



FAIRNESS AND DISPUTE AVOIDANCE IN ISLAMIC BANK FINANCING

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ABSTRACT

The purpose of this paper is to examine whether and how fairness influences dispute avoidance in Islamic bank financing process. The approach used is exploratory qualitative research, based on semi-structured interview. Data were gathered from small scale entrepreneurs operating an account with Islamic bank, which previously used or are using Islamic financing products in northern Nigeria. The findings from participants show that; fairness has tremendous influence on customers' perception of disagreements and disputes, as fair treatment leads to dispute avoidance. Fair treatment in determining prices and terms during negotiations, as well as transparency, determines action of Jaiz Islamic bank as fair or not fair. It is recommended that; due to customers' high expectation for fairness from Islamic bank, a little misunderstanding may lead to disagreement that leads to conflict. Islamic bankers therefore, should be innovative in conflict management through fairness in all customer related issues. The study contributes to literature of fairness, as making fair treatment a fundamental issue in conflict avoidance process. Particularly in northern Nigeria, where fairness is based on perception.

Keywords: Fairness, dispute avoidance, Islamic financing, northern Nigeria, small businesses.

1. INTRODUCTION

Islamic bank's financing contracts has a beginning and ending, from credit proposal initiation to repayment. But, banking relationship is supposed to be unending business relationship, which may likely involve intermittent lending-borrowing processes. However, in any social relationship, one may not rule out the possibility of perceiving the action of another as unfair based on circumstances. Little disagreement with client causes feeling of unfair treatment, which may cause disputes. In this study, dispute avoidance is considered as a best way of dispute management process of taking care of negative perceptions, actions, or inactions on financing contract that may lead to misunderstandings.

The essence of dispute avoidance is to achieve benefits (Maslahah), prevent hardship (Mafsadah), avoid harm (Darar) as well as protection of wealth, which are core objectives of Shari'ah. Meanwhile, Sadd al-zarai is a fundamental shari'ah concept of avoiding any action