An analysis of *maslaḥah* based resolutions issued by Bank Negara Malaysia

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**Abstract**

**Purpose** – This study aims to examine the resolutions issued by the Sharīʿah Advisory Council of Bank Negara Malaysia (SAC-BNM), which have recognized *maslaḥah* (public interest) as the basis of ruling to see the extent of its usefulness to the public and the extent of its adherence to the *maslaḥah* parameters. The study will also look into the opposing opinion to identify the basis of rejection and overall implication on Islamic finance based on opposing opinions of SAC-BNM and other bodies of collective *ijtihād* (juristic interpretation).

**Design/methodology/approach** – The study uses a qualitative approach by analyzing the SAC-BNM resolutions, which have been resolved based on *maslaḥah*. The study also applies the comparative approach by comparing the fatwa (Sharīʿah pronouncement) issuing bodies of Malaysia and the Gulf Cooperation Council countries. Furthermore, the secondary data is obtained from sources such as *ushul al-fiqh* (theory of Islamic jurisprudence) books, papers and relevant internet sources.

**Findings** – The study found that SAC-BNM’s resolutions are in line with some of the major *maslaḥah* parameters mentioned in the *ushul al-fiqh* sources i.e. must not contradict with the Qur’ān and the Sunnah. While looking at the other two criteria of being in line with *ijmāʿ* (consensus) and having a general impact, such resolutions might not fulfill the criteria of valid *maslaḥah* considering, respectively, the stand of collective *ijtihād* or the impact on the group of customers and institutions.

**Originality/value** – Most available shariʿah (Islamic law) research considers the perspective of *fiqh* (Islamic jurisprudence) while analyzing the issue of *maslaḥah*. This study aims to conduct analysis based on *ushul al-fiqh*. Moreover, *maslaḥah* itself is a broad concept, which can be abused. Hence, this study discusses the parameters of *maslaḥah* to understand the validity of an important juristic tool in Sharīʿah.

**Keywords** *Maslaḥah* parameters, Theory of Islamic jurisprudence, SAC-BNM’s resolutions

**Paper type** Research paper

**Introduction**

Islamic finance is an active financial market when it comes to developing new products and bringing innovation to the finance industry. Sharīʿah (Islamic law) scholars are required to practice *ijtihād* (juristic interpretation) to satisfy the Sharīʿah rule with sound reasoning to
ensure the products are Sharī‘ah-compliant. These bases could be evidence derived from the Qur‘ān, Sunnah or ijmā‘ (consensus) of the scholars on the same matters. Conversely, the matter may not be found in the mentioned sources, thus, the scholars are required to look at the less referred sources of Sharī‘ah such as maslaḥah (public interest), ‘urf (custom) and others (Ishak, 2019).

Maslaḥah is one of the important sources of Sharī‘ah, which needs continuous research since each period of time has its own masālih (plural of maslaḥah), which might differ from time to time. Muslims believe that Sharī‘ah is a vital assistant to achieve the maslaḥah of Muslim society by recognizing whatever is beneficial and preventing whatever is harmful. Ibn Taymiyyah (1987) observed that the Sharī‘ah will never ignore whatever has benefit (maslaḥah) for us and Allah (SWT) has completed the religion for us. Maslaḥah as a Sharī‘ah source is considered flexible, which means that it can be abused if it is used inappropriately. Therefore, the parameters of maslaḥah are important to frame its use. The parameters of applying maslaḥah have been thoroughly discussed by Sharī‘ah scholars, and there are a number of references in this regard, as it is an important part of the maslaḥah system. Following and considering the parameters of maslaḥah will ensure that Sharī‘ah scholars are not using maslaḥah as a Sharī‘ah basis in an inappropriate manner.

In the context of Islamic finance, as the issues of Islamic finance are quite complicated and some of them cannot be directly taken from classical works of jurisprudence, maslaḥah has become one of the main approaches in dealing with those modern issues. This concept, which reflects the idea of achieving public interest and averting harm, has played a significant role both in establishing rules and in developing products (Ishak, 2019). To this end, it is highlighted that the Sharī‘ah Advisory Council of Bank Negara Malaysia (SAC-BNM) has relied on maslaḥah in some of its resolutions. However, there might be concerns regarding the non-methodological use of maslaḥah by the Sharī‘ah committees of Islamic financial institutions (IFIs) to validate certain Islamic financial products and services that maximize profits by compromising Sharī‘ah principles. Therefore, a thorough examination on the maslaḥah-based resolutions is important to better understand the level of compliance with maslaḥah parameters.

This study will thus highlight the SAC-BNM’s resolutions based on maslaḥah. It aims to first study the stand taken by bodies of collective ijtihād (juristic interpretation) with regard to the resolutions of SAC-BNM where parameters of maslaḥah were considered, and second, to highlight the maslaḥah parameters to understand the recognized parameters. After that, the maslaḥah-based resolutions will be examined through these parameters to determine the level of compliance.

