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A Critical Appraisal of Al-Ijarah Thumma al-Bay' (AITAB) operation: Issues and Prospects.

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Abstract:

Islamic hire-purchase is one of the contemporary innovative products which is designed to meet the public demand at the same time securing long-term competitiveness in the financial market. In Malaysia, Islamic hire purchase is popularly recognised as Al-Ijarah Thumma Al-Bay' (AITAB), which is utilised to finance a wide range of assets, either for individual or corporate customers. Since its first inception more than 10 years ago, AITAB has grown in popularity and continuously expanded partly due to the heightened demand by customers. Notwithstanding its popularity, AITAB is not without criticism especially on issues pertaining to its legitimacy and validity. Sceptics may go further to argue that AITAB is simply a carbon copy of conventional hire-purchase and hence not able to provide a satisfactory and viable alternative to conventional products. This paper, therefore, attempts to address some challenges and prospects of implementing AITAB in Malaysia. The discussion is based upon extensive interviews conducted on 46 respondents representing six different groups, namely bank officers, Shariah advisors of banks offering Islamic products, Shariah Scholars, Economists, Legal Experts and Government Officials.

Keywords: Al-Ijarah Thumma Al-Bay', Islamic Hire-Purchase, Islamic Banking, interview

INTRODUCTION

Product innovation is a key in securing the competitive advantage in the development of Islamic banking and finance. As the pace of globalization and liberalization accelerates, securing competitiveness has increased demands for more robust and resilient Islamic banking product.

While the initial focus has been on institutional building and financial infrastructure development, greater attention needs to be given to increasing the range of products and services to meet the greater sophisticated consumers and the more complex requirements of present businesses in addition to enhancing the overall efficiency at which such products and services are provided. Stiff competition between Islamic products and the long-standing established conventional instruments in a dual system like Malaysia further exacerbate the need for intensive product innovation to satisfy conventional needs of more sophisticated customers.

One of the contemporary innovative approaches is the Islamic hire-purchase instrument which is an alternative product to conventional hire-purchase. The significant difference between the two is that, Islamic hire-purchase is a unique contract involving a combination of two different contracts, thus invoking a number of legal and *Shari'ah* issues. It calls for special rules on leasing and sale at different stages of the transaction in the light of *Shari'ah*.

Islamic hire-purchase has developed in several stages. During the first ten years of Islamic banking system in Malaysia (1983-1994), Islamic hire-purchase was not fully developed yet even though *ijārah* facility had already been introduced in the market. The idea of Islamic hire-

purchase came into reality when the scholars introduced a new product via reasoning (*ijtihad*) based on the Islamic traditional contract of *ijārah* and *al-bay'*. Consequently, two major contracts of Islamic hire-purchase were formed as new modes of financing namely *al-ijārah thumma al-bai'* (a contract of leasing ending with sale) or *al-ijārah muntahiya bittamlīk* (a contract of leasing ending with ownership). While the former (famously known as AITAB) is widely adopted as an instrument to be used in motor vehicles financing, the latter is applied by some banks in corporate financing. This paper focuses on AITAB due to its wider application and demand in the present banking operation.

Since its first inception more than 10 years ago, AITAB has grown in popularity and continuously expanded partly due to the heightened demand by customers. According to the Bank Negara Annual Report 2005, financing based on AITAB increased to 29.9% of the total financing (2004: 24.8%) following the increase of RM5.8 billion in passenger car financing. Notwithstanding its popularity, AITAB is not without criticism especially on issues pertaining to its legitimacy and validity. Sceptics may go further to argue that AITAB is simply a carbon copy of conventional hire-purchase and hence not able to provide a satisfactory and viable alternative to conventional products. This paper, therefore, attempts to address some challenges and prospects of implementing AITAB in Malaysia.

Following the above introduction, the next part of the paper presents an overview of AITAB operation. Then, research methodology used for this study is further elaborated. Results of the interviews particularly on various pertinent challenges surrounding the implementation of AITBA in Malaysia are then highlighted and followed by discussion of its future prospects in the subsequent part of the paper. Concluding remarks are finally presented.

