

APPLICABILITY OF *MAQASID AL-SHARIAH* TOWARDS HOME FINANCING BY ISLAMIC BANKS AMONG UNIVERSITY STAFF IN MALAYSIA

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Published online: 15 June 2022

To cite this article: Amin, H. (2022). Applicability of *maqasid al-Shariah* towards home financing by Islamic banks among university staff in Malaysia. *Asian Academy of Management Journal*, 27(1), 129–154. <https://doi.org/10.21315/aamj2022.27.1.6>

To link to this article: <https://doi.org/10.21315/aamj2022.27.1.6>

ABSTRACT

Despite their significant growth, Islamic banks only consider about avoiding riba, gharar, and maysir at the expense of maqasid al-Shariah. The banks are somewhat converged with their conventional peers. Consumers believed that the banks imitate their peers pertinent to the pricing calculations and product lines. Without effective measure, consumers may discern Islamic banks undermine their maqasid objective and continued critics of mimicking their peers are prolonged. Against this backdrop, this study examines consumer preference using a proposed index known as the Maqasid Consumer Preference Index (MCPi). Drawing upon the MCPi, the present study examines consumer preference for six Islamic banks operated in Malaysia to which Islamic home financing products are presently made available. Our data were drawn from valid 450 usable questionnaires. The results obtained report that six Islamic banks relatively have a moderate index. Of these, Bank Islam Malaysia Berhad (BIMB) is ranked first, followed by Maybank Islamic, CIMB Islamic whilst Kuwait Finance House is ranked last. This work examines a new approach to measure consumer preference using the MCPi. Our contributions are confined to these particular factors – educating customer, establishing justice, and promoting welfare in the context of Islamic home financing in Malaysia. Future works may provide a different perspective on these interrogations by considering new dimensions to extend the findings. Despite this concern, the results obtained offer improved insights for bank managers to manage Islamic home financing products effectively.

Keywords: *maqasid al-Shariah*, consumer preference, index, Malaysia, home financing, banking

INTRODUCTION

In their search to develop a better consumer preference appraisal, most mortgage providers like Islamic banks try their best to continually maintain contact with their customers to develop long-term relationships. Attracting consumers is crucial to create more income that offers sustainability to Islamic banks in the competitive mortgage industry. Moreover, Islamic banks must grasp the behaviour of the consumer for the products to become more proficient at marketing them. In turn, the profitability and competitiveness of the products are shaped according to the formation of consumers' need and experience. Failure to understand consumer behaviour would, therefore, can lead to the ineffective formation of marketing programmes, which, in turn, can shape an establishment of false mortgage strategies out of steering unpremeditated market segmentation of erroneous customers. Islamic perspectives of consumer behaviour are relatively fallen short in an Islamic framework (i.e., Md-Taib et al., 2008; Alam et al., 2012; Abdul-Razak & Abduh, 2012). There has been little if an only formal evaluation for the dimensions capturing the Maqasid Consumer Preference Index (MCPi) been addressed. The dimensions of the MCPi remain unknown and need empirical tests. The present study explains the unknown accordingly.

This study is different from the existing Islamic home financing studies. Three reasons explained but are not limited to:

- Firstly, the current study examines the ideal dimensions of consumer preferences of Islamic home financing from the *maqasid* framework. Such an effort has been overlooked in the previous literature in the area of Islamic home financing (i.e., Alam et al., 2012; Amin et al., 2014);
- Secondly, the existing study introduces a model, which highlights a set of dimensions that may affect consumer preference of Islamic home financing. The present work extends Amin et al.'s (2014) work by validating three specific objectives of *maqasid*, that include educating customer, justice, and *maslahah* with improved conceptualisations and operationalisations. Nonetheless, the battery items by prior studies (i.e., Md-Taib et al., 2008; Alam et al., 2012) are inadequate to explain consumer preference out of limited operationalisation and face validity; and
- Thirdly, this study applies Hwang and Yoon's (1981) Simple Additive Weighting Method (SAWM). The SAWM is a statistical technique used for weighting, aggregating and ranking processes. In Malaysia, it is worth

to mention that work on the first employment of the SAWM has been firstly coined by Mohammed et al. (2008). The scales developed, however, have been banking performance instead of consumer behaviour measure.

Furthermore, according to Chapra (1985), *maqasid al-Shariah* acknowledges the welfare and justice to all parties concerned in which balanced and strengthened socioeconomic justice and equitable distribution of income and wealth among individuals in our society are developed. Although Bank Negara Malaysia (BNM) does not put it in place, the implication of *maqasid* is somewhat developed via value-based intermediation (VBI), which is based on *maqasid al-Shariah*, where minimising unjust elements, wealth preservation and equitable wealth distribution are brought into play (BNM, 2018). This view aligns with Habib (2011), who asserts that Islamic banking should promote welfare or benefit of people at the expense of harm (*mafsadah*). Indeed, there is an agreement that *maqasid al-Shariah* is inherited in the operations of Islamic banks covering products and services (Siddiqi, 2006).

Generally, Islamic banks are not welfare-oriented institutions as many believe but the implications of welfare are surely jacked up their objectives – be it profit or social obligation. Dusuki (2008) discovers the importance of social obligations when Islamic banks are offering financial products to their clients besides the promotion of Islamic values toward their staff and the general public. Likewise, the banks' contribution to social welfare and promoting sustainable development projects and poverty eradications are aimed at achieving *maqasid al-Shariah* – a competitive weapon for Islamic banks in the industry. BNM (2018) has introduced VBI in promoting new forms of Islamic banking operations beyond *Shariah* compliance, in which three elements are given namely people, planet, and profit. These elements are focused on *maqasid al-Shariah*. For instance, Agrobank provides working capital of RM50 million to farmers and also provides free technical consultation via Bernas (BNM, 2018). Jointly, these justifications lead to the continued importance of *maqasid al-Shariah* in which all parties concerned will share the benefits drawn from Islamic banking operations, where balanced social and profit obligations are brought into play.