In relation to the context explained above, this study aims to fill the research gap in this issue as there are no specific studies that have considered specific fatwas (Sharī‘ah pronouncements) or resolutions of a specific fatwa board/committee and systematically examined them. There are some studies that have been conducted on the methodology of fatwa and the requirements of a mufti (the legal expert empowered to give legal rulings), but there is no study of the existing fatwas and their implications.

This study is divided into seven sections. After the introduction, the second section provides an overview of maslaḥah including its parameters. The third section gives an overview of SAC-BNM and its Sharī‘ah resolutions, while the fourth section briefly discusses previous studies on the application of maslaḥah. The fifth section provides the methodology of the study. The sixth section provides the discussion and analysis of the selected resolutions of SAC-BNM. The seventh section provides the conclusions of the study.
Maslahah

According to Ibn Manzūr (1999) in Lisān al-ʿArab, maṣlahah is the opposite of mafṣadah (harm), it means to repair what has been ruined. Islamic jurists have discussed the concept of maṣlahah extensively. Imam al-Ghazālī (1993) defines maṣlahah as the considerations, which secure benefit and prevent harm and are harmonious with the objectives of the Sharīʿah. The objectives of Sharīʿah, as highlighted by Imam al-Ghazālī are protecting the five essentials, which are religion, life, intellect, lineage and property. According to Imam al-Ghazālī, any measures that secure these values fall within the scope of maṣlahah and anything, which violates them is defined as mafṣadah. Al-Bughā (1999) also stated a similar opinion that maṣlahah has the same meaning as benefit and interest, which the Sharīʿah strives to achieve for humans by way of protecting the five basic values. The International Islamic Fiqh Academy defined maṣlahah in its Resolution No. 141 (7/15) precisely similar to what has been given by Imam al-Ghazālī.

According to Al-Būtī (1973), Sharīʿah sources have validated maṣlahah; its evidence can be found in the Qurʾān and the Sunnah. In Qurʾān 21:107, Allah (SWT) says, “It was only as a mercy that we sent you to all people.” In this verse, Allah (SWT) addresses Prophet Muhammad (PBUH) that he (PBUH) is a blessing and mercy to the world, as he (PBUH) was responsible for guiding people and rescuing them from disbelief (Al-Būtī, 1973). Al-Tirmidh narrated in his Sunan, ḥadīth no. 1327, the conversation between Prophet Muhammad (PBUH) and his companion Muʿādh before sending him to Yemen. Prophet Muhammad (PBUH) questioned Muʿādh as to how he would take a juristic decision when a matter came to him. Muʿādh replied that he would take a decision based on what is mentioned, firstly, in the Qurʾān, and then based on the Sunnah, if it is not found in the Qurʾān, and then the last resort is ijtihād, which would include his point of view along with relying on the sources of Sharīʿah such as maṣlahah. Maṣlahah has been applied, as the era of Prophet Muhammad’s (PBUH) companions. For instance, during the time of Abū Bakr’s caliphate, ’Umar ibn al-Khaṭṭāb requested from Abū Bakr to compile the Qurʾān in a written format to preserve it from loss, and Abū Bakr permitted this act when he observed that it is in the interest of the Muslims (Kamālī, 2000).

Classification of maṣlahah

Ibn Āshūr (2006) in his comprehensive book pertaining to maqāsid al-Sharīʿah also studied maṣlahah and mafṣadah extensively. He classified maṣlahah into two groups as follows: direct maṣlahah to individuals such as having food to survive and indirect maṣlahah such as guard duty at night to protect society. The latter is called general maṣlahah, as it benefits the whole society. He also classified maṣlahah into maṣlahah ḏarūriyyah (maṣlahah for essentials), which consists of the preservation of the five objectives, namely, protection of religion, life, mind, lineage and property. Maṣlahah ḥājiyyah (maṣlahah for complementarities), which is below the ḏarūriyyah level, is like the supplementary actions, which must be taken to protect the ḏarūriyyah. The last type is maṣlahah tahṣīniyyah (maṣlahah for embellishments), which completes the life of a Muslim.

