims in their financial needs. *Murabahah* is one of the options for a *Riba* alternative. This paper will discuss the basic characteristics of *Murabahah* and its role in modern financing to substitute for *Riba*