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## A comparative analysis of financial affordability in Islamic home financing instruments in Malaysia

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### Abstract

Purpose This study aims to compare and contrast the financial affordability of Islamic home financing instruments such as bay' bithaman ajil and musharakah mutanaqisah (MM) offered by various home financing institutions in Malaysia. Design/methodology/approach Mathematical simulations were carried out in examining the financial affordability (or lack thereof) of various Islamic home financing by both Islamic commercial banks (ICB) and financial cooperatives (FC). Findings This study has shown that MM by FC is a workable, more financially affordable option to potential homeowners. Unlike ICB, MM by FC uses rental rates as a benchmarking tool because of its inherent nature of flexibility. Originality/value This study shows the financial implication of unaffordable Islamic home financing instruments may have on the Malaysian households, which were derived from using official data from various government agencies.

### Keywords

**Author Keywords:** [Housing affordability](#); [Islamic home financing](#); [Musharakah mutanaqisah](#); [Bay' bithaman ajil](#); [Financial cooperative](#); [Housing cost burden](#)

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