

BAY' AL-SALAM AND ISTITHNĀ'

IMPLEMENTATION AND CHALLENGES



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IIUM
Press

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**IIUM
Press**

Gombak • 2018

First edition, 2018
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IIUM Press is a member of the Majlis Penerbitan Ilmiah Malaysia – MAPIM
(Malaysian Scholarly Publishing Council)

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Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Azhar Mohamad

Bay' Al-salam and Istithna': Implementation and Challenges
from the Malaysian Perspective / Azhar Mohamad, Imtiaz Mohammad Sifat,
Anisza Hasmawati, Mo'min S.M. Qatei.

Includes index

ISBN 978-967-418-465-0

1. Islam--Economic aspects--Malaysia. 2. Economics--Religious aspects--Islam.

3. Finance--Religious aspects--Islam. I. Imtiaz Mohammad Sifat.

II. Anisza Hasmawati. III. Mo'min S.M. Qatei. IV. Title.

297.27309595

Published by

IIUM Press

International Islamic University Malaysia

P.O. Box 10, 50728 Kuala Lumpur, Malaysia

Tel: +603-6196 5014; Fax: +603-6196 4862/6298

Printed in Malaysia by

Attin Press Sdn. Bhd.

No. 8, Jalan Perindustrian PP4

Taman Perindustrian Putra Permai

Bandar Putra Permai

43300 Seri Kembangan, Selangor

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BAY' AL-SALAM AND ISTITHNĀ'

IMPLEMENTATION AND CHALLENGES

Bay' al-Salam is a contract where the buyer pays in advance but the underlying commodities are delivered on a deferred basis. *Istithnā'* is a special kind of sales contract where the sale of a commodity is transacted before the commodity comes into existence. The both contracts are generally acceptable among scholars of Fiqh, though many jurists stipulated certain conditions regarding the price of *Bay' al-Salam* and the object of *Bay' al-Salam* in order to differentiate between *Bay' al-Salam* and the sale of a non-existent item. In a sense, this contract is viewed a *Rukhṣah* (special dispensation) for the ummah to meet their needs. Despite the clear attractive features of *Bay' al-Salam* and *Istithnā'*, Malaysian Islamic financial institution (IFIs) are hesitant to utilise *Bay' al-Salam* contracts mainly citing counterparty risk, price risk and market risk. In this book "*Bay' al-Salam and Istithnā'*: Implementation and Challenges", we Malaysian IFIs to find answers to several burning questions regarding the prospects, dimensions, applications and challenges of *Bay' al-Salam* in general and specifically in Malaysia. We found that most Malaysian IFIs do not have any interest in implementing the both contracts due to the perceived inherent risks. There should be a concerted movement involving all bodies in Malaysia; BNM, Islamic financial Institutions (IFIs), as well as agriculture agencies, to work together in order to apply *Bay' al-Salam* and *Istithnā'* in Malaysia. It is hoped that, with this discussion on *Bay' al-Salam* and the application of *Istithnā'* financing in Malaysia, our society will be able to provide more answers to the basic question in the economy of how to help the poor and needy.

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ISBN 978-967-418-465-0



9 789674 184650

IIUM Press

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Fax: +603-6196 6298

iiumbookshop@iium.edu.my

<http://iiumpress.iium.edu.my/bookshop>



R 45.00