From another angle, scholars have classified maṣlahah into three categories as follows. The first category is maṣlahah muʿ tabarah (accredited maṣlahah). This type of maṣlahah is validated by primary Sharīʿah sources, namely, the Qurʾān, Sunnah, ʿiṭmaʿ and qiyyās (analogy) (Al-Bughā, 1999). For instance, in the protection of life, the Sharīʿah has adopted punishments such as qiṣṣā (retribution) to protect the life of humans (Al-Zuḥailī, 2006). Allah (SWT) has mentioned clearly that “…fair retribution saves life for you” (Qurʾān 2:179). According to Al-Bughā (1999), maṣlahah muʿ tabarah could be through qiyyās; for example, the Qurʾān (62:9) states that it is obligatory to suspend selling after the call for Friday prayers. Likewise, any transaction that interferes with the remembrance of Allah (SWT) and
prayers, such as leasing, pledging collateral or any other transaction, would have the same ruling of prohibition. This is an example of maslahah mu'tabararah based on qiyas. This type of maslahah must be upheld and cannot be rejected because there is clear evidence supporting it.  
Invalid maslahah (maslahah mulghah) is the second type of maslahah. It is what the Sharī'ah has clearly invalidated in its primary sources (Al-Zuha'ilī, 2006). For instance, the practice of usury in transactions is clearly forbidden in the Qur’ān. Allah (SWT) says “Allah has permitted trade and has forbidden interest” (Qur’ān 2:275). Charging interest is a maslahah for the lender in that he gets more money, yet the Sharī'ah has not recognized this maslahah and has prohibited its occurrence (Al-Zuha'ilī, 2006). In another example, an argument that trade in alcohol enhances economic development is not acceptable. In fact, the Sharī'ah considers this to be harmful (mafsadah) rather than being a maslahah. Its classification as maslahah is weak and cannot stand its ground in relation to the well-defined prohibition provided by the text of the Qur’ān (Abdul Ghani et al., 2011). According to al-Zuha'ilī (2006), Sharī'ah scholars have no difference of opinion in recognizing, defining and classifying the first two types of maslahah, as both types are based on the original sources of Islam.  

The third type of maslahah is maslahah mursalah (considerations of public interest), for which there is no explicit textual evidence in the primary Sharī'ah sources, neither validating it nor rejecting it (Kamālī, 2000). The objective of this type of maslahah is to benefit Muslims or to prevent them from something permissible that can lead to harm. For instance, the compilation of the Qur’ān achieved a real maslahah for Muslims because it protected it from distortion and loss. This maslahah has not been mentioned in the Qur’ān and Sunnah; thus it is called maslahah mursalah.  

According to Al-Zuha'ilī (2006), scholars are divided into two groups in terms of recognizing maslahah mursalah as a source of Sharī'ah. The first group is al-Shāfi’ī and the Zāhirīs. According to them, maslahah mursalah is not a source of law, and the Sharī'ah only recognizes maslahah that is mentioned in the Qur’ān, Sunnah or ijma’ (consensus). The second group consists of scholars from the Ḥanafi, Málikī and Ḥanbalī Schools of jurisprudence. According to them, maslahah mursalah should be recognized as a source of law in Islam, as it can be relied upon for the emerging issues, which are not mentioned in the Qur’ān and the Sunnah (Al-Zuha'ilī, 2006).  

Parameters of maslahah  
According to Al-Buṭṭī (1973), parameters of maslahah are important for a mujtahid (an Islamic jurist who can arrive at rulings) to identify, analyze and understand the appropriate cases, which can be permitted based on maslahah. A mujtahid must consider all these parameters of maslahah before delivering his point of view.  
Al-Buṭṭī (1973) divided the parameters of maslahah into five types. He began by stressing that any maslahah must be in line with the objectives of the Sharī'ah. Thus, any matter that protects the five objectives of the Sharī'ah would be called maslahah, while whatever impairs these objectives would be called mafsadah. The first objective, which is religion, is bounded in aqīdah (belief) and ‘ibādah (worship). Activities, which lead to strengthening the faith and which raise the practice of ‘ibādah could be referred to as maslahah; for example, daily prayers, fasting and sadaqa (charity) (Al-Ghazālī, 1993).  
Al-Buṭṭī (1973) further stated that maslahah must not contradict with the Qur’ān and the Sunnah as the second and third parameters of maslahah. The Qur’ān, Sunnah, and the consensus of the companions of Prophet Muhammad (PBUH) and Muslim scholars are the primary sources of Sharī'ah (Ayub, 2007). A valid maslahah must be in line with what is
mentioned in the Qur’ān and the Sunnah, as both sources seek to achieve maslahah for the Muslims (Kamaruddin et al., 2015). A mujtahid can also give his point of view based on maslahah if both sources (Qur’ān and Sunnah) are silent on the underlying issue (Abdul Rahim, 2004). For instance, in some Muslim countries, hijab (head covering) was opposed based on the argument that observing hijab will not have a positive effect on tourists visiting the country (Al-Khateeb, 2013). This type of maslahah is rejected from the Sharī‘ah perspective, as hijab has a reference in the Qur’ān, when Allah says:

And enjoin believing women to cast down their looks, and guard their private parts, and not reveal their adornment except that which is revealed of itself, and to draw their veils over their bosoms (Qur’ān, 24:31).