It is worth noting that *bay bithaman ajil* (BBA) home financing offered earlier has placed a minimal role of *maqasid al-Shariah* when offering the facility to the public at large. This has become a source of criticism that leads to the marginal demand of the facility. It was invalidated by the High Court of Malaysia in 2008 because it is judged as a loan contract rather than a sale contract. There is no such evidence suggested that the Shariah Advisory Council (SAC) of BNM issued a circular pertinent to the prohibition of the BBA contract. It is indeed

the decisions of *Shariah* committee from individual Islamic banks whether BBA home financing is offered or not. Majority of Islamic banks have not offered it due to poor public trust and image. It is the banks' *Shariah* advisors and not that of the SAC of BNM. As of 1 June 2020, the offered BBA home financing has been limited and trivial. Only two banks offered BBA home financing namely Public Islamic Bank Bhd. and Alliance Islamic Bank. Practically, these banks offer BBA merely due to its lenience sourced from its direct conversion from conventional to Islamic finance. If one intends to enter into *musharakah mutanaqisah* (MM), he will be deemed as an equal owner to the property. Thus, that is the argument. Under the BBA regime, Islamic banks treated debtors similar like their peers including harassing customers who are not able to pay back on time or failure to pay.

Using a questionnaire survey, this study examines consumer preference of Islamic home financing facilities offered by Islamic banks in Malaysia, where the MCPi are brought into play. The MCPi provides a theoretical foundation for Islamic banks to improve our understanding pertinent to the starring role that can be played by consumers in ensuring Islamic home financing products success and hence to change a negative mindset of laymen on the products' validity. The MCPi is essential for competitiveness and survival of Islamic banks in the Malaysian mortgage industry.

LITERATURE REVIEW

BBA and Home Financing

Essentially, BBA home financing is negatively impacted the public image of Islamic banks. The pricing of BBA has not been friendly to consumers and many have been traumatic when they intend to settle their mortgage earlier. Under BBA, the consumer ends up paying about four times the original cost both developer and bank are assumed to make a gross 100% markup (Mydin Meera & Abdul Razak, 2005). In the case of unforeseen circumstances out of a financial crisis, consumers are unable to service their monthly instalments, making them defaulted and subject to high credit risk. Unlike BBA, MM is more in tandem with *maqasid al-Shariah* because consumers can own houses gradually at limited initial capital (Mydin Meera & Abdul Razak, 2005).

Md-Dahlan et al. (2017a) examines issues related to BBA home financing where a *gharar* is a special reference for the examination of its validity. The authors agree that BBA home financing has created many critics from the low of laymen to a high of experts in the Islamic banking area. Following Al-Zuhayli (1988), the BBA practice is based on *bay al-inah*, which is still subject to debate among the *fiqh* schools as the transaction may fall into *riba* out of legal trick that justifies *riba* in mortgage transactions. If a customer bought a complete house, the problem is only associated with the financing facility out of the fear of credit risk. But the acute problem happens when a bought house is yet developed or under construction. In this case, the customer tends to deal with credit risk and delivery risk of the property bought – the customers leave helpless. As a result, consumers have suffered damage and losses without getting equitable and appropriate remedies (Md-Dahlan et al., 2017a). Following Md-Dahlan et al. (2017a), there are at least four cases related to abandoned housing projects financed by BBA. The details are provided as follows:

1. Pripih Permata Sdn. Bhd. vs. Bank Muamalat Malaysia Bhd. 2015] 6 CLJ 135
2. Bank Muamalat Malaysia Bhd. vs. Norizan Tajudin [2013] 1 LNS 854
3. Khozim Malim vs. Bank Kerjasama Rakyat Malaysia Bhd. [2012] 3 CLJ 860
4. Muhammad Daud bin Radzuan vs. AmIslamic Bank Bhd. [Civil Appeal No. (R2)-12B-2009] (High Court of Malaya, Kuala Lumpur)

Two works of Hasan and Asutay (2011) and Md-Dahlan et al. (2017b) investigate cases of BBA home financing when default risk comes into play. Unlike Md-Dahlan et al. (2017a), Hasan and Asutay (2011) describe the Malaysia BBA home financing cases by contrasting them with some disputes occurred in the United Kindom, India and the United States to extend the findings. On the other hand, Hasan and Asutay (2011) argue that BBA has generated negative public mindset pertinent to the image and credibility of Islamic banks sourced from the proliferated *Shariah* non-compliance risk. This study reports that cases related to BBA home financing where a default risk occurs. For instance, Affin Bank Bhd. vs. Zulkifli Abdullah and Maybank vs. Marilyn Ho in which in these cases the *Shariah* non-compliance risk is detailed thoroughly. Unlike Hasan and Asutay (2011), Md-Dahlan et al. (2017b) provide a focused discussion on BBA home financing due to its distinct scope of research and narrowed research objective. In this study, five cases are presented of BBA home financing related to default risk namely Bank Islam Malaysia Bhd. vs. Azhar Osman, Bank Rakyat vs. Brampton, Maybank vs. Marilyn, Maybank vs. Yakup Oje and

Anor, and Arab Malaysia vs. Taman Ihsan Jaya. These studies jointly call that BBA home financing has a poor public image and lacked *maqasid al-Shariah* in buttressing the well-being of their customers.

