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AFFORDABLE ISLAMIC HOUSING FINANCE MODELS: A CRITICAL ANALYSIS OF MUSHARAKAH MUTANAQISAH (MM) IMPLEMENTATION IN MALAYSIA (2024-2026)

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Abstract*: Despite the maturity of Islamic finance in Malaysia, homeownership remains difficult for many B40 and lower-M40 households. This study critically re-evaluates the implementation of Musharakah Mutanaqisah (MM) home financing in Malaysia during the 2024-2026 period, with particular attention to pricing benchmarks, risk allocation and maqasid-based affordability outcomes. Using a structured conceptual-review design supported by documentary content analysis and illustrative affordability simulation, the study synthesises regulatory documents, selected Product Disclosure Sheets (PDS), official housing and household-income evidence, and relevant academic literature. The analysis shows that the affordability problem does not lie in the Shariah validity of MM alone, but in the way rental/profit components are frequently linked to SBR/OPR-based pricing and in the way ownership-related costs are often borne by customers. The paper proposes a Fair Rental Index (FRI) and Social-MM/Waqf-MM pathway to reduce benchmark mimicry, stabilise payment obligations and strengthen the maqasid objectives of wealth protection, justice, hardship reduction and public welfare. Its main contribution is a structured framework linking MM implementation, pricing benchmarks, risk allocation, affordability and maqasid evaluation.*

Keywords*: Musharakah Mutanaqisah, Affordable Housing, Islamic Home Financing, Fair Rental Index, Maqasid al-Shariah*

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Introduction

Musharakah is a partnership-based Islamic financing method in which contracting parties contribute capital and share risk according to agreed terms. In home financing, its diminishing-partnership variant, *Musharakah Mutanaqisah* (MM), allows the customer gradually to acquire the bank's equity share while occupying the property through an accompanying lease arrangement. This contractual layering is central to the article because affordability problems may arise not from the legality of MM alone, but from how rental pricing and ownership-related costs are operationalised within the product.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI, 2008) defines diminishing *musharakah* as a partnership arrangement in which one partner gradually purchases the equity share of the other partner until full ownership is transferred. This definition distinguishes MM from a debt sale contract and places risk sharing, gradual ownership transfer and independent contractual undertakings at the centre of the analysis.

The relevance of MM in Malaysia is closely linked to the housing affordability debate. Official household-income evidence shows that Malaysia's median household income reached RM7,017 in 2024, while the median income for urban and rural households was RM8,139 and RM4,588 respectively (Department of Statistics Malaysia [DOSM], 2025). At the same time, housing prices continue to be monitored through the Malaysian House Price Index (MHPI), including the 2026 quarterly series published by the National Property Information Centre (NAPIC, 2026). Accordingly, affordability should be assessed through the interaction between house price, income capacity, monthly financing commitment, debt service ratio (DSR), residual income and exposure to financing-rate movements.

In theory, MM is expected to be more equitable than debt-based home financing because the bank and customer are co-owners rather than a conventional lender and borrower. In practice, however, several Malaysian MM products calculate rental/profit obligations using reference-rate mechanisms such as the Standardised Base Rate (SBR), which is linked to the Overnight Policy Rate (OPR). Bank Negara Malaysia (BNM, 2026b) reaffirms in the Reference Rate Framework that the SBR functions as the benchmark rate and that the lending/financing rate is commonly expressed as SBR plus spread. This creates a central research problem: a partnership-based product may still transmit monetary-policy volatility to households in a manner similar to conventional floating-rate financing.

The central claim advanced here is that MM affordability depends on benchmark design, risk allocation and maqasid outcomes, not merely on the formal validity of the contract. Without this integrated analysis, the paper would merely restate the Shariah validity of MM without explaining why the current model may still fall short in protecting vulnerable households.
The specific research gap addressed in this article is the absence of an integrated framework that connects MM pricing benchmarks, PDS-based risk allocation, household affordability stress and maqasid evaluation in the Malaysian housing-finance context. Existing studies tend to examine contractual validity, pricing alternatives, legal issues or waqf/social-finance mechanisms separately; this article brings these strands together to evaluate whether MM can deliver substantive affordability rather than merely formal Shariah compliance.