Another example is the case of the Tunisian Government’s decision in 1960 to ban fasting in Ramaḍān, arguing that it would negatively impact economic productivity (Salih, 2013). Again, this decision directly conflicts with the primary sources of Sharī‘ah; for example, the ḥadīth:

Islam is built on five pillars: bearing witness that there is no God except Allah and that Muhammad is the Messenger of Allah, establishing prayer, paying zakat, pilgrimage, and fasting in Ramaḍān (Al-Bukhārī, 1981).

Therefore, the argument that the fast must be broken in Ramaḍān to protect the economy is an invalid maslahah from the Sharī‘ah point of view, as breaking the fast during the day of Ramaḍān with no valid reason (as considered by Islam) is against the Sharī‘ah.

The fourth parameter of maslahah according to Al-Buṭṭā (1973) is that maslahah must not contradict qiyās. Finally, it should not contradict another maslahah of the same strength or a higher level. According to Al-Zuḥailī (2006), maslahah must not contradict ījmā‘. ījmā‘ means the unanimous agreement of the mujtahidīn (plural of mujtahid) of the Muslims’ community of any period following the demise of Prophet Muhammad (PBUH) on any Sharī‘ah matter (Al-Zuḥailī, 2006). ījmā‘ is considered a source of law, as all jurisprudential schools have accepted it. ījmā‘ could be based on maslahah; thus, the mujtahidīn can consider the maslahah of the Muslim society before delivering any fatwas. However, any new fatwas based on maslahah must not contradict the former fatwas, as the former fatwas have considered the maslahah (Abdul Ghani et al., 2011). For instance, there is an existing ījmā‘ among scholars on the prohibition of lard, which was based on analogy, as pork is prohibited in Sharī‘ah (Islamweb, 2002). Thus, scholars considered lard as pork. Hypothetically, if all scholars agreed to allow selling lard based on the maslahah of benefiting the economy, such an ījmā‘ would contradict the former ījmā‘; therefore, it would be void.

Kamālī (2000) provided two other parameters, which are also stated by Al-Zuḥailī (2006). Kamālī (2000) stated that maslahah must be haqiqiyah (genuine). The activity allowed on the basis of maslahah must have real benefits to society. For instance, the family law of a country that requires every marriage contract to be registered in the court of law is an example of something that benefits society (Medium, 2015). Similarly, observing traffic laws (such as stopping at red lights or fastening seatbelts) will result in protecting the lives of the drivers and passengers from accidents or their effects.

Also, Kamālī (2000) stated that maslahah must be kulliyah (general). The Sharī‘ah allows an activity to be legitimized based on maslahah if that activity secures benefits or prevents harms to all people. It means that a maslahah, which only benefits a limited number of people is not acceptable (Kamālī, 2000). For instance, determining the minimum age of marriage benefits all people (Odala, 2013); thus it can be called maslahah kulliyah.
However, not all scholars agree to this parameter; they argue that the Sharī‘ah has recognized some masāliḥ that affect a very large number of people although they may not affect all the people (Maḥmūd, 2009).

**Sharī‘ah Advisory Council of Bank Negara Malaysia and its Sharī‘ah resolutions in Islamic finance**

In May 1997, Bank Negara Malaysia established the highest Sharī‘ah authority for Islamic financial matters, called the Sharī‘ah Advisory Council (SAC). The role of the SAC is to supervise and advise on Sharī‘ah matters of those businesses that are based on Sharī‘ah principles. The SAC is also responsible for validating all Islamic banking and takaful (Islamic insurance) products to ensure their compliance with Sharī‘ah principles. The SAC consists of members who are qualified with enormous experience particularly in the areas of Islamic banking and finance (SAC-BNM, 2010).

SAC-BNM has compiled its resolutions issued since its establishment in 1997 up until 2009. It has published two editions of the book so far; the first was published in 2007 and the second in 2010. These publications are considered as references for Sharī‘ah rulings related to Islamic finance. They focus on matters related to Islamic banking and takaful (SAC-BNM, 2010).

**Literature review: studies on the application of maslahah**

There is an enormous number of references on the issues of maslahah, including those that studied applications of it. Hassan (1998) in his book, *Nuzariyat al-Maslahah fi al-Fiqh al-Islāmi*, studied the theory of maslahah in each madhhab (schools of fiqh) separately. One of the books that examined the application of maslahah is *Al-Maslahah al-Mursalah wa dawruh fi al-Qaḍayā al-Tibbiyyah al-Mu‘āṣirah*, by Al-Samadi (2008). He studied the role of maslahah in organ transplantation for humans, medical check-up before marriage, autopsy after death and other cases. Maḥmūd (2009) in his book *Al-Maslahah al-Mursalah wa Tatḥāqatuhā al-Mu‘āṣirah fi al-Ḥukm wa al-Nuṣūm al-Ṣiyāsiyyah* studied the role of maslahah in political applications such as the selection of a president for a state, voting and consultative assembly. He studied the relationship between those applications and maslahah. Al-Ṣāliḥ (2000), in his paper *al-Maslahah al-Mursalah wa Tatḥāqatuhā al-Mu‘āṣirah*, studied some maslahah applications such as providing a law, which may protect workers from unfair dismissal and determining minimum wage rates and daily working hours.

