

UNDERSTANDING OF THE CONCEPT OF MURABAHAH AND ITS APPLICATION AMONG THE STAFF OF SEKOLAH KEBANGSAAN KAMPONG TENGAH, MANIR

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Abstrac: *This study was conducted to find out the understanding of the concept of Murabahah and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir. Murabahah is a specific type of transaction where the seller states clearly the cost of the good being sold that he has incurred and then sells it to another person while adding a profit or markup thereon. Murabahah allows for the mutual determination of the profit, which may be expressed as a single payment or as a predetermined percentage to be charged over the costs. This study used 51 staff members of Sekolah Kebangsaan Kampong Tengah, Manir who completed an online form to answer the questionnaire of this study. Quantitative methods were used in the research methodology. Analysis of percentage, frequency, mean, and standard deviation was performed using descriptive statistics. The results of the study show that the staff of Sekolah Kebangsaan Kampong Tengah, Manir have a good understanding of Murabahah and use it in their daily lives. The findings of the study show that each variable's mean value is at a high level; the mean value of part A is 4.37, part B is 4.35, and part C is 4.47 (high). In addition, this study also aimed at assisting in expanding the understanding the concept of Murabahah and expanding the use of Islamic banking products among the community.*

Keywords: *Understanding, murabahah, Islamic banking*

Introduction

Islam is a religion that not only touches on the issue of worship, but also takes into account the economic and financial issues. The participation of Muslims in the Islamic economic system has actually led to achievements that can stand with the modern economy. Islamic law's practical application may be seen in aspects of banking, insurance, mutual fund investing, cooperatives, and other industries (Ahmad et al., 2022). Products, services and financial facilities that are carried out in Islam are based on the concept of *Sharia* and comply with the requirements of Islam which prohibits any activity of usury. Among the financial products and financing are based on *Shariah* concepts such as *Murabahah*. It is one of the financial systems in Islam which is a contract that is carried out using buying and selling instruments by taking profit. Although there are many and different types of Islamic law, *Murabahah* has gained enormous significance since it was first introduced 1,433 years ago (buying and selling). Simply said, this idea formula profiteers from items being offered at a price that has obviously been calibrated to earn a profit. Saying that Islamic banks are the same as conventional banks carries a stigma that is sufficient to muddy the waters of Islamic banking a little bit (Ahmad et al., 2022). Besides, *Murabahah* finance is essential to Islamic banks and financial institutions in this regard since it dominated their financing activities, including house financing, vehicle financing, personal financing, and trade financing (Almsafir et al., 2013; Mat Isa, 2012; Masood, 2010; Napier, 2007)

Problem Statement

Gait and Worthington (2009) conducted a survey of 385 Libyan customers in the retail consumers and discovered that the majority of the respondents are aware of *Qard Hassan* and *Musharakah* financing. The survey also revealed that most respondents were unaware of other Islamic financial practices such as *Mudarabah*, *Murabahah*, *Bai Muajjal*, and *Istisna*'. Besides that, Masood et al. (2014) also investigated how clients in Pakistan perceived and were aware of Islamic banking products. *Musharakah*, *Mudarabah*, *Bai Muajjal*, *Istisna*, *Sukuk*, *Ijarah*, *Diminishing Musharakah*, and *Qard Hassan* were among the Islamic banking products in which the participants' knowledge was tested. Unexpectedly, none of the study's participants were familiar with these Islamic finance options. The study's findings showed that consumers are unfamiliar with Islamic banking products. The participants emphasised that when it comes to properly educating clients on Islamic finance options, bankers fall short of their obligations. However, a research by Khokhar and Sillah (2014) on Saudi Arabian consumers' perceptions of Islamic banking found that most respondents were familiar with Islamic banking products including *Mudarabah*, *Murabahah*, *Wakala*, *Tawarruq*, and *Ijarah*. The finding, however, indicated that consumer knowledge of goods like *Musharakah*, *Salam*, *Istisna*, and *Istijrar* is either very low or non-existent. The results nonetheless demonstrated a degree of ignorance regarding Islamic banking products.

Furthermore, customer awareness and exposure to the operation of the Islamic banking system and its ideas, such as *Murabahah*, *Ijarah*, *Mudarabah*, and *Musharakah*, have been shown to be restricted in previous research. Due to these issues, customers view Islamic banks as being similar to regular banks since they anticipate that both types of banks would offer the same kind of financing options.