BBA and *Maqasid al-Shariah*

Though BBA is greatly criticised owing to its incompatibility to *Shariah*, Yaakob, and Abdul-Rahim (2009) prove otherwise by claiming that the BBA meets the *maqasid* via the provision of financing that captures the five elements of the *maqasid*. The elements are life, religion, intellect, property, and lineage. The authors also suggest a refinement to the *maqasid* when Islamic banks offering the products to fit into the new needs of consumers and growing competition from their peers. Yet, results from Yaakob and Abdul-Rahim's (2009) study are somewhat conflicting due to lacked quantitative shreds of evidence to hold their syntheses. Unlike Yaakob and Abdul-Rahim (2009), Mydin-Meera and Abdul-Razak (2005) have argued earlier that BBA is not meeting *maqasid al-Shariah* owing to the back BBA rejected business risk and therefore the bank is making money out of nothing – limited deliberation on “*al-ghunmu bi al-ghurmi*” (profit bears risks). Our effort is in tandem with Mohammed et al. (2008), but unambiguously, we examine consumer behaviour instead of Islamic banks' performance and for that, a survey approach is of paramount importance.

Mydin Meera and Abdul Razak (2005) develop a comparative study for BBA home financing and MM home financing using a mathematical approach. This study reports that MM home financing has more merits compared with its BBA counterpart. MM is not only a *Shariah*-compliant but also the preventing of *riba* through the use of rental price or house price index, reduced the cost of houses bought and shorten the duration of financing. Interestingly, the financing balance for MM home financing, at any point of time, never exceeds the original price of the house bought, unlike under BBA where it can. This study concludes that MM as a better alternative to the conventional mortgage than BBA. It is in line with *maqasid al-Shariah* as it allows people to buy and eventually own homes with limited initial capital.

Unlike Mydin Meera and Abdul Razak (2005), a work by Abdul Razak and Abduh (2012) instead of qualitative has been empirical investigations to view how well consumers choose MM home financing in a Malaysia context. The authors concur with Mydin Meera and Abdul Razak (2005) when it comes to MM home financing owing to its justice factor that is in tandem with *maqasid al-Shariah*. Abdul Razak and Abduh (2012) report that the source of people influences is more likely to determine the consumer acceptance of MM home financing

compared with respondents' attitude. Furthermore, this study demonstrates that MM is more *Shariah*-compliant rather than BBA home financing.

Furthermore, Amin and Abdul Hamid (2018) provide a new empirical investigation on *tawarruq* home financing in Malaysia. *Tawarruq* is a series of sales where a bank sells a good to a customer on credit basis and the latter sells the good on cash to a third party who is not the former. *Tawarruq* involves three parties, the customer (*mutawarriq/mustawriq*), the bank (*muwarriq*) and the third party (i.e., brokers). This product is better than BBA home financing in terms of its validity and public image that lead to its receptiveness. Unlike Mydin Meera and Abdul Razak (2005) but like Abdul Razak and Abduh (2012), this study has been empirical with some factors influencing the product are presented for adding into the body of knowledge in the area concerned. Quality of *maqasid* compliance has helped determine the consumer acceptance of *tawarruq* home financing, followed by product attractiveness, attitude, people and control factor.

Home Financing and *Maqasid al-Shariah*

Influenced by Chapra (1985), Dusuki and Abdullah (2007) examine *maqasid al-Shariah*, *maslahah* and corporate social responsibility. This study describes the significance of any activities which are in light with the elements of *maqasid al-Shariah* (life, religion, intellect, property, and offspring) are allowed. For instance, the harm is repelled as far as possible, like the dumping of toxic waste must be averted and entirely not an option to minimise production costs. Islamic banks are therefore not allowed to approve financing facilities that lead to this occurrence to take place. In more detail, Islamic banks are not permitted to finance activities that might be perceived as productive in terms of profit generations but still contain elements that may severely harm society – be it morally or healthily. Dusuki and Abdullah's (2007) study capture the central importance of *maqasid al-Shariah* and *maslahah* as an adequate ethical guide to executive and entrepreneurs who must decide which course to pursue and how much to commit to it. In the context of Islamic banks, the managers are allowed to maximise profits as long as their businesses do not have negative repercussions on society or the surrounding environment.

Like Dusuki and Abdullah (2007), a study by Laldin and Furqani (2013) provides thought on Islamic finance future in tandem with *maqasid al-Shariah*. *Shariah* principles are defined as a subset of *maqasid al-Shariah* and for that to progress, Islamic banks should be developed through the realisation of the *maqasid* to optimise its potential. The current trend, if any, has been falling short. The authors

assert that Islamic banks are not merely to secure the narrow legal compliance of the Islamic legal rulings that is to say to become *Shariah*-compliant but a more substantive movement toward a good financial system enshrining Islamic values, visions and objectives – committed to *maqasid al-Shariah*. Laldin and Furqani (2013) argue that *maqasid* consolidates *Shariah* principles in the running of comprehensive Islamic banking operations and because of that *maqasid al-Shariah* should act as primary guidance in the effort of developing Islamic banking.

Unlike others (Shahwan et al., 2013; Laldin & Furqani, 2013; Dusuki & Abdullah, 2007), Moussa and Mohammed (2011) develop a decision-making tool based on *maqasid al-Shariah* and the level of *maslahah* for the managers of firms to use in allocating their investible resources to vital sectors of the economy. The *maqasid* model developed is aimed at making informed decision making. Firms in the Islamic environment have to make decisions that consider the interest of many parties and not only from the narrow one-dimensional profit maximisation objective. Firms in the Islamic environment should make decisions which are ideally guided by *maqasid al-Shariah*. In the Islamic theory, decision making is multi-dimensional that incorporates the firm's decision in economic, social, political, and behavioural dimensions. The role of the firm is to promote the welfare of the society, the economy, and the family institution. The five elements of *maqasid*, life, religion, intellect, property, and offspring, constitute an adequate framework to achieve these objectives.