OVERVIEW OF AITAB DEVELOPMENT IN MALAYSIA

The operation of AITAB has undergone several phases. Bank Islam was the first bank that initiated AITAB facility. Its operation was then extended to conventional banks under Islamic Banking Scheme (IBS), which were pioneered by three anchor banks; Maybank, Bank Bumiputera Malaysia Berhad and Bank Rakyat. Consequently, Bank Islam set up a consultant to assist other banks and finance companies to operate IBS thus expanded AITAB operation to finance companies and cooperative societies. By this time, AITAB has been very well received to the extent that, the government also adopted the concept in their dealings.

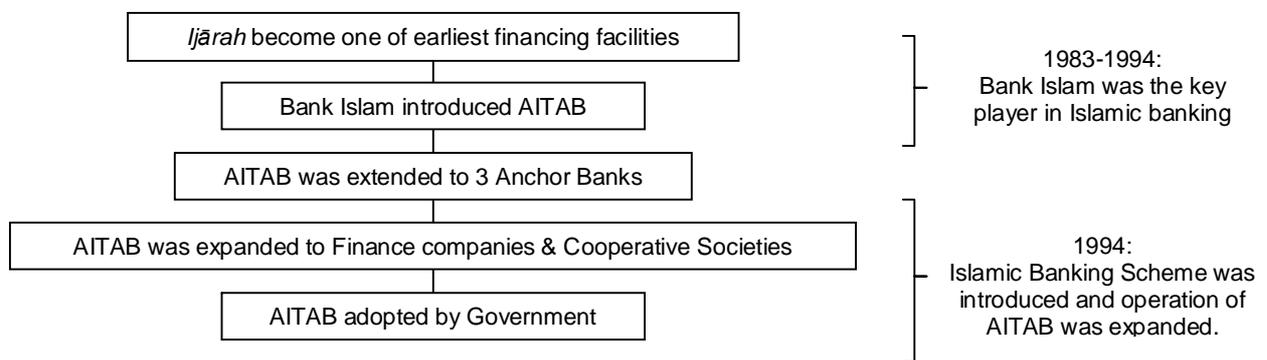
The hire-purchase business in Malaysia has a unique governance structure. There are few government agencies and ministries involved in overseeing and regulating the practice. The most significant role is played by Ministry of Domestic Trade and Consumerism which has exclusive jurisdiction over hire-purchase businesses. Any substantial issue should be referred to this ministry. On the other hand the Finance Ministry holds a power to grant licenses to finance company that wishes to offer AITAB. Since motor vehicles are the most demanded goods under AITAB financing, the transaction will certainly involve Ministry of Transportation which handles approval of vehicle's grant and license.

Notwithstanding its popularity and wide acceptance amongst the general public, government and banking and finance industry players, AITAB is still facing problems particularly with regards to inadequacy of *Shari'ah* regulatory framework to govern its practice. Until now, there is no

specific law enacted to support AITAB operation. As a result, the AITAB operation is still referring to conventional Hire-Purchase Act 1967. This poses anxieties amongst practitioners especially those who highly observe *Shari'ah* compliant issues due to the inherent limitations of Hire-Purchase Act to address certain *Shari'ah* issues¹.

Consequently, there is an attempt by the government of Malaysia to study the possibility of introducing a specific law for AITAB. However the idea so far has yet come to fruition. Until today the industry is still allowed to offer AITAB even though the issue of whether to have a specific law governing AITAB operation is still under review. Figure 1 depicts an overview of the development of AITAB in Malaysia.

FIGURE 1: Development of AITAB



There are currently 15 banks in Malaysia offering AITAB facility for individual and corporate customers. Table 1 provides a comprehensive list of Malaysian Financial Institutions that offer AITAB.