In conclusion, the existence of Islamic financial instruments like *Murabahah* is still largely unknown to many people. The fact that the *Murabahah* contract was not disclosed to them is one of the contributing elements to this occurrence. Hence, this study is related to the

understanding of the concept of *Murabahah* and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir.

Research Objectives

- a) To determine the concept of *Murabahah* and its application.
- b) To identify the understanding about the concept of *Murabahah* and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir.
- c) To find the strategies to expand the use of *Murabahah* contract.

Research Questions

- a) What is the concept of *Murabahah* and its application?
- b) How the level of understanding the concept of *Murabahah* and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir?
- c) What is the strategies to expand the use of *Murabahah* contract?

Literature Review

In a *Murabahah* transaction, the seller specifies the sales price and the profit at the time of the contract (Frikha, 2014). There are differences between a normal sale and a *murabahah*.

The Concept of *Murabahah*

The term "*murabahah*" is a linguistic version of the word "mutual", which comes from the Arabic word "*ribh*", which means "profit", specifically "the rise in the value of capital" (so it means mutual benefit). According to fiqh terminology, *murabahah* is defined as selling with original money and a distinct extra profit (Al- Mushlih & Ash- Shawi, 2004). Moreover, Arpizal et al. (2021) stated that *Al- Murabahah* is derived from the Arabic term *ar-ribhu*, which means extra and additional (profit). Since one of the two parties to a transaction benefits the other, *murabahah* also refers to *Al- Irbaah*.

A definition of *Bai'ul Murabahah* is defined as buying and selling for a price initially, then making a profit on top of that. Despite using a different pronunciation, this meaning is the one that has been accepted by jurists.

In addition, Afrida (2016) said that *murabahah* is the practice of selling and buying at the basic price while making additional gains depending on the transaction's maturity. The purpose of *murabahah* financing is to get specified items through bank financing while generating income in the form of a margin (Z, 2012). Customers can purchase products using *murabahah* financing based on their preferences and financial capabilities (Hardianti, 2022). That means *murabahah* financing is also carried out in instalments, so that it does not become a burden for the customer (Prabowo, 2009).

Legality of *Murabahah*

a) Al- Quran

Thabith (2018) stated that the Quran is the fundamental and the biggest source for the Islamic business law (*fiqh al-muamalat*) and even in our lives. All sorts of sciences of society are taken from the Quran including how to conduct our personal life and social life, and how to enter into agreements and transactions, etc from birth to death. Among these, the Quran also references the Islamic *murabahah* commerce, a type of Islamic finance. The Quran may be used to support it, meaning *shariah* proponents can use verses like the one below to support their position:

“O you who have believed, when you contract a debt for a specified term, write it down. And let a scribe write (it) between you in justice. Let no scribe refuse to write as Allah has taught him. So, let him write and let the one who has the obligation dictate”.

(Surah Al- Baqarah: 282)

Abu Sa’id Al Khudri reported : Rasulullah S.A.W said :

“ Indeed, buying and selling is based on mutual consent.”

(Ibnu Majah)

Condition of *Murabahah*

Wahbah al-Zuhaili (2005) asserts that products should not be offered as *murabahah* to persons who don't already own business goods if they are different from other goods, which is, if there are no units identical to them like business goods. This is due to the fact that, in addition to the increased profit from *murabahah* sales, *murabahah* is a sale made at the same cost as the initial purchase price.

***Murabahah* Financing**

Abdul Rahman (2010) has proposed the fundamental principle of *murabahah* is that clients who want to buy certain products or assets ask the bank to buy them and then sell them to them at cost plus a declared profit. When selling a commodity, Islamic banks will state the cost price and a stated profit. Islamic banks frequently utilise *murabahah* financing, another type of asset-based lending, to finance homes and cars. In addition, there are two types of *murabahah* contracts: ordinary *murabahah* and *murabahah* to the purchase order. The other type of contracts, which involves the purchase order, the buyer, and the seller, is more common in modern Islamic financial goods than the former. Due to a lack of knowledge or the requirement for a credit facility, it also uses an intermediary. Furthermore, a number of IFIs and banks have used *murabahah* contracts extensively as a form of financing in a variety of financing activities, including house finance, personal financing, vehicle financing, and trade financing (Dusuki, 2011). This is also supported by Almsafir et al. (2013), who offer an evidence based comparative review of Islamic finance modes. Their findings show that the *murabahah* contract is the most widely used form of Islamic finance, outperforming *Ijarah*, *Mudarabah*, and *Musharakah* in terms of efficiency. It is often used by many Islamic banks and financial institutions for a variety of financial institutions for a variety of financing operations.