Shahwan et al. (2013) examines home financing pricing issues in BBA and MM home financing. Out of the paradigm of inquiry, this issue is unexplored by Laldin and Furqani (2013) and Moussa and Mohammed (2011), among others. In more detail, the pricing issue is dominated by BBA compared with MM home financing. The pricing of BBA is more transparent that has made it becomes central in attacking the product. In contrast, however, the uncapped pricing of MM home financing has not been the issue of criticism due to its unknown price. Furthermore, BBA is viewed to promote the welfare of Islamic banks than that of financial stability of an individual and family. Unlike BBA, MM is found to jack up welfare that maintains the well-being of customers without compromising the interest of shareholders of Islamic banks. In other words, BBA pricing has little impact in improving the well-being of individuals and humanity as a whole, whilst MM pricing has been considered the interest of individuals and humanity and for that better for bank customers without endangering banks' profit. This denotes that MM promotes the elements of *maqasid al-Shariah* when the home financing facility is offered to bank customers but lacking when BBA is brought into play.

A work by Chapra (1985) provides an interesting baseline argument pertinent to *maqasid al-Shariah* and its link to the Islamic banking system today. This prominent scholar argues that the basis of the *Shariah* is the wisdom and welfare of the people in this world as well as the hereafter. This welfare lies in complete justice, mercy, well-being, and wisdom. He asserts that anything that departs from justice to oppression, from mercy to harshness, from welfare to misery and from wisdom to folly, has nothing to do with the *Shariah*. This stance is later approved by Laldin and Furqani (2013) who stress on the importance of uplifting *maqasid al-Shariah* in Islamic banks to strengthen the well-being of transacting parties. Chapra (1985) is a true supporter of al-Ghazali, in establishing *maqasid al-Shariah* among individuals at large without discriminating them. He asserts that the money and banking system has an important role to play in the Islamic economy as in any other economy. To play this role in the light of *maqasid al-Shariah*, it needs to be reformed in such a way that it is in conformity with the ethos of Islam and can fulfil the aspirations of the *ummah*.

Existing Measures of Consumer Preference

Based on Khan and Ghifari's (1992) study, it is acknowledged that one's consumption is determined by three levels of *maqasid* needs. These include *daruriyyat* that is essential, *hajiyyat* that is complementary and *tahsiniyyat* that is an embellishment. This work, however, has paid minimal attention to developing battery items that capture *maqasid* consumer preference in particular to what extent do the items affect consumer receptiveness, remains unanswered and fallen short. An attempt by Amin et al. (2014) discovers a relationship between education and the willingness to choose Islamic home financing products. The results for justice and *maslahah* are insignificant because of poor conceptualisations of the measurement items. Through our search, Mohammed et al. (2008) provides a point of departure when extending *maqasid al-Shariah* to understand how well Islamic banks are performed in an Islamic way. The authors propose 10 battery items that capture education, justice, and welfare to shape a formation of Islamic consumerism values (i.e., moderation and altruism). Generally, of the dimensions mentioned, the significance of education is prescribed in the Al-Quran (2:31) in which the Almighty said that "He taught Adam all the names" that symbolises an education is a key indicator for a piece of improved knowledge and decision.

This evidence highlights the significance of educational programmes in making customers of banks are well-versed on the terminologies, *modus operandi*, and pricing of the Islamic mortgage. Disseminating leaflets, exhibitions and seminars

can be of a few but effective tools to strengthen the public image of Islamic mortgage products, and for that layman will have a positive image about them. Our assertion is based on the Al-Quran (5:8) that signifies the importance of ethical business transactions in all types of dealing between transacted parties in a business. We learn two significant points drawn from this verse, firstly, the significance of mutual respect in financial transactions, and secondly, the importance of fair transactions among the transacted parties.

Besides, Islamic banks shall operate based on the right goals to balance the interest of banks with their customers' interest and because of that *maqasid* is upheld accordingly (i.e., Dusuki, 2008). This assertion has been explained earlier by Chapra (2000) who supports the actualisation of *maqasid al-Shariah* by making welfares of society and individual are established cogently and this by any likelihood is defined as the Islamic vision for socioeconomic justice and everyone's welfare. Following Chapra (2000), there are two main objectives of Islamic banks. First is about social obligation and second is about profit obligation to actualise the *maqasid al-Shariah* in Islamic banking. Likewise, Dusuki (2008) has been influenced by Chapra (2000) in establishing what objectives of Islamic banks are. He discovers that social objective is of utmost importance compared with the profit objective of the banks. The social objective is not only about public or bank customers at large, but also includes the staff of the bank, prospective bank customers, entrepreneurs and non-profit organisational entities, to mention some.

Besides, a study by Amin (2019) provides a fresh result pertinent to the Islamic theory of consumer behaviour (ITCB) to evaluate the impacts of *iman*, Islamic mortgage support and *maqasid* consumer index on consumer behaviour. These measures are instrumental in determining consumer behaviour. Similarly, Amin (2020) explicates the importance of critical success factors (CSFs) in explaining consumer receptiveness of Islamic home financing in Malaysia. The study develops new measures to gauge the receptiveness. These include product type, competitive value proposition, Islamic debt collection policy, Islamic bankers' knowledge and *maqasid al-Shariah* factor. All considered factors are found to be related to the receptiveness owing to the proper developed procedures applied to develop the items capturing the factors under contemplation along with improved *Shariah* scholars' contribution to validating the items accordingly.

All studies mentioned above have examined these topics namely Islamic home financing, *Shariah* contracts used and *maqasid al-Shariah*, among others. However, the real question still stands. What are the MCPi measures that can gauge consumer preference of Islamic home financing, where *maqasid al-Shariah*

comes into play? Unfortunately, limited serious effort has been documented to address this question and never been discussed empirically, which warrant further empirical investigations to minimise the gap.

RESEARCH METHODOLOGY

Specification of MCPi

Following Hwang and Yoon (1981), the current study extends the application of the SAWM to examine consumer preference in the context of Islamic banking. The justifications are of two-fold. First, this method allows the aggregation for the battery items developed to represent the said three concepts, which then are subsequently ranked for their importance or priority, where consumer perspective comes into play. Second, this method is flexible and helpful to gauge consumer feedback using Statistical Package for Social Science (SPSS) version 21 effectively. Our proposed index consists of attributes covering three concepts and the intra-attributes are the 9-element and the 9-Consumer Behaviour Measure (CBM). The weights for the three dimensions of the MCPi and the nine elements are evaluated by the *Shariah* scholars. Whilst the evaluation for the CBM is based on consumers' response of the sample, the top six Islamic banks in Malaysia. Accordingly, we have three indexes that require empirical tests.