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Table 1: Operational Definitions of Key Terms

Key term	Operational meaning in this article
Mimicry phenomenon	The tendency of MM rental/profit pricing to behave like conventional floating-rate financing because it is benchmarked to SBR/OPR-linked market rates.
Fair Rental Index (FRI)	A proposed rental benchmark based on local property rental values and affordability indicators rather than direct movements in interest-rate or funding-cost benchmarks.
Social-MM	A modified MM structure that integrates Islamic social finance support, such as waqf or zakat subsidy, to reduce household payment pressure.
Waqf-MM	A Social-MM variant in which waqf land, waqf fund support or waqf-linked development lowers acquisition or rental cost.
Affordability gap	The mismatch between monthly housing-finance obligations and the sustainable payment capacity of B40 and lower-M40 households.
Risk-sharing gap	The gap between the theoretical MM partnership principle and actual practice where many ownership-related costs and risks are shifted mainly to customers.
Lower-M40	Households positioned near the lower segment of the M40 income distribution and therefore vulnerable to housing-affordability stress despite not falling within the B40 category.

Source: Authors' own conceptualisation.

The objectives of this study are: (1) to evaluate how MM implementation in Malaysia is affected by pricing benchmarks and risk allocation; (2) to examine how these practices influence affordability for B40 and lower-M40 households; and (3) to propose a maqasid-based Social-MM model that improves affordability while preserving the partnership character of MM. For this article, lower-M40 is used operationally to refer to households positioned near the lower segment of the M40 income distribution and therefore exposed to affordability stress despite not falling within the B40 category. The scope is limited to Malaysian Islamic home financing, selected public PDS documents, official household-income and property-market data, and conceptual simulation. It does not claim to represent all Islamic banks statistically.

Theoretical Framework: Linking PLS, Maqasid and Affordability

The study is anchored in Profit and Loss Sharing (PLS) theory and *Maqasid al-Shariah*. PLS theory requires MM to operate as a genuine partnership in which ownership risk, return and responsibility are not transferred entirely to the customer. *Maqasid al-Shariah* provides the evaluative lens for assessing whether the contract protects wealth (*hifz al-mal*), promotes justice (*al-adl*), reduces hardship (*raf al-haraj*) and advances social welfare (*maslahah*). This maqasid orientation is consistent with recent discussions of partnership contracts as instruments for equitable wealth distribution and welfare enhancement (As-Salafiyah et al., 2025). The analytical sequence used in this paper is: MM implementation -> pricing benchmark -> risk allocation -> affordability outcome -> maqasid evaluation.

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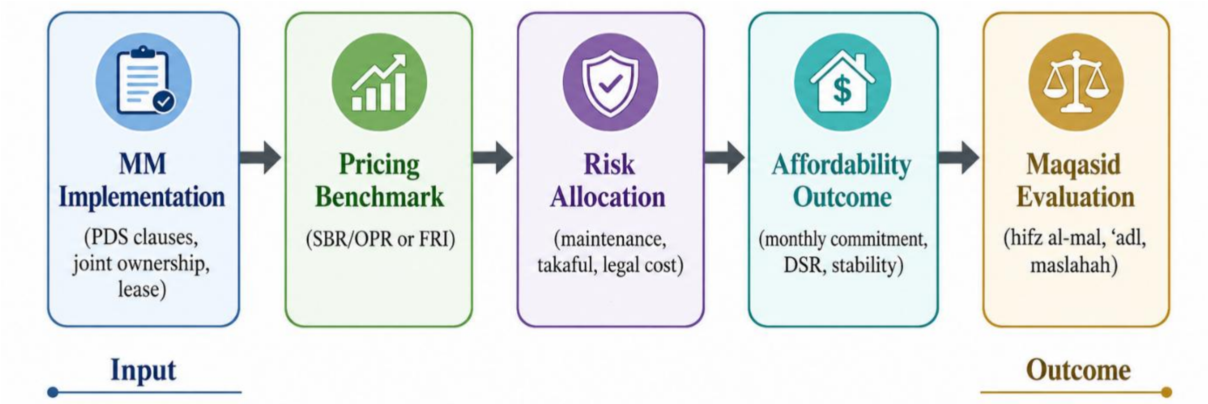

Figure 1: Conceptual Framework Linking MM Implementation, Pricing Benchmarks, Risk Allocation, Affordability and Maqasid Outcomes
Source: Authors.

