

**BAI AL- INAH AND TAWARUQ AS A SOLUTION TO
INTEREST-BASED PERSONAL FINANCING FACILITY**

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ABSTRACT (BAHASA MALAYSIA)

Terdapat kemudahan pinjaman peribadi yang di tawarkan oleh Perbankan Islam yang menggunakan produk *Bai al-Inah* di Malaysia. Walaubagaimanapun timbul keraguan dan pertanyaan terdapat riba dalam pelaksanaan *Bai al-Inah* dalam pembiayaan peribadi. Oleh itu, kajian ini cuba untuk mencari idea dari sarjana-sarjana Penasihat Syariah, Mufti dan pengamal-pengamalnya mengenai penggunaan *Bai al-Inah* dan alternatifnya, iaitu *Tawarruq*. *Tawarruq* telah digunakan dengan meluas dalam urus niaga di Middle East di pasaran komersialnya tetapi bukan di Malaysia. Hasil dari tinjauan bersama responden dan melalui temubual berstruktur dengan pihak terlibat, mendapati hasilnya seperti berikut: i) *Bai al-Inah* adalah diterimakan untuk digunakan di Malaysia ii) Walaupun *Tawarruq* merupakan alternatif yang lebih baik, tetapi masih terdapat ramai pengamal tidak mempunyai pengetahuan mengenai konsep tersebut memandangkan ianya baru di pasaran iii) agak susah untuk mengaplikasikan konsep *Tawarruq* oleh Perbankan Islam di Malaysia.

ABSTRACT (ENGLISH)

Islamic banks offer personal financing in Malaysia based on the concept of *Bai al-Inah*. However, there exists some concern over the treasure of *riba*, in the implementation *Bai al-Inah* in personal financing. This study hence, attempts to seek opinion of scholars *Shariah Advisory Council, Muftis* and practitioners on the usage of *Bai al-Inah* and its alternative, *Tawarruq*. *Tawarruq* is widely used in Middle East commercial transaction but not in Malaysia. From a survey of these respondents and structured interview with the Muftis, we obtain the following Findings: i) *Bai al-Inah* is acceptable to be used in Malaysia. ii) Although *Tawarruq* is better alternative, many practitioners are not familiar with this concept. iii) Hardly any application of *Tawarruq* by Islamic banks in Malaysia.

DEDICATION

This dissertation is dedicated to my parents, Hj Osman Awang Puteh and Hajjah Mariah bt. Hassan who have provided undying love, support and encouragement. They also constantly provide me with strength, hope, courage and determination to make me move through the final stage of this process. Their love and sacrifices make my dream come true.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter intends to give a brief description as to the layout of this dissertation and its contents. The organization of this chapter is as follows: section 1.1 presents the background of study, section 1.2 explains the problem statement, section 1.3 provides the research question, section 1.4 describes the objectives of the study, section 1.5 discusses the contribution of the study, section 1.6 discusses the limitation of the study, and finally section 1.7 concludes the whole chapter.

1.1 Background of the Study

In Malaysia, the recognition for Islamic financial system had started as early as 1969 when the Pilgrims Management Fund Board was established. However, this fund has its own limitation as it only administers the fund of the depositors who wish to perform the pilgrimage. It was only in 1983, with the enactment of Islamic Banking Act (IBA), that the first Islamic Bank that is was Bank Islam Malaysia Berhad was established. The rapid growth of Islamic banking over the years proved that even though Malaysia has a dual banking system, Islamic banking could exist and compete well in a very competitive environment in

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