As for Educating Customer (EC), the specification of the CBM is denoted by EC (01).

$$EC (01) = W \frac{1}{1} \times E \frac{1}{1} \times R \frac{1}{1} + W \frac{1}{1} \times E \frac{2}{1} \times R \frac{2}{1} + W \frac{1}{1} \times E \frac{3}{1} \times R \frac{3}{1}$$

$$OR W \frac{1}{1} \left(E \frac{1}{1} \times R \frac{1}{1} + E \frac{2}{1} \times R \frac{2}{1} + E \frac{3}{1} \times R \frac{3}{1} \right) \quad (1)$$

Where,

01 denotes the first dimension that is EC

$W \frac{1}{1}$ is the weight assigned to the EC

$E \frac{1}{1}$ is the weight assigned to the 1st element of the EC

$E \frac{2}{1}$ is the weight assigned to the 2nd element of the EC

$E \frac{3}{1}$ is the weight assigned to the 3rd element of the EC

$R \frac{1}{1}$ is the weight assigned to the 1st CBM to the 1st element of the EC

$R \frac{2}{1}$ is the weight assigned to the 2nd CBM to the 2nd element of the EC

$R \frac{3}{1}$ is the weight assigned to the 3rd CBM to the 3rd element of the EC

As for Establishing Justice (EJ), the specification of the CBM is denoted by EJ (02).

$$\begin{aligned}
 \text{EJ (02)} &= W \frac{1}{2} \times E \frac{1}{2} \times R \frac{1}{2} + W \frac{1}{2} \times E \frac{2}{2} \times R \frac{2}{2} + W \frac{1}{2} \times E \frac{3}{2} \times R \frac{3}{2} \\
 &\text{OR } W \frac{1}{2} \left(E \frac{1}{2} \times R \frac{1}{2} + E \frac{2}{2} \times R \frac{2}{2} + E \frac{3}{2} \times R \frac{3}{2} \right) \quad (2)
 \end{aligned}$$

Where,

02 denotes the second dimension that is EJ

$W \frac{1}{2}$ is the weight assigned to the EJ

$E \frac{1}{2}$ is the weight assigned to the 1st element of the EJ

$E \frac{2}{2}$ is the weight assigned to the 2nd element of the EJ

$E \frac{3}{2}$ is the weight assigned to the 3rd element of the EJ

$R \frac{1}{2}$ is the weight assigned to the 1st CBM to the 1st element of the EJ

$R \frac{2}{2}$ is the weight assigned to the 2nd CBM to the 2nd element of the EJ

$R \frac{3}{2}$ is the weight assigned to the 3rd CBM to the 3rd element of the EJ

As for Promoting Welfare (PW), the specification of the CBM is denoted by PW (03).

$$\begin{aligned} \text{PW (03)} &= W \frac{1}{3} \times E \frac{1}{3} \times R \frac{1}{3} + W \frac{1}{3} \times E \frac{2}{3} \times R \frac{2}{3} + W \frac{1}{3} \times E \frac{3}{3} \times R \frac{3}{3} \\ &\text{OR } W \frac{1}{3} \left(E \frac{1}{3} \times R \frac{1}{3} + E \frac{2}{3} \times R \frac{2}{3} + E \frac{3}{3} \times R \frac{3}{3} \right) \end{aligned} \quad (3)$$

Where,

03 denotes the second dimension that is PW

$W \frac{1}{3}$ is the weight assigned to the EJ

$E \frac{1}{3}$ is the weight assigned to the 1st element of the PW

$E \frac{2}{3}$ is the weight assigned to the 2nd element of the PW

$E \frac{3}{3}$ is the weight assigned to the 3rd element of the PW

$R \frac{1}{3}$ is the weight assigned to the 1st CBM to the 1st element of the PW

$R \frac{2}{3}$ is the weight assigned to the 2nd CBM to the 2nd element of the PW

$R \frac{3}{3}$ is the weight assigned to the 3rd CBM to the 3rd element of the PW

The total of the consumer measures for the *maqasid* consumer preference for each bank will form the MCPi, implying that the MCPi for the individual bank is the sum of its CBM of EC, EJ, and PW, thus:

$$\text{MCPi} = \text{EC (01)} + \text{EJ (02)} + \text{PW (03)} \quad (4)$$

Developing MCPi

Following Auda (2008), *maqasid al-Shariah* is defined as *maqasid* goal, objective or principle in the *Shariah* is for the interest of humanity. This definition is also extended by a work by Mohammed et al. (2015) with an improved simplicity. The term *maqasid al-Shariah* means purposes, goals, or objectives of *Shariah* (Mohammed et al., 2015). The present study uses empirical investigations with the help of a questionnaire survey is brought into play. There are two steps taken to develop the MCPi as follows:

Step 1 – Literature analyses and theory identification

This study examines significant works pertinent to *maqasid al-Shariah*. Given Mohammed et al.'s (2008) work who extend Abu Zahrah (1997), has been examined meticulously. After careful consideration, Abu Zahrah (1997) is employed due to growing empirical support mainly as firstly proven by Mohammed et al. (2008). The authors have taken an innovative measure when introducing new battery items to measure Islamic banks' performance using the *maqasid* approach, in which it is discovered to be valid and reliable. Today, however, many works have extended the theory of Mohammed et al. (2008) out of a consideration it is built from an Islamic perspective to capture the distinguishing feature of Islamic banks' operations. For example, a study by Antonio et al. (2012) extends Mohammed et al.'s (2008) research model to study the performance of two Islamic banks each in Jordan and Indonesia.