Figure 1 clarifies how the article moves from contractual implementation to normative evaluation. MM implementation is treated as the starting point because PDS clauses, joint-ownership documentation and lease arrangements determine the practical rights and obligations of the parties. Pricing benchmarks then influence monthly commitment, while risk allocation determines whether ownership-related costs are shared or shifted. The final evaluation is not merely financial; it asks whether the structure achieves *hifz al-mal*, *al-adl* and *maslahah*.

Literature Review

The literature is organised into four analytical streams to avoid mixing concepts, previous findings and the authors' proposal: (i) the contractual logic of MM, (ii) pricing benchmarks and the mimicry problem, (iii) legal and transactional impediments, and (iv) social-finance and digital alternatives. This structure allows the review to move from description to critical synthesis.

Contractual Logic of MM and the Move from Debt to Equity

Earlier Malaysian and regional studies generally view MM as more aligned with the partnership ethos of Islamic finance than *Bay' Bithaman Ajil* (BBA) and murabahah-based financing (Osmani & Abdullah, 2010; Asyiqin & Alfurqon, 2024). Mydin Meera and Abdul Razak (2005, 2009) argue that MM can avoid some rigidities of debt-based sale financing, while Aris et al. (2012) show that MM may be economically preferable to BBA in selected scenarios. Taken together, this stream establishes the contractual superiority of MM at the theoretical level, but it leaves unresolved whether contemporary MM practice remains affordable when household income, financing-rate exposure and ownership-related costs are considered together.

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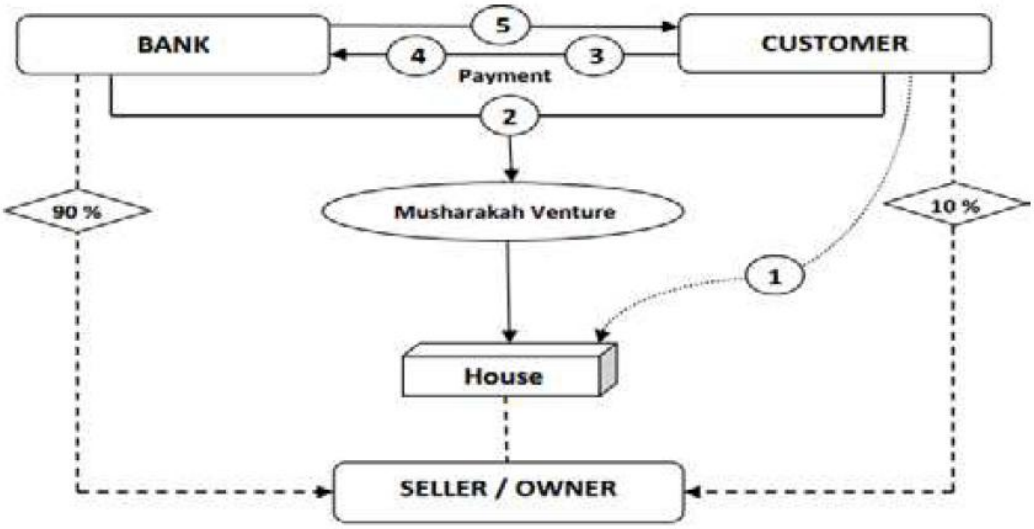

Figure 2: Basic Structure of MM Home Financing
Source: Adapted from Haneef, Kunhibava, and Smolo (2011).

