

ACCEPTABILITY OF THE CONCEPT OF SHARIAH COMPLIANT PROCUREMENT IN THE MALAYSIAN CONSTRUCTION INDUSTRY



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Abstract

Construction procurement is a process of acquiring a construction project. The procurement process is very crucial for the success of any projects. In the past and present, majority practice of procuring projects in Malaysia are involving riba (interest), gharar (uncertainties), maysir (gambling) and some other prohibited matters. Therefore, the concept of Shariah compliant procurement has been introduced as a new paradigm in the construction industry to overcome those prohibitions as well as fulfilling other Shariah requirements. However, the Malaysian construction industry has not fully adopted the concept of Shariah-compliant in construction procurement. Currently, the Shariah compliant has been already infused in certain parts of the process like in funding and insurance and there is a potential for the concept to be fully adopted as it is happening in various industries like banking, tourism, medical and others. In spite of that, there is always a question whether the Shariah Compliant can be fully embraced in the Malaysian construction industry. Therefore, the aim of the study is to investigate the acceptability of the Malaysian construction industry players on the concept of Shariah-compliant construction procurement. The study is being conducted by a combination of literature review and survey with the players in the construction industry. The outcome of the study indicates the assertion on the acceptability of the concept of Shariah-compliant construction procurement. The result is also significant to show the extent of the concept to be applied in the construction industry.

Keywords: Acceptability, Procurement, Shariah Compliant

Aim To investigate the level of acceptability of the Malaysian construction industry players on the concept of Shariah compliant construction procurement.

- Objectives**
1. To identify the concept of Shariah compliant construction procurement.
 2. To appraise the level of understanding and acceptability of construction players on the concept of Shariah compliant construction procurement.

Research Methodology

Literature Review

Quantitative Research Method



Shariah Compliant

Shariah is a familiar term that known by most of the people in the world regardless of their religious background. Normally, it can be heard through news in various channels where the Shariah is being related to crime, politics, civilisation and feminism and many people from both Muslims and Non-Muslims are still not understand what is Shariah is all about (BBC News, 2009). Actually, Shariah is "overall way of life, as people understand it according to traditional, early interpretations" (Abdullah Ahmed, 2015, p.1). Fundamentally, Shariah can be divided into several components as shown in the following. Figure 1:

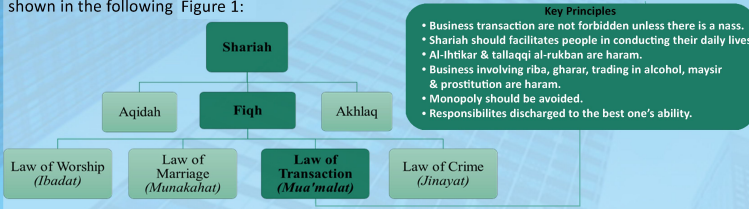


Figure 1: Components of Shariah, Categories of Fiqh & Key Principles of Muamalat (Khairuddin, 2017; Muhammad Rawwas Qal' ahji, 2005)

Meanwhile, Shariah compliant also known as halal is rapidly being practiced in many industries. Some people are off the opinion that Halal is only referred to food, clothing, conduct, speech and attitude (Carrie, Mujtaba, Fatima & Nouman, 2017). However, the term Halal or Shariah compliant is beyond that where it can be referred as "transactions or activities which are performed according to the rules and standards under the Shari'ah" (Khairuddin, 2018, p.7). The following Table 1 shows some of the Shariah compliant Industries:

Table 1: Shariah Compliant Industries

SHARIAH COMPLIANT INDUSTRIES	Financial Institutions	Tourism	Healthcare
Product/Services	1. Banking 2. Insurance 3. Investment	1. Hotel 2. Airlines	1. Hospital 2. Pharmaceutical
First Establishment (World)	• Mit Ghamr Savings Bank (1963)	• Almulla Hotel (2007)	• An-Nur Specialist Hospital (2015)
First Establishment (Malaysia)	• Bank Islam Malaysia Berhad (1983)	• De Palma Hotel (2010)	

Source: (Chong & Liu, 2009; Hesham, Badran & Abdel-aleem, 2014; Nur' Hidayah et al., 2015; Shaharom, Shahimi & Roslan, 2019)

Although there are many industries practicing Shariah compliant, construction industry is one of the industries that has not fully adopted Shariah practices (Khairuddin, 2009; Mastura & Saieed, 2015). Therefore, Shariah compliant construction procurement was proposed as shown in the following Table 2:

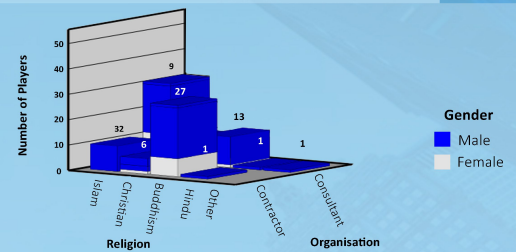
Table 2: Possible Infusion of Shariah Principles in the Procurement Process

PROCESS	SHARIAH COMPLIANT PRINCIPLES	
Strategic Definition		
Preparation & Brief	Initiation	<ul style="list-style-type: none"> Built facilities with the intention to facilitate people in conducting their daily lives. Built facilities that involves riba, alcohol, gambling & prostitution are haram.
	Funding	<ul style="list-style-type: none"> Funding should be free from riba, gharar & maysir.
Concept Design	<ul style="list-style-type: none"> Guidelines on Shariah compliant buildings & infrastructure need to be established. 	
Developed Design	Design	<ul style="list-style-type: none"> The work contract should be based on the concept of 'Istisna'. In order to arrive at a clear and unambiguous project's scope and objectives a set of contract documents must be prepared and BOS should be made mandatory.
	Statutory Approval	<ul style="list-style-type: none"> The requirement to obtain approvals from the authorities are consistent with the Shariah.
Tender Documentation	Tendering	<ul style="list-style-type: none"> Al-hthkar & Talaqqi Al-Rukban are forbidden. Gharar such as gambling, market manipulation & harmful speculation are forbidden. Monopoly in business transactions must be avoided.
Tender Action		
Mobilization	Construction	<ul style="list-style-type: none"> Transaction related to construction materials, equipment, services and the likes that involve riba, gambling & corrupt practices are forbidden.
Construction		
-	Risk Allocation	<ul style="list-style-type: none"> Conventional Insurance should be substituted with Takaful.
Post Practical Completion	-	<ul style="list-style-type: none"> The facility should facilitate people in conducting their daily lives.

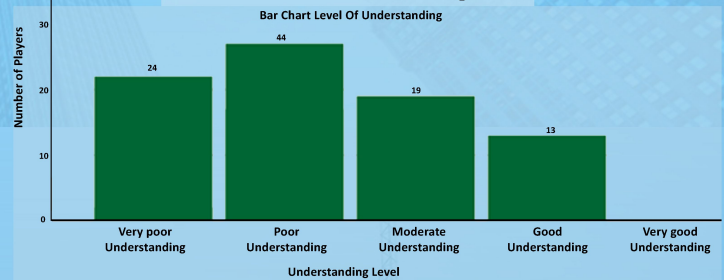
Source: (Khairuddin, Puteri & Sharina, 2017; Royal Institute Of British Architects, 2008)

Findings & Analysis

Background Of The Construction Players



Level Of Understanding



Level of Acceptability



Conclusion

In conclusion, most of the construction players are willing to accept with the implementation of Shariah compliant construction procurement though most of the players have poor understanding on the concept. This is because of the fact that most of them are believing that the concept is a good initiative as well as suitable for Malaysia.

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