

RANKING THE COMPLIANCE OF ISLAMIC BANKING HOME FINANCING PRODUCTS WITH MAQASID SHARIAH USING AHP

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ABSTRACT

Compliance of Islamic banking products with *Maqasid Shariah* has been a never-ending debate. However, most discussions are merely explorative, descriptive and perceptive in nature. This article aims to evaluate two types of home financing products in Malaysia based on the *Maqasid Shariah* of the product development process in Islamic banks. To provide a more coherent and concrete decision, the Analytic Hierarchy Process (AHP) has been used. Bay' Bithaman Ajil (sale with deferred payment) and Tawarruq (monetization) have been chosen to represent sale-based financing and Musharakah Mutanaqishah (diminishing partnership) represents

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partnership-based financing. The overall results demonstrated that partnership-based financing complied with the social requirements of MSPDF (*Maqasid Shariah*-based product development framework) at 87.5%, while sale-based financing was rated at 12.5%. The findings will assist Shariah advisors, Islamic finance product developers, economic analysts, financial engineers and policymakers to incorporate the relevant Shariah objectives in Islamic financial product development.

Keywords: Islamic finance; product development; *Maqasid Shariah*; sale-based product; partnership-based product

1. Introduction

The Shariah-compliant banking industry in Malaysia has made remarkable progress over the last three decades. The industry has been able to cater to the wider financial needs of its customers, particularly Muslims, by providing various interest-free products. One of these products is home financing, which is offered by Islamic banks through the concepts of Bay Bithaman Ajil (BBA-sale with deferred payment), Tawarruq (monetization) and Musharakah Mutanaqishah (MM or diminishing partnership) (Shahwan, 2017). Currently, these products constitute 9%, 46% and 9% of total financing in 2022 in Malaysia, respectively. Other contracts like ijarah (lease-based), istisna' (manufacturing) and others make up 36% of the total amount of financing based on Islamic concepts (BNM, 2022).

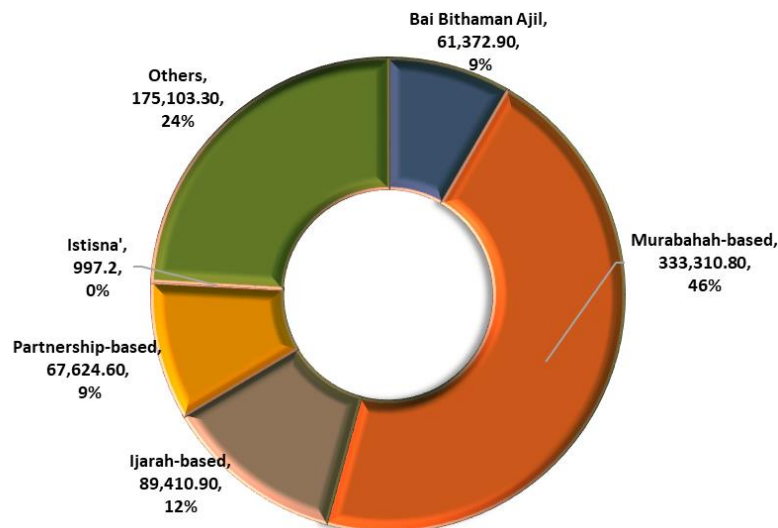


Figure 1 Bank Negara Malaysia statistical report on concepts used in financing facilities

Source: Bank Negara Malaysia Statistical Report, 2022

Over the years, Islamic banking has been criticized for its overreliance on sale-based financing products for home financing, particularly Bay Bithaman Ajil (BBA) and tawarruq (T). Critics argue that BBA is structured based on debt, replicating conventional loan products that overburden customers in terms of price (Agha, 2016; Alziyadat & Ahmed, 2019). In contrast, MM, which is a partnership-based product, has been proposed as just, equitable and closer to the objectives of Shariah (Asadov et al., 2018). Nevertheless, after MM was introduced into the market, it has also been criticized for failing to meet Maqasid Shariah (objectives of Islamic law) (Shahwan,

2017; Shahwan, Mohammad, Rahman, 2013). This raises the question of whether these products do actually fail to achieve Maqasid Shariah. If they do, then at what stage in the process of development does this failure occur? Most of the previous relevant studies are only explorative and descriptive.

The present study contributes to the literature of Islamic finance by empirically examining the compliance of the home financing products with the objectives of Shariah. The objective of this study is to evaluate the extent to which sale-based home financing (represented by BBA & T) and partnership-based home financing products (represented by Musharakah Mutanaqisah) in Malaysia conform to Shariah objectives by using the Maqasid Shariah-based product development framework (MSPDF) proposed by Shahwan (2017).