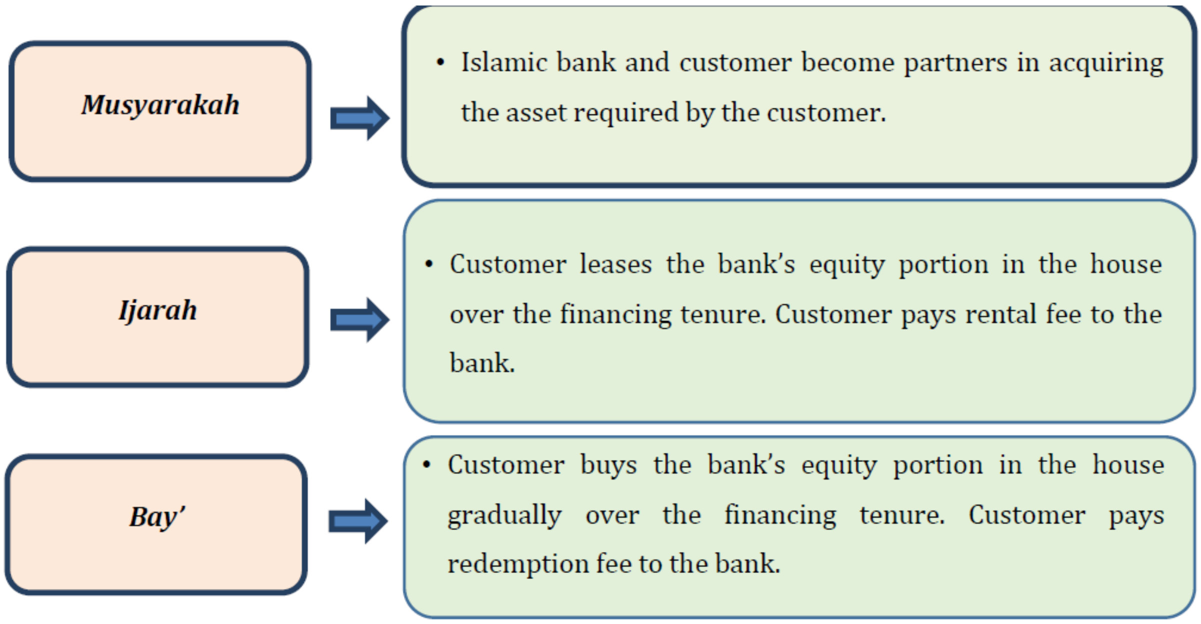

Figure 3: Underlying Contracts in MM Home Financing
Source: Adapted from Abdul Aziz et al. (2023).

Pricing Benchmarks and the Mimicry Problem

A second stream critiques the use of interest-rate or reference-rate benchmarks in MM rental determination. Smolo and Hassan (2011) and Mohd Yusof et al. (2016) caution that benchmark dependence may weaken the ethical distinction between Islamic and conventional finance. Mohd Yusof et al. (2016) propose a rental-index approach, yet the affordability and maqasid implications for B40 and lower-M40 households remain insufficiently developed. This paper extends that discussion by connecting benchmark choice to DSR stress, risk allocation and maqasid evaluation.

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Legal and Transactional Impediments

A third stream examines legal and operational constraints. Haneef et al. (2011), Hanafi (2012), Asadov et al. (2018) and Ali et al. (2023) show that MM implementation may be affected by land-law documentation, ownership registration, takaful requirements, default treatment and operational complexity. While this stream clarifies legal and operational constraints, it rarely explains how such constraints translate into household affordability pressure or maqasid-based risk-sharing concerns.

Islamic Social Finance and Digital Alternatives

The fourth stream focuses on Islamic social finance and digital mechanisms. Recent work on Islamic fintech, blockchain and waqf governance highlights the potential of smart contracts and digitally supported waqf structures to improve transparency and reduce transaction costs (Kamaruddin et al., 2023; Mohd Ariff et al., 2024; Wan Haniff et al., 2025). However, these mechanisms are rarely integrated into a targeted MM affordability model. This article therefore treats Social-MM and Waqf-MM as conceptual pathways that require regulatory calibration and pilot testing before they can be claimed as operational products.