TABLE 1: Malaysian Financial Institutions providing Islamic Hire-Purchase/AITAB

Institution	Year	Product
Bank Islam Malaysia Berhad	1983	Ijarah Muntahiyah Bit Tamlik (Corporate Financing)
Affin Islamic Bank Berhad	1999	AITAB
AmIslamic Bank Berhad	1993	<ul style="list-style-type: none"> ▪ Islamic ARIF Hire-Purchase ▪ AITAB Industrial Hire-Purchase
Bank Pembangunan	1998	AITAB
EONCAP Islamic Bank Berhad	1998	Auto AITAB
Hong Leong Islamic Bank Berhad	1997	Hong Leong Hire-Purchase Financing-i
HSBC Amanah	2000	Lease with an option to purchase (IwOP)
Maybank	1994	AITAB
Public Bank	1996	AITAB
RHB Islamic Bank	2006	Hire-Purchase-i

¹ Bank Islam Malaysia Berhad (BIMB) for example is reluctant to use AITAB facility. Instead BIMB prefers Bay' Bithaman Ajil (BBA) their car financing. BIMB's position on this matter was confirmed during an interview with the officer in charge of Islamic car financing, conducted on 21st May 2004.

Bank Muamalat	1 October 1999	AITAB
Bank Rakyat	October 2001	AITAB Car Hire Purchase Financing-i
OCBC	June 2002	Islamic Industrial Hire-Purchase (IHP-I)/ Ijarah Muntahiyah Bit Tamlik
Alliance Bank	2 August 2004	Alliance Hire Purchase-i
Kuwait Finance House (M) Berhad	8 August 2005	Ijarah Thumma Al-Bay'

Almost all banks provide AITAB for vehicle financing, except Bank Pembangunan and HSBC which utilize AITAB for financing of machinery and industrial goods. Banks like Maybank, AmIslamic Bank, Affin Islamic Bank and Bank Muamalat offers AITAB for individual and corporate customers. Other banks like Affin Islamic Bank, Bank Rakyat, EONCAP Islamic Bank, Hong Leong Islamic Bank, Public Bank and RHB Islamic Bank put sole concentration on vehicle financing due to increasing demands from the public and corporate customers. On the other hand, Bank Islam and OCBC tend to offer a rather different hire-purchase mechanism to corporate customer which is known as *Ijarah Muntahiyah Bit Tamlik*.