Research Methodology

Research Instruments

Google form instrument is a creation of a form with questions structured by the interviewer and sent to the respondents. Google forms are crucial for collecting information from respondents for the study and achieving the study objective. Moreover, it is necessary to help with the data analysis process. A questionnaire was used because it is a trustworthy and efficient technique to gather data swiftly and precisely from numerous responses. In this study, the questionnaire proved a fast and efficient technique for the author to obtain numerous responders in a short period of time. The Google form will be provided to the staff of Sekolah Kebangsaan Kampong Tengah, Manir.

Research Participants

Research participants in this study involve the staff of Sekolah Kebangsaan Kampong Tengah, Manir. There are 90 staff members in Sekolah Kebangsaan Kampong Tengah, Manir. However, the author simply needs at least 30 respondents for this research project. It is because Hanan & Anderson (2007) states in their study that 30 respondents are the bare minimum needed to do a statistical analysis. The author made it easy for herself to acquire a response by selecting the school staff as it only involves one location. In addition, WhatsApp applications will be used in order to provide the questionnaire to the respondents.

Data Collection

The author decided to utilise a Google form to gather data because it saves respondents' time. This is true since the author has provided answers to each of the questions. In addition, the respondents are free to share their thoughts about the topic covered by the questionnaire.

Data Analysis

The findings of the survey were analysed using statistical analysis. The issue is brought on by the enormous number of responders and the identical set of questions and answers. After that, the author will employ readily available statistics software, such as SPSS or Microsoft Excel, according to the study's quantitative research methodology.

Reliability Analysis

Table 1: Reliability Coefficient Level Value Guidelines

Reliability Coefficient	Level of Reliability
0.00-0.39	Rejected
0.40-0.59	Doubted
0.60--.79	Moderated
0.80-0.89	Good
>0.90	Very Good

Table 2: Cronbach Alpha Result

Cronbach Alpha	N of items
0.94	27

Table 3: Respondents Demographic Profile

	n	%
Gender		
d) Male	6	11.8
e) Female	45	88.2
Age		
a) 25-35 years old	3	5.9

b) 35-45 years old	23	45.1
c) 45-55 years old	23	45.1
d) 55-60 years old	2	3.9
Respondent's Location		
a) Rural area	5	9.8
b) In town	46	90.2
Total	51	100

The study was done using 51 respondents, of which 45 (88.2%) were female and 6 (11.8%) were male. The age group of 35 to 55 years old (45.1%) are the majority of respondents, followed by those aged by 25 to 35 years old (5.9%) and 55 to 60 years old (3.9%).

The majority of respondents (90.2%) live in town and a small number of them (9.8%) live in rural area.

Descriptive Analysis

In order to analyse data and compare conclusions and variables, descriptive statistics are vital. Furthermore, doing so will lessen the likelihood that the researcher would offer unclear findings (Kaur et al., 2018). Thus, the results of this study are analysed using descriptive methods to determine the understanding the concept of *Murabahah* and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir. The findings of the mean form, standard deviation, and percentage are used in this method to analyse the data.

Table 4: Measuring the Level Using the Mean Score

Mean Score	Interpretation
1.00-2.33	Low
2.34-3.67	Moderate
3.68-5.00	High

The concept of *Murabahah* and its application

Table 5: Analysis Mean and Standard Deviation of The Concept of *Murabahah* and Its Application

No	Items	Mean Score	Standard Deviation (SD)	Interpretation
1	The <i>Murabahah</i> system is acceptable in Islam	4.31	0.76	High
2	<i>Murabahah</i> is a type of trustworthy contract since the buyer is required to know the cost price, the amount of profit, and any other costs associated with the good.	4.37	0.75	High
3	<i>Murabahah</i> is the practice of selling and buying at the basic price while making additional gains.	4.14	0.85	High
4	The purpose of <i>Murabahah</i> financing is to get specified items through bank financing while generating income in the form of a margin.	4.06	0.68	High
5	Customers can purchase products using <i>Murabahah</i> financing based on their preferences and financial capabilities.	4.22	0.67	High
6	<i>Murabahah</i> financing carried out in instalments, so that it does not become a burden for the customer.	4.27	0.57	High