Table 2: Expanded Literature Synthesis and Research Gap

Literature stream	Representative studies/source	Main contribution	Remaining gap addressed by this paper
MM versus BBA and contractual validity	Mydin Meera & Abdul Razak (2005, 2009); Aris et al. (2012); Qureshi & Hidayat (2016)	Shows that MM is theoretically more equitable than debt-based BBA.	Limited evaluation of whether current MM practice remains affordable under rate volatility.
Pricing benchmark and rental index	Smolo & Hassan (2011); Mohd Yusof et al. (2016)	Critiques interest-rate benchmarking and proposes rental-index alternatives.	Affordability and maqasid implications for B40/lower-M40 households remain underdeveloped.
Legal and operational issues	Haneef et al. (2011); Hanafi (2012); Asadov et al. (2018); Ali et al. (2023)	Identifies documentation, land-law, takaful and operational constraints.	Limited link between legal/transactional costs and the affordability objective of MM.
Islamic social finance and technology	Kamaruddin et al. (2023); Mohd Ariff et al. (2024); Wan Haniff et al. (2025)	Highlights waqf, smart contracts and fintech potential.	Few studies integrate these mechanisms into a targeted Social-MM affordability model.
Housing affordability context	DOSM (2025); NAPIC (2026); BNM (2026a, 2026b)	Provides income, house-price monitoring and rate-setting context.	Needs to be connected to MM pricing, DSR pressure and maqasid-based evaluation.

Source: Authors' own synthesis.

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Research Methodology

Research Design

This study adopts a structured conceptual review supported by documentary content analysis and illustrative affordability simulation. The design is appropriate because the article evaluates contract disclosure, regulatory framing and affordability logic rather than customer behaviour. The methodology is organised into three linked phases: (i) documentary review of regulatory, statistical and product-disclosure sources; (ii) thematic content analysis of selected PDS clauses; and (iii) illustrative simulation of payment and DSR sensitivity under benchmark movement.

Table 3: Data Sources and Selection Rationale

Data source	Selection rationale	Analytical focus
BNM Shariah policy documents and reference-rate framework	Regulatory benchmark for Islamic financing contracts and pricing rules (BNM, 2015, 2018, 2026a, 2026b).	Minimum Shariah, operational and reference-rate requirements for musharakah, ijarah and SBR-linked financing.
PDS from selected Islamic banking institutions	PDS documents are public-facing disclosures that show how pricing, payment and risk obligations are communicated to customers.	Pricing mechanism, payment clauses, ownership responsibilities, takaful, fees, default and customer obligations.
Academic literature indexed in recognised journals and databases	Provides theoretical and empirical foundation on MM, BBA, pricing, legal issues and Islamic social finance.	Identification of research gaps and development of conceptual framework.
Official household-income and property-market data	Provides contextual evidence on affordability conditions in Malaysia.	Income capacity, house-price context and affordability stress.
Illustrative financing simulation	Shows the sensitivity of monthly commitment and DSR to benchmark changes.	Comparison between OPR/SBR-pegged pricing and decoupled FRI/Social-MM pricing.

Source: Authors' own synthesis.

PDS Selection Criteria

The PDS documents were selected purposively using four criteria: (i) the institution offers Islamic home/property financing with MM, diminishing *musharakah*, or MM-related features; (ii) the PDS or current product information is publicly accessible for document analysis; (iii) the document contains information on pricing, SBR/OPR or BR, payment, ownership, takaful, fees or default; and (iv) the document is current within the 2025-2026 review window where available. The selected sources include HSBC Amanah's HomeSmart-i PDS (Version January 2026), AFFIN Islamic Bank's Home Invest-i/Business Premises Invest-i PDS (Version 1.4/2026), Public Islamic Bank's Home Equity Financing-i PDS (IPD017/REV010126), and Standard Chartered Saadiq's publicly available Islamic residential property financing PDS/product information for Saadiq My Home-i and Saadiq My HomeOne-i. Where an earlier PDS template is still publicly hosted for a current product, it is used only to identify contract logic and reference-rate language, not as 2026 rate evidence. The PDS analysis is therefore a practice-based documentary reading, not a statistical representation of the whole Islamic banking industry.