Regarding financial matters based on maslahah, Zain (1428H) in his book titled *Al-Istidāl bi al-Maslahah al-Mursalah fi al-Qaḍayā al-Mālikiyah al-Mu‘āṣirah* studied a number of applications, such as financial penalties, zakat on fiat money, ribā in fiat money, benchmarking the market, mutual insurance and establishing an Islamic stock exchange. He focused on the benefits of these applications to the public. Yousuf (2012) conducted a study titled “Dawlabīt al-ʿAmal bi al-Maslahah al-Mursalah ʿinda al-Uṣūliyyan bi al-Tatbīq ʿalā ʿĀdām al-Maṣrif al-Islāmī li Wādāʾiʾ Istithmār al-Mudārabah.” He studied the guarantee, which Islamic banks bear to be in line with conventional banks; he investigated if there is a real maslahah in this application. He concluded that there is no maslahah in such application and that it is unfair for the bank to guarantee the capital of mudārabah transactions. Ishak (2019) conducted a study where he analyzed the argument of maslahah on the issues of bayʿ al-ʿinah (sell-and-buy-back contract), taʿṣīd (late payment charges) and ibrāʾ (rebate) in the banking sector of Malaysia. He tried to harmonize between the Sharī‘ah and reality by applying the role of maslahah in solving the current debatable issues among scholars of Islamic finance. He concluded that the Central Bank of Malaysia considers the maslahah principle for both Islamic banks and their customers by implementing the contracts and principles of Islamic banking. Yusoff and Oseni (2019)
conducted a study on standardization of legal documentation in Islamic home financing in Malaysia. They concluded that the standardization of legal documentation is not a requirement of the positive law but functionality of maslāḥah whereby the diverse interests of all parties to the contract are proactively protected. Hassan et al. (2019) mentioned in their study regarding cryptocurrency that there is real maslāḥah in having currency issued by the government, as it will ensure its stability, which will enable it to serve its purpose for the community. The SAC of Securities Commission Malaysia (SAC-SC, 2018) referred to maslāḥah when they allowed investment in companies whose activities are a mix of the permissible and impermissible. Arshad et al. (2018) in proposing the performance model of waqf institutions pointed out that the maqāsīd of waqf (ultimate aims of waqf establishment) should cover the masāliḥ of protecting religion, life, intellect, property and posterity. The execution of any waqf activities must be in accordance with the priority of ḍarūriyyāt (essentials), ḥājiyyāt (complementarities) and tāḥsīniyyāt (embellishments).

Moreover, there is number of studies on the practice of fatwa in IFIs. Al-Khulaifi (2005) compares theory and practice in the decisions of IFIs’ Shari’ah committees, Billah (2019) reviews fatwas on investing in different asset classes and Hassan et al. (2019) study fatwas on cryptocurrency as a medium of payment. Oseni (2017) examines the phenomenon of fatwa shopping, its effect on consumer trust in Islamic finance products, and the need for effective consumer protection regulations in the Islamic finance industry. Hassan et al. (2019) discuss how fatwa shopping has acted as one of the hindering factors affecting the Islamic finance industry. The reason is that managers of IFIs move around between various fiqh schools to suit their investment needs. They conclude that there is a need to harmonize Shari’ah standards to support the regulators to achieve unified guidelines for Islamic financial transactions. Ifzal et al. (2015) have studied the Islamic concept of fatwa, the practice of fatwa in Malaysia and Pakistan, and the relevance of the Malaysian fatwa model to Pakistan’s legal system. They suggest the need to take Malaysian fatwa as a model to provide legal status and grant the judiciary the power to implement Islamic verdicts in Pakistan.

Methodology of the study
The study relies on qualitative research tools and techniques, concentrating on an objective assessment of opinions and attitudes. Qualitative research methods are widely used to assess and examine opinions, particularly in research areas, which use selected case studies and involve analysis of those selected cases. The cases highlighted in this research are a group of fatwas that are issued by reputable fatwa-issuing bodies. The study uses the inductive approach, as it allows summarization of the collected data (Azungah, 2018). The inductive approach also assists in coming up with a general perception of maslāḥah and its parameters as one of the secondary sources of Shari’ah for Islamic financial transactions.