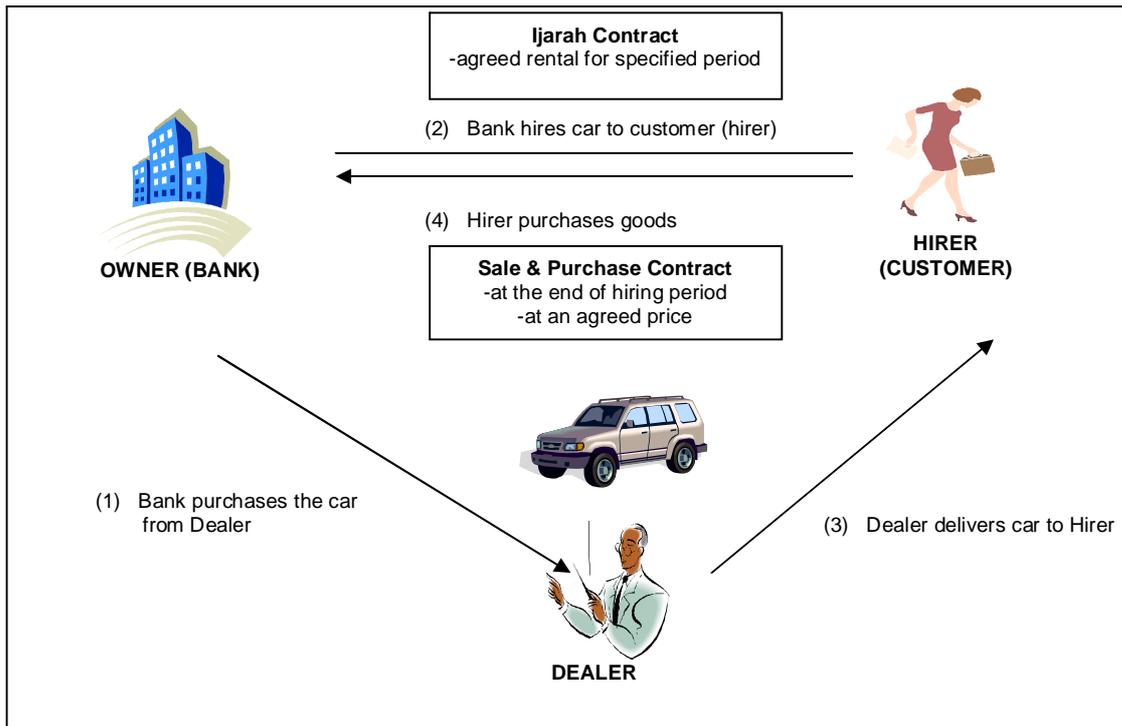
MODE OF OPERATION

AITAB combines Ijarah (lease) contract and Bay' (sale) contract in one trading document. Under Ijarah contract, the bank as the owner of an asset leasing out the same to its clients (hirer) against predetermined rentals for an agreed period of time. Upon expiry of the leasing or rental period, the hirer enters into a second contract to purchase the goods from the owner at an agreed price.

In Malaysian context, AITAB client normally identifies and approaches vendor or dealer of the asset he needs. The dealer then prepares all related documents pertaining to AITAB financing on behalf of the bank. Here, the dealer merely acts as an agent to the bank². Once the client and the bank concluded the AITAB contract, the car will be delivered to the client, hence effectively commencing rental payment. Upon completing all the agreed payment, both parties shall enter into another agreement in which the customers pay a nominal amount of RM1 signifying sale contract. The basic operation of AITAB is depicted in Figure 2.

² Dealer is not a party to Islamic Hire purchase agreement, rather an intermediary between bank and client, which eventually lead to the formation of AITAB agreement between the two main parties.

FIGURE 1: Mechanism of AITAB



Under AITAB mechanism, bank has an authority over the leased asset. If the customer defaulted, bank can take an action against him and repossess the asset. If the customer constantly pays and then satisfies all required payments, the bank will sell the asset to him at the end of the agreement.

RESEARCH METHODOLOGY

This research was carried out between May and July 2004. For this study, semi-structured face-to-face interview has been used as the main method of collecting data pertaining to the operation of AITAB in Malaysia and issues arising thereof. Using this method, the researcher managed to reach providers and experts in AITAB in order to find out about its actual operation in both Islamic banks and conventional banks participating in Islamic Banking Scheme. Following closely the interview guide technique as suggested by Sekaran (2003), Gillham (2000), Kvale (1996), a checklist of topics is prepared and notified to the respondents in advance before the actual interview sessions took place. By doing this, researcher is free to ask questions on these topics in any way which seems appropriate to situation.

The study conducts personal interview involving 46 respondents representing six different groups, namely bank officers, Shariah advisors of banks offering Islamic products, Shariah Scholars, Economists, Legal Experts and Government Officials. Most interviewees are reached in Kuala Lumpur and Selangor due to several reasons. First, all headquarters of financial institutions are located in this region. Second, since Kuala Lumpur is the centre of Islamic

banking and finance business and research, almost all experts are located in this area. Finally about 41.3% of interviewees are attached to academic institutions especially the Shariah experts, which located either in Kuala Lumpur or Selangor. Table 2 summarizes the list of interviewees.

Table 2: List of Interviewees

Respondent Groups	No.
1. Bank Officers	12
2. Shariah Advisors	9
3. Shariah Scholars	8
4. Economists	8
5. Legal Experts	6
6. Government Officers	3
Total	46

Overall, good responses were received from the interviews. Useful and valuable insights, comments, suggestions and recommendations were obtained. Every interview had taken approximately 45 to 60 minutes. The conversation during the face-to-face interview was recorded on a cassette tape and audio thumb recorder. It was then transcribed into words to further assist in our analysis.

