A COMPARATIVE STUDY OF MUSHARAKAH MUTANAQISAH IN ISLAMIC HOME FINANCING

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NOVEMBER 2014
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ABSTRACT

Musyarakah mutanaqisah is a hybrid contract containing three shariah contract namely Ijarah, al bay’, Musyarakah. This research discusses the implementation of musyarakah mutanaqisah in Islamic home financing by RHB Islamic Bank Berhad and Kuwait Finance House (Malaysia) Berhad (KFHMB). This study also analyzes the parameters used for musyarakah mutanaqisah and sees whether RHB Islamic Bank and Kuwait Finance House (Malaysia) Bank (KFHMB) use these parameters on their product in musyarakah mutanaqisah. The researcher also wants to analyze the parameter for musyarakah mutanaqisah. Besides that, the selection of two banks is meant to compare their Standard Operating Procedure (SOP) in the implementation of musyarakah mutanaqisah in RHB Islamic Bank Berhad and KFHMB. The researcher also analyzes the issues and challenges faced by both of the banks in implementing this product because musyarakah mutanaqisah product is considered as a new product in Islamic home financing and has started getting noticed by Islamic banking in this country. In order to achieve the objective of the research, the researcher uses the library and field works as a method to collect the data. The data collected are analyzed, using the method of content, inductive and comparative. To obtain the information for getting answers to all the research questions, the researcher has conducted interviews with executive officers from both of the banks and the experts in this field. In the end, the researcher makes a few suggestions and recommendations to the banks, government, academicians and society with the aim to improve and get acceptance of this product in future.
ABSTRAK

ACKNOWLEDGEMENT

بسم الله الرحمن الرحيم

Praise be to Allah S.W.T., the Most Compassionate and Most Merciful, whose blessings have helped me throughout my life.

Firstly, I would like to express my deepest gratitude to Allah s.w.t for the strength, peace of mind, good health, and ability granted, in order to complete this thesis. Second goes the appreciation to my supervisor, Dr. Ahmad Khilmy bin Abdul Rahim for his valuable guidance and moral support throughout the period of completing this thesis. It his worthy efforts, guidance, and constructive comments that the thesis is finally able to be completed on time. I would also like to extend my gratitude to Prof Madya Dr. Abu Bakar Hamed (Head Facilitator of Research), Dr. Hydzulkifli bin Hj. Hashim (Internal Examiner) and the OYAGSB Staff, the University Library for their kind assistance during completing the study.

I also owe my sincere thanks to Assoc. Prof. Dr. Asmadi Mohamed Naim, Dean Islamic Business School and Shariah Advisory Council of Bank Negara Malaysia (SAC), Ustaz Suhaib Torla, Shariah Division of RHB Islamic Bank Berhad, Ustaz Azmir Azri and Ustaz Nik Muhammad Adib from Kuwait Finance House (Malaysia) Berhad, Ustaz Zamerey Bin Abdul Razak, Vice President of Bank Rakyat and Dr. Mohammad Taqiuddin Mohamad, senior lecturer from Department of Shariah and Economics, Universiti Malaya who directly involved in the interview. Their support and contribution is very much appreciated.

I would also like to thank these people, Raudzatul Jannah, Nik Nor Amalina Nik Mohd Sukrri, Mazleena Bt Tajuddin and Nurul Harisah Bt Ahmad, Nadijah Nabilah Bt Baharom, Nor Syafikah Ridzuan and all MIFB Course mate for their encouragement and moral support.

Last but not least, a very special thanks to my family for their love and care, especially a loving thanks to the most important person in my life and best supportive ever, my father Haji Mohd Saufi Bin Haji Zakaria, my late mother, Hajjah Roshida Binti Ismail and my mother, Hajjah Ku Hanita binti Ku Mahamud, my lovely wife, Norsyazwani binti Mohd Nasirudin my sisters Siti Shakira Wahida, Siti Shazwani Izzati and Mohd Shamil Ashraf, for their concern and understanding. Again, thanks to everyone for having me the strength and giving the full inspiration to keep me up motivated and successful. Alhamdulillah.
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<td>MM</td>
<td>Musharakah Mutanaqisah</td>
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<td>BBA</td>
<td>Bay’ Bithaman Ajil</td>
</tr>
<tr>
<td>BNM</td>
<td>Bank Negara Malaysia</td>
</tr>
<tr>
<td>UUM</td>
<td>Universiti Utara Malaysia</td>
</tr>
<tr>
<td>KFHMB</td>
<td>Kuwait Finance House (Malaysia) Berhad</td>
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<td>SAC</td>
<td>Shariah Advisory Council</td>
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CHAPTER 1

1.0 INTRODUCTION

1.1 Introduction

Every person in the world wants to own a house, but it is not easy for anyone to get it without any support from manifold sources, such as, government, banks and loan from a company. The decision to buy a house is a significant phenomenon and it is the biggest step in one’s lifetime. In order to get an access to one’s residence, for a buyer, it does not only require the high financial commitment but also the purchaser also makes a long term investment because today’s reality showcases that investment in purchasing home can give the biggest profit and benefit for the future. However, the ability to own one’s home also depends on the sources of income coming out of household because as we can see today, most of Malaysians, they are not able to own their home in cash except they get a loan from banks. However, the problem faced by customers in Malaysia today is related to the types of financing that is offered: whether to take the financing on the basis of either by conventional concept or Islamic concept. Both of the concepts can give options to the customers to choose any type of financing and make a right decision to get better home financing.

From the very beginning of human civilization, the approaches to meet day-to-day needs have been undergoing changes with the change of social, financial, scientific, cultural and political situations, especially in terms of behaviors, fashions and the standard of living. The above-mentioned methods regulate the commercial activities and differ from place to place and time to time. When Islam was in its peak, the Arab society had very simple financing methods and forms of business which were not considered peculiar to that society (Al Harran, 1993).
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