Moreover, the study uses a comparative-analytical approach to examine the opinions of different fatwa-issuing bodies. To this end, this study relies on document analysis, which is based on data selection rather than data collection (Bowen, 2009). Sommerhoff et al. (2018) in fact recommend document analysis for qualitative studies because of its several advantages over the data collection method such as questionnaires. Mahmud (2009) in his study titled Al-Maslahah al-Mursalah wa Tartibatuhah al-Muw’asirah fi al-Hukum wa al-Nuzum al-Siyyasiyah adopted the same approach to display scholars’ opinions and conducted his study based on it.

This study will firstly search the usul al-fiqh literature in terms of matters related to fatwa in Islamic banking and finance along with maslāḥah as a source of Shari’ah rulings. Secondly, selected sample cases that have used maslāḥah as a basis of the fatwas issued by
Discussion and analysis of selected resolutions

The discussion on resolutions will be assembled into two sub-sections as follows: firstly, resolutions related to issuing a guarantee based on maslahah, and secondly, resolutions related to ibrāʿ (rebate), refinancing and rescheduling in Islamic financing agreements based on maslahah.

Resolutions related to issuing a guarantee based on maslahah

In its 91st meeting, on October 2009, the SAC-BNM resolved the issue of a third-party guarantee of capital and/or profit in mudārahah transactions. The SAC-BNM has allowed this transaction on the condition that the third party must be an independent party. The transaction is allowed based on maslahah, as it is important to provide confidence to investors and attract them to invest in the country’s projects based on Islamic financial principles (SAC-BNM, 2010).

According to Mish‘al (2012), a third-party guarantee is allowed in two cases as follows. Firstly, it is allowed in the case where it is based on kafālah (guarantee) with recourse. In such a scenario, the guarantor gives a guarantee to the rabīb al-māl (capital provider) to protect him in case there was negligence from the muḍāris (entrepreneur). In this regard, the Sharī‘ah requires an Islamic bank to guarantee deposits deposited in the bank by allowing the deposits to be guaranteed by a third party, such as a deposit insurer (Mustafa and Najeeb, 2018). The second case is if the guarantee is tabarru‘ (a donation) from the third party, which gives the guarantee amount as a hibah (gift) (Mish‘al, 2012). The principle of tabarru‘ is used to require each Islamic bank to contribute a certain amount to the takaful fund, whereas the principle of cooperation is applied to financially assist any member institution when it fails to fulfill its financial obligations towards its insured depositors (Mustafa and Najeeb, 2018). Islamic Fiqh Academy (Majma‘ al-Fiqh al-Islāmī al-Duwā‘ī) (2000) in its Resolution No. 30 (5/4) stated that there is nothing in Sharī‘ah preventing the inclusion of a statement in the prospectus or the mudārahah certificates about a promise made by a third party, totally unrelated to the two parties of the contract in terms of legal personality or financial status, to donate a specific amount without any counter benefit to
meet losses in a given project. The SAC-BNM also issued a resolution, which implies that the third party should be an independent party. Overall, if the guarantee does not involve a fee, there are no Sharī'ah issues, and there is no issue with the use of maslahah as evidence.

The SAC-BNM addressed the matter of extending the guarantee against a fee in a resolution titled “Sharī'ah concept for the operation of Islamic guarantee facility by Credit Guarantee Corporation (CGC).” CGC is an Islamic credit guarantee, which is a type of facility that helps borrowers to obtain financing from IFIs. It is a fee-based guarantee where the applicant for the guarantee is charged a fee. On 27 October 2005, SAC-BNM in its 54th meeting resolved that the facility offered by the CGC is a fee-based guarantee, which is allowed based on maslahah because it achieves a real maslahah for borrowers, as it is hard to get a guarantee, in current financial markets, against no fee (SAC-BNM, 2010).

A fee in the guarantee should as per Islamic resolutions, not exceed the actual expenses. The Islamic Fiqh Academy in its Resolution No. 12 (12/2) stated that kafalāh (guarantee) is a benevolent contract, motivated by grace and mercy. The jurists have decided against taking fee for issuing guarantees, the reason being that in the event of the guarantor’s payment of the guaranteed sum, it will resemble a loan with guaranteed profit to the lender, which is forbidden in Sharī'ah. Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) (2017) Sharī'ah Standard No. 5, clause 3/1/5, states that it is not permissible to take any remuneration whatsoever when providing a personal guarantee per se or to pay commission for obtaining such a guarantee. The guarantor is, however, entitled to claim any expenses actually incurred during the period of a personal guarantee, and the institution is not obliged to inquire as to how the guarantee produced has been obtained by the customer. Kuwait Finance House (2011) in its Resolution No. 286 stated that it is permissible to charge a fee, which reflects only the actual expenses incurred to avoid ribā. Al-Baraka Banking Group (Majmū’at al-Barakah al-Masrafiyyah) (2007) in its Resolution No. 3/1 stated that the bank cannot charge a fee based on the guaranteed amount; the bank can only charge a fee, which reflects the efforts borne by the bank. Finally, DIB in its Resolution No. 281 stated that the fee must be based on actual services. The bank is not allowed to charge a fee based on the financing amount or its maturity, to avoid ribā.