CHALLENGES IN THE OPERATION OF AITAB

There are a number of issues pertaining to the operation of AITAB. These prevailing issues are mostly expressed by bankers and *Shari'ah* experts who were directly and indirectly involved in AITAB operation. Problems in the provision of AITAB facility include customer's attitude towards the facility, inexperienced bank officers, non-cooperative dealers, documentation problem, stiff competition in the market and inadequate legal treatment. Each of these issues will be elaborated in turn, as follows:

1. Customers' Attitude

One of the problems faced in offering AITAB facility is customer's attitude towards the product. Most respondents admit that many customers do not really understand the basic differences between AITAB and conventional hire-purchase facility. This is mainly due to their perception that AITAB resembles conventional hire-purchase especially in their operations, documentations and legal prescriptions. Customers do not seem to appreciate the distinction of AITAB as a *Shari'ah* compliant product and in what way it would provide them with a better scheme and prospect. Some customers simply say that AITAB is used as merely a means of circumventing the prohibition of *riba*. For some skeptics, they even go as far as criticizing AITAB as just another way of imposing interest through a backdoor, except for its Arabic name which sounds more 'Islamic'.

2. Lack of Experience among Bank Officers

The misleading view of AITAB among the customers is partly contributed by the lack of experience and knowledge among bank officers in giving correct and satisfactory explanation about AITAB. Some of these bank officers do not even understand the distinction between AITAB and conventional hire-purchase. Many proclaim that both products are similar especially with regards to its documents, procedures and governance. Hence, they are unable to highlight the advantages and benefits of AITAB as compared to conventional hire-purchase.

3. Lack of Awareness and Cooperation among the Dealers

A dealer acts as a middleman between a financial institution and a customer. In Malaysian context, the customer usually approaches the dealer first for the purpose of purchasing a particular vehicle before applying hire-purchase facility from a financial institution. In fact, the customer's choice between conventional and Islamic financing facility depends mostly on the dealer's explanation and recommendation. Ideally, a dealer with a high Islamic conscience proposes AITAB to the customer and able to explain how the facility works, its advantages and differences from conventional facility. However, not all dealers are equipped with in-depth understanding of AITAB facility. Thus, it is expected that they would not be able to educate their customers accordingly. In reality these dealers even tend to propose conventional facility either because their understanding of AITAB is limited or they do not want to expose their customers to an unnecessarily complicated situation.

4. Documentation

Terms and conditions in AITAB agreement are designed by lawyers on the basis of the Hire-Purchase Act 1967 and principles of contract law, except for some modifications made to these documents to comply with *Shari'ah* requirements. Therefore, the documentation requirements for AITAB may seem more complicated than that of conventional facility, because it involves additional document; acceptance ('*aqd*') letter³. Documents must be presented before the customer in sequence; first, leasing (*ijārah*) agreement, second, sale and purchase agreement.

The bank officers must explain the terms, conditions, rights and liabilities in the agreement, the commencement and expiry of agreement. If the customer understands and agrees with the terms of the agreement, he may then sign the agreement. The customer must also be made aware of the consequences of signing every document, so that he understands his rights and obligations under the Islamic hire-purchase agreement. Some banks even require a customer to complete a bulk of documents relating to the facility. Such requirements often burden the customer, especially when there is an error or mistake made by the customer, which may cause delay in the processing of the application. This is one of the reasons why some dealers recommend conventional hire-purchase in order to speed up their customer's application.

5. Competition in the Market

³ '*Aqd*' letter is a supplementary document to the main Hire-Purchase Agreement. It contains the description of asset and undertakings by the finance company and customer in the following matters:

- (a) that the AITAB transaction will be bound by the Hire-Purchase Agreement and Schedule 2 of HPA,
- (b) that the asset on hire-purchase shall be used for purposes which do not contravene the *Shari'ah*,
- (c) agree that Hire-Purchase Act 1967 shall be governed and is applicable to the transaction,
- (d) that other provisions in HPA a1967 which do not contradict the *Shari'ah* will remain in effect for both parties.

Another pertinent challenge faced by AITAB facility is in the issue of competition vis-à-vis conventional hire-purchase. The main issue here is how to penetrate into a market which has long been occupied by a more established conventional hire-purchase product. This is particularly true in the case of car financing whereby conventional hire-purchase has long established its name and reputation in the market. This naturally poses an enormous challenge for AITAB to penetrate into the market appealing to customers who are more accustomed to the conventional product.