7	The actual capital cost must be disclosed to the buyer at the time of the <i>Murabahah</i> contract.	4.37	0.63	High
8	The buyer has the right to cancel the agreement of <i>Murabahah</i> contract if there is uncertainty over the precise pricing.	4.29	0.73	High
9	The products purchased through <i>Murabahah</i> with deferred delivery must not be from items or objects connected to <i>riba</i> , such as gold, silver, and money.	4.14	0.63	High
10	In contrast to conventional <i>Murabahah</i> practise, current Islamic financial practise uses <i>Murabahah</i> as a manner of asset financing with a predetermined and known mark-up and as a <i>Shariah</i> -compliant substitute for interest-based financing mechanisms.	4.25	0.56	High

The understanding about the concept of *Murabahah* and its application among the staff of Sekolah Kebangsaan Kampong Tengah, Manir

Table 6: Analysis Mean and Standard Deviation of The Understanding about The Concept of *Murabahah* and Its Application Among The Staff of Sekolah Kebangsaan Kampong Tengah, Manir

No	Items	Mean Score	Standard Deviation (SD)	Interpretation
1	I know that <i>Murabahah</i> is permissible in Islam.	4.35	0.63	High
2	I know that <i>Murabahah</i> contract is Shari'ah compliance.	4.33	0.59	High
3	I understand about the concept of <i>Murabahah</i> .	3.86	0.80	High
4	I know that <i>Murabahah</i> is the selling of products at cost plus an agreed-upon profit mark-up from both parties.	4.18	0.68	High
5	I am aware that the buyer must be informed of the true capital cost at the time the <i>Murabahah</i> contract is signed.	4.12	0.74	High
6	I am aware that the goal of <i>Murabahah</i> financing is to purchase products through bank financing while making money in the form of profit.	4.04	0.72	High
7	I understand how <i>Murabahah</i> contract is being operated.	3.84	0.58	High
8	I know the differences between <i>Murabahah</i> and any conventional loan.	3.84	0.73	High
9	I know that people can use <i>Murabahah</i> contracts to buy their assets such as houses or cars.	4.10	0.70	High
10	I am aware that customers can use <i>Murabahah</i> financing to buy things in accordance with their preferences and financial capacity.	4.06	0.70	High

The strategies to expand the use of *Murabahah* contract

Table 7: Analysis Mean and Standard Deviation of The Strategies To Expand The Use of *Murabahah* Contract

No	Items	Mean Score	Standard Deviation (SD)	Interpretation
1	I agree that the authority need to take some initiative in order to expand the use of <i>Murabahah</i> contract.	4.20	0.60	High
2	The borrower must be made aware of this <i>Murabahah</i> by the bank.	4.41	0.54	High
3	I agree that the authority especially the Islamic bank need to held some programmes to make people aware about <i>Murabahah</i> contract.	4.47	0.54	High
4	By holding exhibit about <i>Murabahah</i> is one of the ways to make people know about <i>Murabahah</i> contract.	4.43	0.54	High
5	By telling the benefit of involve in <i>Murabahah</i> contract is one of the ways to expand the use of <i>Murabahah</i> contract.	4.39	0.49	High
6	The government can include more courses on Islamic banking, particularly <i>Murabahah</i> , to the learning curricula in schools and universities.	4.25	0.59	High
7	By giving priority for <i>Murabahah</i> contract while highlighting the other types of contracts that the bank offers is one of the strategies to promote <i>Murabahah</i> .	4.18	0.59	High

Conclusion

According to the analysis carried out for this study, the staff of Sekolah Kebangsaan Kampong Tengah, Manir understand the concept of *Murabahah* and its application. The researcher used quantitative methods to obtain the results of the study. Description of quantitative techniques used by researchers based on mean and standard deviation. The mean values for each variable were all at a high level. The conclusion of this study has answered the questions and objectives of the study entitled "Understanding of the Concept of *Murabahah* and Its Application Among the Staff of Sekolah Kampong Tengah, Manir, Terengganu." The research findings clearly show that the staff of Sekolah Kampong Tengah Manir, understand the concept of *Murabahah* and know how to apply it in everyday life.

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