Step 2 – Operationalisation of the model

Following Sekaran and Bougie (2010), the three objectives are then translated into measurable items. In more detail, each objective identified is transformed into dimensions in which the observable items are drawn from the latter. Five items each are identified in the literature as discussed earlier and therefore they are proven by expert judges. As for expert judges, five *Shariah* scholars are invited to assess the research instrument. Our research items were validated through face validity by five *Shariah* scholars that prove the battery items developed were in line with the variables under contemplations and importantly the items were developed according to Abu Zahrah (1997) *maqasid al-Shariah*, which was proved suitable in Islamic banking context by Mohammed et al. (2008).

For the purpose, a written invitation through an e-mail is undertaken. The purpose of this work is to seek their views pertinent to the research instrument, which, in turn, can validate our battery items. We also seek their opinions about any additional points that can be included in the research instrument for improved operationalisation and conceptualisation. Consequently, the final research instrument is presented in Table 1. This work selects *Shariah* scholars for face validity to the research instrument because of their first-hand knowledge about Islamic home financing products and they were well-trained on product development related to Islamic mortgages in Malaysia.

Table 1
Operationalisation

Concept	Dimension	Element	The MCPi	Data
Educating customer	Knowledge dissemination	Clear adverts	I believe that Islamic banks provide clear adverts for Islamic home financing products	Survey
	Islamic consumerism	Consumer education	I believe that Islamic banks provide a consumer education for Islamic home financing products	Survey
	Islamic consumerism	Product disclosure sheet	I believe that Islamic banks provide sufficient disclosure for Islamic home financing products	Survey
Establishing justice	Fair price	Fairness in pricing	I believe that Islamic banks have practised fairness in the pricing of Islamic home financing products	Survey
	<i>Shariah</i> -compliant	Islamic contract	I believe that Islamic banks have offered a fair contract of Islamic home financing products	Survey
	<i>Shariah</i> -compliant	<i>Shariah</i> ruling	I believe that Islamic banks have considered <i>Shariah</i> as a comprehensive law for Islamic home financing products	Survey
Promoting welfare	Customer service	Welfare through an improved customer service	I believe that Islamic banks have guarded the welfare of customers via effective customer service	Survey
	Wealth redistribution via mortgages	Affordable financing	I believe that Islamic banks provide a financing facility where the funds are drawn from <i>zakat</i> and <i>waqf</i>	Survey
	Wealth redistribution via mortgages	Competitive package	I believe that Islamic banks have met the basic need of homeownership via an offered of competitive products	Survey

Educating customer, establishing justice and promoting welfare are measured using three battery items for indexes. The indexes developed are evaluated using actual homebuyers who are patronising Islamic mortgages. Those homebuyers are drawn from six Islamic banks, known as Islamic mortgage providers using judgmental sampling for an imported target of respondents.

Verification of the CBM

Based on five series of interviews, the *Shariah* scholars are asked to assign weights to the components and to determine whether the CBM measures are acceptable. The final product that is drawn from the interviews is depicted in Table 2. The details of the average weights given by the *Shariah* scholars are provided in Table 2.

Table 2 displays that the allocation of weight for each dimension is at least found to be equal. This denotes that all dimensions tested have similar importance towards the MCPi. Besides, all elements under the dimensions are also weighted equally, implying they have a similar role in explaining the MCPi. Given this finding, we note that Islamic banks have to rely on multi-dimensional measures instead of an individual measure when extending *maqasid al-Shariah* to their Islamic home financing products.

Table 2
Average weights for the four and nine elements given by Shariah scholars

Concept	Dimension	Element	Weight (100%)
Educating customer	33%	E1. Clear adverts	33
		E2. Consumer education	33
		E3. Product disclosure sheet	34
Establishing justice	33%	E4. Fairness in pricing	33
		E5. Islamic contract	33
		E6. <i>Shariah</i> ruling	34
Promoting welfare	34%	E7. Welfare through an improved customer service	33
		E8. Affordable financing	33
		E9. Competitive package	34

Sample and Sampling Method

Subsequently, a pilot test conducted among 30 respondents who are actual home buyers in Malaysia. To speed up the process, we employ Google Form to identify 30 actual home buyers to elicit their responses pertinent to the research instrument. For clarity, a revision is made to the research instrument in terms of format and presentation.

University staff are chosen as respondents for the current study covering International Islamic University Malaysia (IIUM), Universiti Kebangsaan Malaysia (UKM), Universiti Malaya (UM), Universiti Sains Islam Malaysia (USIM), Universiti Malaysia Sabah (UMS) and Universiti Teknologi MARA (UiTM). University staff are a worthy blend of specialised and non-specialised groups to represent the actual composition of customers of Islamic banks. Yet, we propose three criteria when employing judgmental sampling for data collection. These include, firstly our respondents are the existing users of

Islamic mortgages, aged 25–45 years old and familiarity with Islamic home financing products. Moreover, we determine our sample size based on Hair et al. (2006) recommendation owing to empirical supports and flexibilities. A total of 450 usable responses from actual homebuyers are obtained greater than the threshold value (computed as $20 \text{ items} \times 5 = 100 \text{ samples}$).

Data Analysis

Following Sekaran and Bougie (2010), SPSS 21 is used to analyse the data obtained because of its flexibility to handle multiple sources of data derived from excel and online questionnaires and also data adjustments are easily made via SPSS for conversion and analyses. Data obtained are then keyed in to produce manageable and systematic responses. To derive the MCPi, we firstly examine individual index covering educating customer, establishing justice and promoting welfare. Secondly, we add these indexes to produce the MCPi using a special feature of “Compute Variable” found in the SPSS.

EMPIRICAL RESULTS

This section elaborates empirical results for each index covering educating customer, establishing justice and promoting welfare, and later given these indexes the MCPi is then developed. The details are provided in Table 3.