The problem is further exacerbated especially when many customers still perceive AITAB is really no different from conventional product except in their use of religious or Arabic name to disguise the current established practice. Similarly, the dealers and bankers are more accustomed with conventional hire-purchase mechanism. With the lack of religious conscience, they may opt to offer customer the conventional product instead of Islamic one, not only because they are more familiar with the conventional transaction and mechanism but also they feel both products are actually identical, hence, less complication and more convenience. Another arising issue with respect to competition is cost-efficiency. Naturally, as a relatively new product, AITAB faced a challenge on how it can be offered at a lower cost compared to its counterpart. Since AITAB requires more documents and paper works to be filled by both parties, the cost issue will naturally pose an inevitable challenge to banks.

6. Lack of Shari'ah Framework

Despite being one of the most demanding facilities of Islamic bank, AITAB is unfortunately lacking in *Shari'ah* regulatory framework. Thus, any dispute arising from the transaction will be referred to the conventional regulations (Ismail 1999). The visible inclination of AITAB operation to conventional concepts is due to several factors including the followings:

- (a) Absence of proper and standard Islamic hire-purchase regulation, thus practitioners in AITAB transaction have no other legal recourse except the conventional hire-purchase law; Hire-Purchase Act 1967 (HPA).
- (b) The basic operation of AITAB in effect is similar to conventional hire-purchase; the only difference is in the issue of interest (*ribā*) and issuance of acceptance (*'aqd*) letter. As regards to determination of fixed rate, standard documentation, and formation of agreement, AITAB transaction follows the same spirit of HPA.
- (c) Conventional hire-purchase business has been in the market for quite a long period of time and has established its rules and policy, thus its operation appears to be much easier in practice.
- (d) Legal institution (civil court) that handles commercial and mercantile matters will decide a case based on existing rules of law. Jurisdiction of civil courts also covers Islamic banking transactions. Since there is no legal authority for AITAB transaction, any case connected to it will be referred to HPA.
- (e) As stated in the earlier part, motor vehicles are the most demanding goods under AITAB facility, and consumer goods are also in demand. Both types of goods are bound by the HPA. Thus, any institution offering these goods must abide to this law.
- (f) Full understanding in Islamic law among the practitioners has not been attained yet.

Therefore, AITAB is operated on the basis of conventional concepts because presently, there is no written *Shari'ah* law which specifically regulates the operation of AITAB. The only existing regulatory *Shari'ah* rules on the facility can be found in *Shari'ah* Rules for Investment and Financing Instruments, Accounting and Auditing Organization for Islamic Financial Institutions of Bahrain (AAOIFI)⁴. In Malaysia, because there is no specific regulations governing AITAB, institutions offering this facility tend to impose rules in the spirit of Hire-Purchase Act 1967 and Contract Act 1950.

FUTURE PROSPECTS OF AITAB

The future of AITAB in Malaysia is very bright and promising. AITAB's encouraging prospect can be viewed in four aspects; strong public acceptance, competitiveness, legal protection and the proposed *Shari'ah* law of AITAB.

1. Strong Public Acceptance

AITAB is a name which capture a public acceptance because it provides better features compared to conventional hire-purchase. Muslim customers, who accept and understand its operation, request it as an alternative to conventional hire-purchase. They will come to an institution which they know offering such Islamic product. For example, many corporate customers come to Bank Pembangunan to purchase machinery through AITAB facility, because they know the benefits that the facility has to offer, for example, full margin of financing and lower penalty for late payment. AITAB also gains support from the non-Muslims. In some institutions, 60% of their customers are non-Muslims, comprising the Chinese in majority. They can see the advantage of signing up AITAB, which is 1% penalty for late payment, as compared to conventional hire-purchase which imposes 8% penalty. Apart from being utilized by banks, trading company like Courts Mammoth, Tesco, Carrefour, moneylender and others also adopt hire-purchase concept in their businesses. Therefore, AITAB can be a competitive facility that can be utilized by all and should not be limited to financial institutions only.