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Literature Search and Inclusion Criteria

The literature search was conducted through Scopus and supplemented by Google Scholar and targeted searches of official regulatory and product documents. Google Scholar was used only as a supplementary discovery tool to locate relevant conceptual, legal and policy discussions that may not be indexed consistently in Scopus. The search used the keywords "*Musharakah Mutanaqisah*", "Islamic home financing", "rental rate index", "*Maqasid al-Shariah*", "housing affordability", "B40", "M40", "waqf housing", "Islamic social finance" and "smart contract waqf". The review retained seminal studies from 2005 onward and recent literature up to 2026. Inclusion criteria were studies directly related to MM, Islamic home financing, pricing benchmarks, housing affordability, legal/operational implementation, social finance or Islamic fintech. Exclusion criteria were papers on general Islamic banking without direct relevance to housing finance, MM, affordability or pricing implementation. A final corpus of 29 core sources was retained, comprising 17 academic sources, seven regulatory/standard-setting/statistical sources and five PDS/product-disclosure sources. This corpus is treated as a conceptual-review corpus rather than a systematic-review dataset.

Coding Procedure and Content Analysis

The unit of analysis was the clause, sentence or paragraph in the PDS that referred to payment, rental/profit rate, ownership, takaful, maintenance, legal fees, default, set-off or customer obligation. A combined deductive-inductive coding approach was used. Deductive codes were derived from the theoretical framework: pricing benchmark, risk allocation, affordability and maqasid. Inductive codes were added when repeated terms appeared in the PDS, such as payment, rental, property, facility, takaful and instalment. Coding outputs were interpreted qualitatively through repeated reading and comparison across documents. Word-frequency outputs generated during preliminary coding were treated as descriptive aids only and were not used as inferential evidence. Percentage coverage, where applicable, refers to coded-theme frequency divided by total coded references, multiplied by 100.

Simulation Procedure

The illustrative simulation uses the standard financing formula M = L[i(1+i)^n] / [(1+i)^n - 1], where M is monthly payment, L is financing amount, i is the monthly rate obtained by dividing the annual benchmark/profit rate by 12, and n is the total number of months. The baseline assumes a house price of RM300,000, 90% financing, a 35-year tenure and two scenarios: an OPR/SBR-pegged model and a decoupled FRI/Social-MM model. The purpose is not to replicate any bank's proprietary calculation, but to demonstrate how a relatively small benchmark change affects monthly commitment and DSR for households with limited income buffers. The simulation is therefore illustrative rather than predictive.

Table 4: Simulation Assumptions

Simulation assumption	Value used	Justification
House price	RM300,000	Illustrative affordable housing unit.
Financing amount	RM270,000	Assumes 90% financing and 10% customer contribution.
Tenure	35 years / 420 months	Common maximum tenure used in home-financing illustrations.
Baseline benchmark	4.00%	Represents simplified starting rate for comparison.
Stress benchmark	4.50%	Represents a 50-basis-point increase in benchmark rate.

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Income benchmark	RM4,588 rural median household income; RM7,017 national median household income	Allows sensitivity comparison for lower-income households using DOSM (2025).

Source: Authors' assumptions, informed by DOSM (2025) and BNM reference-rate context.

Results and Discussion

Convergence of Rental/Profit Rates and Market Reference Rates

The PDS analysis indicates that MM and MM-related property financing products frequently communicate pricing through variable-rate or reference-rate mechanisms. HSBC Amanah's HomeSmart-i PDS states that the SBR is set as the OPR decided by BNM and that a rise in OPR may increase monthly payment (HSBC Amanah Malaysia Berhad, 2026). AFFIN Islamic Bank's Home Invest-i/Business Premises Invest-i PDS confirms that the product uses *Musharakah Mutanaqisah*, adopts floating profit pricing and sets SBR by reference to the OPR (AFFIN Islamic Bank Berhad, 2026). Public Islamic Bank's Home Equity Financing-i PDS (IPD017/REV010126) is analysed for payment, fee and default-related clauses that may affect household obligations (Public Islamic Bank Berhad, 2026). Standard Chartered Saadiq's public product information identifies Saadiq My Home-i as a Diminishing *Musharakah* product and its PDS uses variable-rate/Base Rate language (Standard Chartered Saadiq Berhad, 2017, n.d.). Table 5 presents a clause-focused documentary comparison of these public disclosures. The interpretation is limited to public disclosure documents and does not infer undisclosed internal pricing calculations.