As per the above, the Sharī'ah resolutions have agreed that a fee, which is more than the actual expenses is not permitted. Laldin et al. (2012) and Fakhrunnas (2018) also studied the different opinions among fatwa-issuing bodies and found that the Middle East fatwa bodies do not allow a fee, which is more than the actual expenses, while SAC-BNM allows fee charging, which might exceed the actual expenses. They relied on the opinion of Al-Zuhailī (2002), who stated that there is a maslahah in allowing a guarantee based on a fee even though it might exceed the actual expenses (Laldin et al., 2012; Fakhrunnas, 2018). In the case of IFIs, if they are not allowed to charge a fee on the common types of guarantee, it would lead to huge risks on the financial institutions. Also, it would hinder any business activities of the customer because no financial institution would be ready to extend a guarantee against a small fee. On this argument, Ishak (2019) concludes that the maslahah of Islamic banks and their customers are found to be considered by SAC-BNM in the implementation of contracts and principles of Islamic banking in Malaysia. These masāliḥ are embodied in the viability of Islamic banks and the promotion of fairness and transparency between Islamic banks and their customers.

The issue of charging a fee on a guarantee has been studied extensively in Islamic fiqh. The stand by four schools of fiqh could be derived from the references of the madhhab. The impermissibility of charging a fee on a guarantee is mentioned in Sharḥ Fath al-Qadīr from Ḥanafī School (Ibn Hammām, 2002), al-Tāj wa al-Iklīl li Mukhtasar Khalīl from Mālikī School (Al-Mawwāq, 1994), Nihāyat al-Muḥtāj ʿinda Sharḥ al-Minhaj from Shafiʿī School (Al-Ramlī, 2002, 2011), and Al-Burāq al-Qādir from Shafiʿī School (Al-Ramlī, 2012).
1984) and al-Mughnī from Hanbali School (Ibn Qudāmah, 1968). In addition, contemporary fatwa bodies such as AAOIFI, Islamic Fiqh Academy and other Shari’ah committees have the same opinion on charging a fee on a guarantee. One of the mašalāyah parameters states that mašalāyah should not contradict with ḫaṣāṣ. However, the issue of charging a fee on a guarantee gained a unified stand as per collective ījtihād, as the four schools of fiqh and the majority of chosen fatwa bodies – except SAC-BNM – agreed on the impermissibility of charging a fee on a guarantee. Therefore, it can be concluded that charging a fee on a guarantee based on mašalāyah contradicts with the stand of collective ījtihād, which is similar to achieving ḫaṣāṣ.

Furthermore, the application of mašalāyah should be general and not for a limited number in a group of people (Al-‘Uthmān, 1977). Considering the positive impact on three parties (the guarantor, the beneficiary and the applicant), it is evident that charging a fee will impact a limited group in expanding their businesses and saving them from uncalculated losses. Hence, the validity of such a mašalāyah conflicts with this particular parameter.

Resolution related to ibrā’ (rebate) in Islamic finance
Ibrā’ (rebate) refers to a waiver of debt, partially or wholly, in a sale-based contract. On 20 May 2010, SAC-BNM in its 101st meeting resolved that BNM may require IFIs to practice ibrā’ with customers who settle their debt prior to the due dates. SAC-BNM relied on the principle of mašalāyah, as it will preserve customers’ rights and achieve fairness (SAC-BNM, 2010). Also, the resolution refers to al-Zarqa’s (1982) opinion, who says that the inclusion of a condition in financial contracts such as a sale contract is permissible under the Shari’ah if the inclusion is made for the purpose of protecting the interests of the transacting parties and it does not contradict with the principle of sale and purchase (Laldin et al., 2012). However, there are differing opinions among scholars about the addition of ibrā’ in a contract. Laldin et al. (2012) and Ishak (2019) stated that fatwa-issuing bodies in the Middle East do not allow ibrā’, which is stipulated in the agreement and agreed upfront, while SAC-BNM does allow it.