2. Competitiveness

As discussed earlier, there is not an essential difference between AITAB and conventional hire-purchase, except in respect of formal prohibition of the interest and prohibited (*haram*) elements, requirement for a hiring contract at the beginning and a sale contract at the end, signing of an acceptance letter ('*Aqd* letter) to indicate the parties' intention of accepting the terms of agreement, and late penalty charges. Apart from these requirements, AITAB can benefit from some rules provided in Hire-Purchase Act 1967 which make AITAB comparatively in an advantageous position as compared to the conventional hire-purchase. Provisions like giving an option to the customer to use a fixed or variable rate in the transaction, protections of customers and guarantors and clear procedure of repossession will attract prospective customers to AITAB, in addition to its built-in *Shari'ah*-compliant characteristics like interest prohibition and very minimal late penalty charges.

Realizing the potential of AITAB, some banks increase the number of branches which offer the facility. Encouraging initiative is even taken by a bank to widen the scope of financing in order

⁴ AAOIFI *Shari'ah* Rules for *Ijārah* and *Ijārah Muntahia Bittamleek* at page 31 to 46.

to include non-national cars⁵ which has started in December 2003. They also admit that a strong commitment by the Central Bank of Malaysia has led to a rapid growth of Islamic products. According to the Central Bank's direction, every financial institution in Malaysia must have a total Islamic loan base at 10% by 2005; and at 20% by 2010⁶. One bank managed to make a total Islamic loan base at 16% in 2004; while one finance company had reached 15% of total loan base in the same year. In order to comply with the direction, financial institutions have no other mean except to fully mobilize their Islamic products, the most practical one is AITAB facility.

3. Legal Protection

Hire-Purchase Act (1967) is the governing law for hire-purchase transaction in Malaysia. Its main objective is to protect the hirers and guarantors against unscrupulous dealers who directly handle the transaction. Such protection constitutes a major strength of the HPA. Apart from this protection, HPA maintains its strength by providing clear procedure and formalities of a hire-purchase transaction, spelling out rights and liabilities of the owner, hirer and guarantor and, prescribing legal remedy as well as penalty for the claimant and offender respectively. These rules are in line with the spirits of *Sharī'ah* which promote justice and forbid oppression while engaging in a commercial transaction. Therefore, AITAB facility should not be prevented from adopting these rules and incorporating them in the agreement. Even in term of management, it is permitted to refer to the conventional hire-purchase and the prevailing practice (*'urf*) at a particular place, as long as such practices are not against the *Sharī'ah* principles.

Despite possessing some advantageous features, HPA, like any other law, is not completely perfect and does contain certain loopholes, either in *Sharī'ah* or legal requirements of Islamic transaction, for instance, unclear documentation in respect of *ijarah* and sale contract, limited application to certain goods only and involvement in elements of interest in calculation of term charges. This fact certainly proves that HPA is not an adequate law to regulate AITAB transaction, thus a specific *Sharī'ah* regulation providing a complete rule for AITAB transaction is highly needed.

4. Mu'amalah Hire-Purchase Bill

Mu'amalah Hire-Purchase Bill (2002) is a result of continuous effort by early Islamic banking practitioners in Malaysia who feel that AITAB facility needs to have its own governing law. The introduction of *Mu'amalah* Bill is believed to be due to the inadequacy or difficulty in applying Hire-Purchase Act 1967 that conforms to *Sharī'ah* principles relating to hire-purchase. One of the most significant advantages of *Mu'amalah* Hire-Purchase Bill is its wider scope of application as compared to conventional hire-purchase. The law applies to all goods stated in the First Schedule. In addition to consumer goods and motor vehicles, the Schedule in the Bill also includes houses of not more than RM250,000 and machinery equipments. In the current practice, houses are purchased using an interest-based financing; while machinery equipments are usually offered through industrial hire-purchase financing.

Due to its wider scope of application, a specific advantage of the Bill applies to the customer and developer in house-financing. Under *Sharī'ah* concept of hire-purchase, only completed houses

⁵ Certain banks offer AITAB facility for financing of national cars only. But, because of increasing demand to the facility, they start to include the foreign-manufactured cars.