This evidence supports the central argument that current MM implementation must be assessed not only in legal form, but also in affordability and risk-sharing substance. The issue is not that using a benchmark is automatically Shariah-invalid; rather, the concern is that an MM structure that relies heavily on OPR/SBR movements may reproduce the payment volatility of conventional floating-rate financing. This is the mimicry phenomenon addressed in this paper.

Table 5: PDS Coding Matrix for MM Implementation Issues

Bank/PDS or product disclosure	Publicly disclosed pricing or risk evidence	Affordability and risk-sharing implication
HSBC Amanah HomeSmart-i PDS (2026)	SBR is communicated as being set by reference to the OPR; an OPR increase may raise monthly payment.	MM payment obligations remain sensitive to monetary-policy movement, creating payment instability for households with limited income buffers.
AFFIN Islamic Home Invest-i / Business Premises Invest-i PDS (2026)	The product is identified as *Musharakah Mutanaqisah* and uses floating profit pricing with SBR linked to OPR.	Partnership form is maintained, but floating pricing may reproduce conventional rate sensitivity unless moderated by affordability safeguards.
Public Islamic Home Equity Financing-i PDS (2026)	Payment, fee, default and customer-obligation clauses are relevant to household cash-flow exposure.	Transaction costs and default-related obligations can intensify the affordability gap when combined with monthly payment commitments.

Volume: 11 Issues: 83 [June, 2026] pp. 883 - 896
Journal of Islamic, Social, Economics and Development (JISED)
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Journal website: academicinspired.com/jised
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Standard Chartered Saadiq My Home-i / My HomeOne-i information (2017; n.d.)	Product information identifies diminishing *musharakah* features and variable-rate/Base Rate language.	The product logic reflects MM, but public disclosure suggests continued exposure to market-linked rate language.
Bank/PDS or product disclosure	Publicly disclosed pricing or risk evidence	Affordability and risk-sharing implication

Source: Authors' documentary analysis of public PDS/product disclosures.

Affordability Gap for B40 and Lower-M40 Households

Using the simulation assumptions in Table 4, the estimated monthly payment at 4.00% is RM1,195.49. If the benchmark rises to 4.50%, the payment increases to RM1,277.79. This represents an increase of approximately 6.9%. For a household with the 2024 rural median income of RM4,588, the DSR rises from 26.1% to 27.9%. For a household at the national median income of RM7,017, the DSR rises from 17.0% to 18.2%. Although these ratios may appear manageable in isolation, the affordability concern becomes sharper when residual income is considered alongside food, transport, utilities, education, takaful, maintenance and emergency commitments. The simulation therefore functions as a sensitivity illustration, not as a claim about all MM customers.

Table 6: Illustrative Simulation of Pegged and Decoupled Pricing

Item	Scenario A: OPR/SBR-pegged	Scenario B: Decoupled FRI/Social-MM
Initial benchmark	4.00%	4.00%
Stress benchmark	4.50%	No immediate change from short-term OPR movement
Estimated monthly payment at baseline	RM1,195.49	RM1,195.49
Estimated monthly payment after stress	RM1,277.79	RM1,195.49
Change in monthly payment	+RM82.30 / +6.9%	No rate-shock increase in this illustration
DSR using RM4,588 rural median income	26.1% -> 27.9%	26.1% remains stable
Maqasid implication	Greater exposure to rate shock and payment instability.	Greater payment stability and stronger *hifz al-mal*.

Source: Authors' calculation based on stated assumptions.

Risk Allocation: Theory versus Practice

A true partnership requires a meaningful sharing of ownership-related risks. However, PDS clauses often emphasise the customer's obligation to pay monthly instalments, maintain takaful protection and bear various transaction costs. This does not necessarily invalidate MM, but it narrows the practical difference between partnership-based finance and conventional secured financing. The risk-sharing gap becomes more serious for lower-income households because unexpected takaful, maintenance, valuation, legal or default-related costs may intensify affordability stress even when the headline monthly payment appears manageable.

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From a maqasid perspective, *hifz al-mal* requires that customers are protected from excessive and unclear financial burdens. Al-adl requires a fairer distribution of ownership-related responsibilities between the bank and customer. Raf al-haraj requires mechanisms that reduce hardship when benchmark movements or unexpected costs affect vulnerable households. Maslahah requires the model to promote sustainable access to housing rather than merely formal Shariah compliance. Table 7 therefore operationalises maqasid as an evaluative matrix rather than as a general normative reference.