Looking at the stand of collective ījtihād bodies, they have similar views when it comes to the early settlement of a credit sale. The Islamic Fiqh Academy in its Resolution No. 64/2/7 stated that to reduce a deferred debt with the aim of accelerating its repayment, whether at the request of the creditor or of the debtor (pay less but ahead of time), is permissible in Shari’ah and does not fall within the province of ribā if it is not based on an advance agreement and as long as the relation between the creditor and the debtor is bilateral. AAOIFI, Shari’ah Standard No. 8, clause 5/9 stated that it is permissible for the institution to give up part of the selling price if the customer pays early, provided this was not part of the contractual agreement. KFH in its Resolution No. 780 stated that the deduction is permissible if the client did not stipulate the deduction for early settlement up-front, and if it did not arise from an oral or written commitment in the contract or after it; rather, it should be by the independent will of the creditor, if he wishes, without any verbal or implied stipulation. Al-Baraka Banking Group in its Resolution No. 15/1 stated that early settlement is allowed based on the principle of ḍaʾ wa taʾa ajjal (take less for accelerating payment) just as the Islamic Fiqh Academy has agreed on that but with a condition that the ibrā’ clause must not be stipulated in the contract. DIB in its Resolution No. 28 stated that early settlement is allowed based on ḍaʾ wa taʾa ajjal, as the Islamic Fiqh Academy also agreed on that but on the condition that the ibrā’ clause must not be stipulated in the contract and no extra charge should be requested from the bank to be paid to the client because of the early settlement. However, the collective ījtihād bodies agreed that stipulated ibrā’ is not a form of ḍaʾ wa taʾa ajjal.
The parameter of being in line with ijmāʿ could be looked at in similar lines as given in the previous part on the issue of guarantee against a fee. On the other hand, the application of mašlahah should be general and not for a limited number in a group of people (Al-ʿUṭūm, 1977). Considering the positive impact on the customers, who will be willing to settle before time, and on the banks, which will be willing to receive early liquidity, allowing ḵaḍrah will not impact a large number of people. Hence, the mašlahah, in this case, fails to comply with this parameter.

Resolutions related to restructuring and rescheduling in Islamic financing agreements
The mechanism of restructuring and rescheduling in Islamic finance differs from the mechanisms available in the conventional industry. It needs additional legal documents, which entail an additional legal fee and stamp duty. On 26 June 2002, the SAC-BNM in its 26th meeting resolved the issue of restructuring and rescheduling by inserting an additional paragraph in the agreement of the financing facility to verify the agreement of restructuring and rescheduling. SAC-BNM relied on mašlahah to avoid double payment of the stamp duty (SAC-BNM, 2010). Also, on 27 February 2003, the SAC-BNM in its 32nd meeting resolved that based on mutual agreement, the financing period for the customer may be extended without the need for a new contract, provided that both parties satisfy all concluded promises and the price imposed on the customer does not exceed the original sales price. SAC-BNM resolved the issue faced by IFIs when it comes to restructuring or rescheduling the financing. Charging twice for additional documents for the new agreement means double payment of stamp duty. Thus, SAC-BNM suggested that an additional paragraph for rescheduling and restructuring to be provided in the Islamic financing agreement, if the need arises, be inserted in the original agreement. This would verify the method and avoid double payment of stamp duty. This resolution relied on mašlahah, which is to protect the customers of IFIs from a double charge.

By analyzing these resolutions with the mašlahah parameters, it seems like it has no issues unless it is said that such a resolution is benefiting the involved parties only and not a huge number of people. However, these resolutions have no Sharīʿah issues, as it is not a sale of debt or extending debt maturity with extra charges.

Conclusion
The study focuses on mašlahah in general to understand the role of mašlahah in terms of resolving the Sharīʿah issues faced by IFIs. The discussion further includes the different types of mašlahah and their superiority to each other. The study includes the analysis of mašlahah based on resolutions from the SAC-BNM, as well as the opinions of other fatwa-issuing bodies such as AAOIFI, Islamic Fiqh Academy, KFH, DIB and DBB. Therefore, this study aims to assess the extent to which the resolutions that SAC-BNM issued relying on mašlahah have adhered to the parameters for the proper use of mašlahah in fatwas.

The study concludes that the resolutions of SAC-BNM to allow charging fees on guarantee and inclusion of ḵaḍrah in the financing agreement based on mašlahah is too generic to be included under the definition of mašlahah as defined in the Qurʾān and Sunnah and the relevant parameters of ijmāʿ. Further, collective ijtihād is considered as ijmāʿ; if that is accepted, the considered mašlahah would contradict with the parameter of being in line with ijmāʿ. Another parameter of mašlahah is that the impact should be general. It was evident that the mašlahah in these cases is limited with regard to the number of people affected.

For future research in this area, as it has been said that ijmāʿ is not possible to be practiced in the current era, researchers may look into the possibility of gaining ijmāʿ
through the internet and new technologies by creating a platform and gather all Sharī'ah scholars in that platform. Researchers may try to evaluate how this idea can be implemented and the possibility of calling it *ijmā*, which is known as one of the primary sources of Sharī'ah.

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Further reading


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