Table 3
The MCPi

No.	Banks	EC		EJ		PW		MCPi	Ranking
		SD	Mean	SD	Mean	SD	Mean		
1	Bank Islam Malaysia Bhd.	0.830	3.7	0.792	3.628	0.821	3.578	3.635	1
2	Maybank Islamic	0.792	3.553	0.782	3.493	0.753	3.460	3.502	2
3	CIMB Islamic	0.742	3.560	0.735	3.477	0.740	3.440	3.492	3
4	Bank Muamalat	0.783	3.550	0.743	3.453	0.755	3.420	3.474	4
5	Al-Rajhi Bank	0.764	3.521	0.762	3.467	0.735	3.425	3.471	5
6	Kuwait Finance House	0.772	3.424	0.728	3.378	0.729	3.380	3.394	6

Note: SD = standard deviation

Concerning Educating Customer, it is reported that Bank Islam Malaysia Bhd. has an index score of 3.635 to claim the first spot, followed by Maybank Islamic, CIMB Islamic, Bank Muamalat Malaysia Bhd. and Al-Rajhi Bank, to mention some. The reasons are two-fold.

- Firstly, the banks are proactive in disseminating Islamic home financing's information through knowledge sharing and consultation. Maybank Islamic, which was an Islamic window beginning in 1993 before converting itself to an Islamic subsidiary beginning in 2008 was proactively involved in promoting Islamic banking operations; and
- Secondly, the banks are proactive in handling customer service for improved satisfaction since 2007, resulting in this interesting result. Although the results are an eye-opener, the mean scores drawn from the banks are viewed to be moderate. We consider a bank has a high index for education when the bank earns a mean score of 3.76 and above, moderate when the bank earns 3.00 – 3.75 and, low should the bank earns less than 3.00.

Furthermore, we discover three banks, which have been committed to establishing justice indicator to gain loyalty among their customers for an improved customer and profit base. The banks are Bank Islam Malaysia Bhd., followed by Maybank Islamic and last but not least is Kuwait Finance House. Accordingly, the respondents' involved view those banks are outstanding in avoiding unfairness associated with the offered of Islamic home financing products and pricing system is perceived to be fair and reasonable for *Shariah* compliance. The mean scores for Bank Islam Malaysia Bhd., Maybank Islamic, and Kuwait Finance House are 3.63, 3.49 and 3.38, respectively. Similar to the education index, we discover that these results are within a moderate range of 3.00–3.75.

As for welfare, we discover that Bank Islam Malaysia Bhd., Maybank Islamic, and CIMB Islamic are ranked first, second and third, respectively. These banks prioritise the welfare through effective customer service, the welfare drawn from the bank's profit motive, the welfare from the funds derived from *zakat/waqf*, the fulfilment of basic need and the protection of the shareholders of the bank through an Islamic investment of Islamic home financing products.

MCPi measures the overall consumer behaviour measure for educating customer, establishing justice and promoting welfare. The equation for MCPi is:

$$\text{MCPi} = \text{CBM (EC)} + \text{CBM (EJ)} + \text{CBM (PW)}$$

A total of six Islamic banks have been examined equally in this study. Bank Islam Malaysia Berhad is outperformed compared with other banks and it is first ranked, followed by Maybank Islamic, CIMB Islamic, Bank Muamalat, Al-Rajhi Bank and Kuwait Finance House. Typically, the generated score for MCPi is reflecting the mean score for each indicator suggested. This occurs because the weight used is of similar to each global index, whilst in the index, the allocation of weight is equal to battery items under contemplation.

DISCUSSION

It is worth noting that, the approach introduced by Mohammed et al. (2008) is found appropriate to explicate the behaviour of Islamic banks not only the performance of the banks but also to understand the behaviour of actual home buyers like what has been examined by the current work. Earlier, Mohammed et al. (2008) have successfully extended the aptness of *maqasid al-Shariah* when measuring the performance of Islamic banks. Following this basis, the current work has extended the appropriateness of *maqasid al-Shariah* in the context of consumer behaviour.

We also assert that every work published in this discipline has its merit, but some flaws identified to guide future works in this area. Against this backdrop, a study by Mohammed et al. (2008), has been the performance of Islamic banks in nature, the consumer behaviour context is somehow neglected not because they are not aware of it but because the paradigm of inquiry, the scope and research objective that make a difference, implying a research gap exists between the study and the present study. Unlike Mohammed et al. (2008), the present study introduces enhanced items for all dimensions for measuring consumer behaviour of Islamic home financing products by Islamic banks.

In a similar vein, our work has confirmed the theory introduced by Mohammed et al. (2008) is plausible and such a trend can be found in the current findings of this research. We have identified that Sekaran and Bougie's (2010) operationalisation of concepts has been relevant and successfully implemented. From concepts, we managed to generate three dimensions and in turn, we can generate three elements drawn from the dimensions. This assertion is applied to all concepts examined using Sekaran and Bougie's (2010) approach. All elements developed are then reproduced as a series of battery items to allow better response of the targeted respondents. The data are based on a questionnaire survey.

More importantly, all elements drawn from the concepts are found to have a good face validity based on the interview conducted among *Shariah* scholars. Not surprisingly, all dimensions developed are equally important to the MCPi and thus to the current context of research. Unlike previous studies, like Abdul Razak (2011) and Abdul Razak and Md-Taib (2011), the present study examines educating customer, establishing justice and promoting welfare. The current study discovers these three concepts are found to be significant in light with a finding of Mohammed et al. (2015) and importantly Mohammed et al. (2008).