Table 7: Maqasid-Based Evaluation of Current MM and Proposed Social-MM

Maqasid dimension	Analytical indicator	Evidence from this study
Hifz al-mal	Payment stability, cost clarity and protection of household wealth.	SBR/OPR-linked pricing and customer-borne costs may increase exposure to payment volatility and cumulative obligations.
Al-adl	Fair allocation of ownership-related risks and costs between bank and customer.	PDS clauses often emphasise customer obligations for payment, takaful, fees and default-related consequences.
Raf al-haraj	Reduction of hardship for vulnerable B40 and lower-M40 households.	The simulation shows that a 50-basis-point benchmark increase raises monthly payment and DSR, especially for lower-income households.
Maslahah	Wider access to sustainable and Shariah-compliant affordable housing.	Formal MM validity alone does not guarantee affordability if pricing and cost allocation remain market-sensitive.

Source: Authors' own maqasid-based evaluation.

Proposed Model: Fair Rental Index and Social-MM

The proposed model contains two complementary reforms. First, the Fair Rental Index (FRI) should be developed as an asset- and affordability-linked benchmark that considers local rental value, median household income and sustainable DSR. The FRI does not eliminate commercial return; rather, it reduces overdependence on short-term monetary-policy changes. Second, Social-MM should integrate waqf, zakat or targeted public subsidy to reduce acquisition cost or monthly rental pressure for eligible B40 and lower-M40 households. In a Waqf-MM variant, waqf land or waqf-linked funding may reduce the asset cost before financing begins. These proposals require regulatory calibration, Shariah governance and pilot testing before commercial implementation.

Conceptually, the FRI may be expressed as FRI = f(R_local, Y_median, DSR_sustainable, P_type, L_adj), where R_local refers to local rental value, Y_median to median household income, DSR_sustainable to a sustainable debt-service threshold, P_type to property category and L_adj to locality adjustment. This article does not claim to construct a full econometric index; instead, it identifies the design parameters that should guide a pilot FRI for affordable Islamic housing finance.

Volume: 11 Issues: 83 [June, 2026] pp. 883 - 896
Journal of Islamic, Social, Economics and Development (JISED)
eISSN: 0128-1755
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For governance, any Social-MM product should include a transparent risk-sharing matrix. This matrix should specify who bears major maintenance, takaful, valuation, legal fees, default costs and extraordinary property loss. A Shariah committee and product governance team should then assess the product not only at the contract-approval stage, but also through periodic maqasid-based affordability review. Such a mechanism could move MM closer to substantive Shariah compliance by aligning pricing and risk allocation with maqasid-based affordability.

Conclusion

This study re-examined the implementation of *Musharakah Mutanaqisah* (MM) within Malaysia's contemporary housing-finance landscape. The revised analysis clarifies that the core issue is not the Shariah validity of MM in theory, but the extent to which current pricing and risk-allocation practices achieve affordability, *hifz al-mal*, *al-adl*, *raf al-haraj* and *maslahah* for lower-income households. Official income data, PDS analysis and the illustrative simulation show that SBR/OPR-linked pricing may expose customers to payment volatility, while customer-heavy cost allocation may weaken the partnership character of MM.

The article contributes to the literature by integrating pricing benchmark analysis, PDS-based risk-allocation evidence, affordability simulation and maqasid evaluation within one conceptual framework. The proposed Fair Rental Index and Social-MM/Waqf-MM pathway should be treated as a policy and product-design agenda rather than as a fully validated market product.

Limitations and Future Research

This study is limited by its reliance on public documents, selected PDS disclosures and illustrative simulation rather than proprietary bank-level amortisation schedules or household-level fieldwork. The PDS analysis is also based on purposive document selection and does not claim statistical representation of the entire Islamic banking industry. Future research should test the framework using actual bank-level pricing schedules, customer-level affordability data and stakeholder interviews involving Islamic banks, regulators, Shariah committees, waqf institutions and target households.

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