

**EQUITY BASED VERSUS DEBT BASED FINANCING IN MALAYSIA: A  
CRITICAL REVIEW FROM SHARIAH AND SOCIO-ECONOMIC  
PERSPECTIVES**

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## ABSTRACT

The study reviews and analyses the current practice of Islamic banks towards their financing from Shariah as well as socioeconomic viewpoints. The study presents statistical evidence that financing modes currently adopted by Islamic banks (in Malaysia) are based on debt based formats with negligible share given to equity based modes of financing. Debt based contracts, such as BBA, Murabahah and Ijarah, appear to be the most popular, for they dominate all other modes of Islamic financing.

Ironically, while the pertinent literature continues to emphasize equity based modes as the central modes of financing, the practice of Islamic banks is such that they have purposely and systematically avoided these modes. The paper attempts to suggest possible measures for upgrading current practice in order to strengthen the Shariah basis and realize the socioeconomic implications of these modes.

In the discussions highlighted in this study, the debate of ideal versus reality in Islamic banking backed by the arguments and views of practitioners, Shariah scholars and academicians have been analyzed. The Shariah viewpoint in the light of Maqasid Al-Shariah and the socioeconomic implications of both modes of financing constituted the central theme of the discussions. The study arrives at the conclusion that the coming together of these different views, and more importantly, the resolving of them are essential next step for the development of a more globally harmonized Islamic banking industry that would better serve the society. Thus, critical and constructive discussion and engagement among scholars including economists and Shariah scholars, practitioners and policy makers in addressing legitimate concerns requires further research and development.

## ABSTRAK

Kajian ini memaparkan dan menganalisa cara semasa bank Islam kearah pembiayaan melalui syariah dan juga pandangan dari sudut sosioekonomi. Kajian ini mengetengahkan bukti melalui statistic yang menunjukkan pembiayaan semasa yang di terapkan oleh bank Islam (di Malaysia) adalah format dasar hutang di mana saham di abaikan di berikan kepada dasar ekuiti pembiaya. Kontrak berdasarkan hutang, seperti BBA, Murabahah dan Ijarah adalah yang tersohor oleh kerana ia menguasai dasar-dasar pembiayaan Islam yang lain.

Ironinya, sastera penting terus memberi penekanan kepada mod berasaskan ekuiti sebagai mod pusat pembiayaan, amalan bank-bank Islam itu seolah-olah mereka telah sengaja dan secara sistematik dielakkan mod-mod ini. Kertas kerja ini cuba untuk mencadangkan langkah-langkah yang mungkin dapat di gunakan untuk menaik taraf amalan semasa bagi mengukuhkan asas Syariah dan menyedari implikasi sosioekonomi ini mod.

Dalam perbincangan yang diketengahkan dalam kajian ini, perbahasan yang ideal berbanding realiti dalam perbankan Islam yang disokong oleh hujah-hujah dan pandangan pengamal, cendekiawan Syariah dan ahli akademik telah dianalisis. Sudut pandangan Syariah dalam Maqasid Al-Syariah dan implikasi sosio-ekonomi kedua-dua mod pembiayaan merupakan tema utama perbincangan. Kajian ini memberi kesimpulan bahawa terdapat penjelasan dan pandangan yang berbeza, dan yang lebih penting, penyelesaian daripada mereka adalah penting dalam mengatur langkah seterusnya untuk pembangunan industri perbankan Islam yang lebih global, harmoni dan lebih baik agar dapat di salurkan kepada masyarakat. Oleh itu, perbincangan yang lebih kritikal dan konstruktif dan penglibatan di kalangan para ulamak yang terdiri dari pakar-pakar ekonomi dan cendekiawan Syariah, pengamal dan pembuat dasar dalam menangani kebimbangan yang sah memerlukan penyelidikan dan pembangunan yang lebih terperinci.

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