All banks have reported a significant result for all dimensions examined. Though significant, all banks have reported a moderate index for the MCPi in which Bank Islam Malaysia Bhd. is ranked first, followed by Maybank Islamic, CIMB Islamic, Bank Muamalat Malaysia Bhd., and Al-Rajhi Bank, to mention some. This finding conveys one important message in that these banks have put a significant effort to promote Islamic home financing products but to be perceived as moderate by all respondents involved in this study. A total of 450 respondents believes in that *maqasid al-Shariah* is moderately extended to practice Islamic home financing products, implying there exists a piece of evidence in that the *maqasid* approach is rather still fallen short when product offerings are brought into play. Therefore, there is a possibility to fully optimise the implication of educating customer, establishing justice, and promoting welfare to secure demand for Islamic home financing products.

RESEARCH IMPLICATIONS

Theoretical Implications

The results obtained lead to two key theoretical contributions. Firstly, the present study extends the significance of applying the theory of *maqasid al-Shariah* when explaining consumer behaviour, very different from the theories examined in prior studies. Earlier works by Mohammed et al. (2008) and Mohammed et al. (2015) have demonstrated the appropriateness of the theory to the context of consumer behaviour from an Islamic perspective. The current study demonstrates that studying consumer behaviour from the *maqasid* perspective is worthy given consumers are endowed with some elements of *maqasid* that can make an impact on the selection of Islamic mortgages. Secondly, the present study contributes to the literature considerably by addressing the indexes drawn from *maqasid al-Shariah* and their relevance to six Islamic banks that offer home financing products in Malaysia. Thirdly, this study has shown to us in that an effort to measure consumer behaviour using

maqasid al-Shariah and its integration with the mathematical approach addressed earlier has been valid and fruitful. Hence, it adds new knowledge to the literature of Islamic home financing, where *maqasid al-Shariah* is brought into play.

Methodological Implications

The development and test of new battery items for the dimensions drawn from MCPi are defined as the novelty of this work. This work conceptualises the battery items as a multidimensional construct that consists of three elements to capture each concept introduced specifically for the current study. The three elements are related to Islamic home financing preference. As we have noted, this study develops CBM measures based on an approach introduced by Sekaran and Bougie (2016), in which it begins with concepts, dimensions, and elements. These must go together for an improved operationalisation. Educating customer, establishing justice, and promoting welfare are conceptualised as cognitive and are of multidimensional. The items identified are then evaluated via interviews drawn from five *Shariah* scholars for face validity. These measures are not only representing specific instruments that can be used to assess consumer acceptance from the context of *maqasid al-Shariah* but can also be used by researchers and practitioners to determine which areas are representing the potential leverage points to jack up the acceptance of Islamic home financing facilities.

Practical Implications

In terms of practical implications, the results obtained in this study can guide Islamic bank managers whose objective is to promote Islamic home financing products to their customers for improved demand and profit. First, it has been shown in this study that educating customer, establishing justice, and promoting welfare are dominant predictors of consumer behaviour of Islamic home financing. Thus, the managers might consider, for instance, that communication aimed at strengthening the value of the facility in general as well as the expected consequences sourced from the patronage in particular, could have a positive influence on the performance. This is for educating customer. Furthermore, establishing justice is also important and therefore it should be considered in the managers' strategies. It is therefore practical to support advertisement for the facility by stressing on the importance of fairness in pricing, improved *Shariah* contract as well as improved *Shariah* ruling to inculcate confidence among potential clients for patronage. Finally, it should be mentioned that promoting welfare plays a critical role as a cogent competitive weapon for an Islamic bank, and quite useful when their customers need assistance in the rescheduling of

their mortgages due to financial hardships. This would imply that Islamic banks are distinctive in promoting VBI in their offered through improved customer service, affordable financing as well as competitive package. In sum, the results obtained in this study suggest that the managers might elevate acceptance by promoting “healthy” *maqasid al-Shariah* environment in their offered Islamic home financing products and establishing incentive tactics.

CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH

The results of this study have shown variations in all responses earned for all indexes involved, implying the banks have paid inconsistency on focusing objectives of the products. This study also directs bank managers to further improve customers’ welfare and try to revisit the actual goals on why they are in place. Islamic banks and consumers are equally of utmost importance in the Islamic mortgage industry. The capacity of the former to generate profit from the segment relies on the receptiveness of the latter that implies sustainability and survival. Hence, the banks are expected to strategies their mortgage planning according to *maqasid al-Shariah* that helps to balance the two banks’ objectives for-profit and social obligations. Despite these drawbacks, however, the present work clarifies the significance of *maqasid* and how it is related to Islamic home financing products from the context of consumers.

This study acknowledges five flaws for future studies.

- First, we have collected a total of 450 respondents, as we believe this sample size is bigger, but it might not be representative to capture Malaysians from Johor or even Sarawak. Malaysians from these states are not included in our present samples. Future works may include universities’ staff drawn from these two states to extend the analysis and finding of the MCPi.
- Second, this study has focused on individuals with a high level of education as a proxy which may provide a biased finding. It is therefore of importance for future works to include average citizens to extend the findings.
- Third, the index developed only described three dimensions that limit its generalisation. Perhaps future studies should conduct new empirical investigations to include new dimensions and therefore contrasting the findings.

- Fourth, this study has somehow paid little attention to the true issue of *maqasid al-Shariah*, wherein the *maqasid*, both the components – be it *mudarat* (i.e., harmful) and *manfaat* (i.e., benefit) are compared. Future studies should consider this matter to lengthen the research contribution.
- Fifth, this study is concerned with Islamic home financing products funded by the bank's liabilities and shareholder funds. It is therefore of utmost importance for future research to consider *zakat*, *waqf* and *sadaqah* funds used to finance Islamic home financing products, where the fulfilment of *maqasid al-Shariah* is brought into play, at least.

Despite these limitations, our work becomes an eye-opener pertinent to the importance of MCPi in predicting consumer preference, where *maqasid al-Shariah* comes into play.

ACKNOWLEDGEMENTS

This study is funded by the Fundamental Research Grant Scheme (FRGS): FRG0438-SS-1/2016, Ministry of Higher Education (MOHE), Malaysia.

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