⁶ This requirement aims to encourage every financial institution to promote Islamic banking scheme and become more active in providing Islamic banking products to the public.

can be used as a subject of the transaction. In other word, the house must exist before the hire-purchase transaction takes place. Hence, when a customer enters into a hire-purchase agreement, he can physically possess and live in the house without having to wait for several years until the house is completed. Indeed, this facility gives an opportunity to low-income groups to buy houses without having to bear much cost⁷.

No doubt, the *Mu'amalah* Hire-Purchase Bill will have certain impacts on the Malaysian legal framework. The law, if successfully implemented and enforced will be a comprehensive *Sharī'ah*-compliant regulation that works side by side with conventional law. It will mark a positive impact towards upgrading the position of *Sharī'ah* law and institutions in Malaysia. It is also expected to become a milestone for other area of law to come with a *Sharī'ah* alternative in order to promote a truly dual legal system in the country.

CONCLUDING REMARKS

A competitive environment within the dual system caters a special advantage for the promotion of Islamic wealth management services through product innovation and development. However, it demands close scrutiny from *Sharī'ah* perspective to ensure the legitimacy of the product. In many instances, as evidenced in the case of AITAB, the Islamic financial products are repackaged along the features of conventional financial products, while eliminating elements that are not in-compliant with the *Sharī'ah*. While the adaptation will still continue, Islamic financial products are likely to expose to certain conventional practices that are in conflict with *Sharī'ah* principles, thus rendering the practice to be invalid. Islamic bankers and Muslim scholars have attempted to resolve some basic and operational issues in order to make AITAB operation more viable and acceptable by *Sharī'ah*.

Despite facing a number of questionable conceptual issues as well as problems in the actual operation, AITAB seems to have a very promising future prospect. The increasing Islamic awareness among the Malaysian public has attracted them to AITAB which offers competitive services with and attractive features. The exclusive legal protection provided by the Hire-Purchase Act 1967 has undoubtedly gained confidence of both bankers and customers to engage in AITAB.

One of the important conditions to sustain a continued growth of Islamic wealth and particularly, AITAB's competitiveness is to have a comprehensive legal infrastructure for legal redress arising from AITAB operation. Efforts should therefore be intensified to develop a legal structure to control the transaction and resolve potential disputes arising from AITAB transactions. In the Malaysian context, the government undertakes to establish a *Sharī'ah* framework for AITAB by proposing a *Mu'amalah* Hire-Purchase Bill in order to ensure the transaction and its practitioners adhere to the *Sharī'ah* principles.

Another central issue towards developing a dynamic AITAB product is *Sharī'ah*-compliance. *Sharī'ah* should always be viewed as a potential tool for innovation and creativity, rather than a limiting constraint. More efforts therefore, are needed to fully appreciate and maximize the true

⁷ Buying a house usually burdens the low income group, because they have to pay for uncompleted house for certain period of time, and at the same time they also need to pay monthly rent for their current rented home.

potential and wisdom of *Sharī'ah*. Thus, there is a need for greater collaboration among the *Sharī'ah* scholars, academicians, practitioners and researchers to undertake in-depth studies and research in relation to Islamic hire purchase (AITAB) product. This will certainly enhance product competitiveness and viability in promoting sound Islamic wealth management services.

In carrying out this inspiration, Bank Negara of Malaysia (Central Bank) and banking industries should move forward in formulating a better developed AITAB facility. Inviting public participation in this process would indirectly increase their understanding and awareness in the product. Conducting a massive training program to the bankers could also help to make them understand better the difference between Islamic and conventional hire-purchase. Significant role is required on part of legal experts in resolving legal issues in AITAB through discussion and research.

Therefore, efforts must be undertaken by all individuals, not only scholars, but should involve the government, banking industries, legal experts and the public at large. The government constituting administrative ministries and judiciary bodies should endeavor to provide a well-built avenue for Islamic hire-purchase (AITAB) to be implemented efficiently by strengthening the existing legal and regulatory framework. Most important, uncertainty in manners of implementing Islamic hire-purchase regulations must be quickly resolved by the government. Bureaucratic and procedural problems which may cause delay should be put aside for the sake of having a better structured regulatory framework for AITAB operation.

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