2. Literature review

An examination of Shariah rulings discloses that Islamic law is based on two philosophical foundations: ensuring human wellbeing (falah) by safeguarding public interest (maşlahah) and preventing harm (mafşadah) in social, political, economic and religious aspects of human life (Agha, 2016; Mohammad and Shahwan, 2013). This philosophy is known in Islamic discourse as Maqasid Shariah (Hurayra, 2015). In Islamic finance literature, Maqasid Shariah refers to the overall objectives that the Shariah aims to achieve from its principles and guidelines, particularly those prescribed for financial affairs. These objectives provide a direction for arranging financing activities in an Islamic economic system (Soualhi, 2015).

2.1 Maqasid Shariah-based product development framework (MSPDF) for Islamic financial institutions

Shahwan (2017) proposed the Maqasid Shariah-based product development framework (MSPDF) for Islamic financial institutions. The MSPDF is based on the theory of Maqasid Shariah adopted by Al-Ghazali (1997) and 'Atiyyah (2010), and the current study will use it to examine both sale-based products (BBA & T) and the MM partnership-based product due to its comprehensiveness and relevance to modern financial transactions.

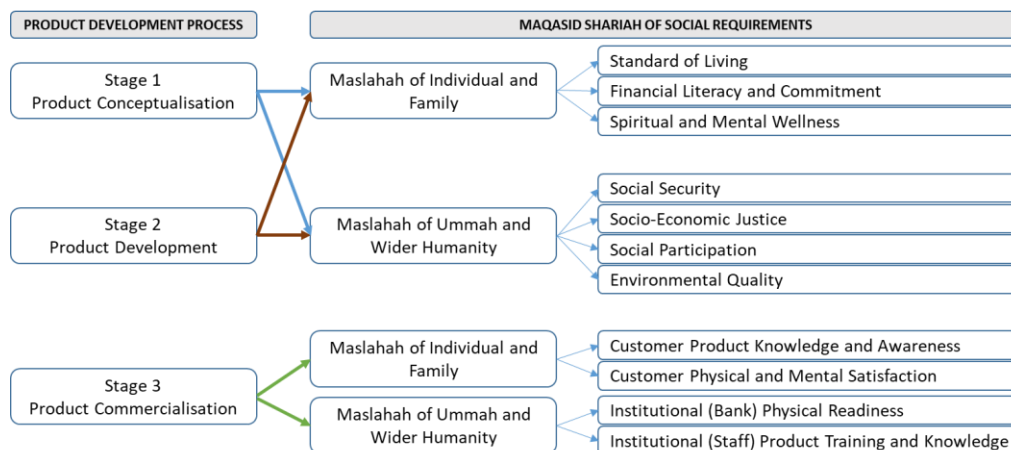


Figure 2 Social requirements of Maqasid Shariah-based product development framework (MSPDF) based on Shahwan (2017)

'Atiyyah (2010) divided human essential needs (daruriyyat) into various angles instead of the five categories proposed by classical jurists (Auda, 2015). He divided Maqasid Shariah into 24 objectives under four headings:

- i. Individuals: (a) preservation of human life, (b) consideration of mind, (c) preservation of personal piety, (d) preservation of honor, and (e) preservation of material wealth.
- ii. Family: (a) ordering the relationship between the sexes, (b) preservation of progeny, (c) achieving harmony, affection and compassion, (d) preservation of lineage, (e) preservation of personal piety within the family, (f) ordering the institutional aspect of the family, and (g) ordering the financial aspect of the family.
- iii. Ummah: (a) institutional organization of the ummah (Muslim nation), (b) maintenance of security, (c) establishment of justice, (d) preservation of religion and morals, (e) cooperation, solidarity and shared responsibility, (f) dissemination of knowledge and preservation of reason in the ummah, and (g) developing the earth and preserving the ummah's wealth.
- iv. Humanity: (a) mutual understanding, cooperation and integration, (b) realizing humanity's viceregency on earth, (c) achieving peace with justice, (d) protection of human rights, and (e) dissemination of the Islamic message.

The new proposed division is an attempt to promote the idea that Maqasid Shariah should not be limited to only five objectives but should be extended based on circumstances and situations (Mustafa, 2007). Adapting the theory of Al-Ghazali (1997) and 'Atiyyah (2010) by including social requirements in the development of Islamic banking products, Shahwan (2017) divided the framework into two main sections as follows: product development process and incorporated social requirement of Maqasid elements. The product development process adopts the three stages of Ahmed's (2011a) product development model including conceptualization, product development, and commercialization.

2.1.1 Social requirements in the objective of Shariah in Islamic banks

The social aspect of MSPDF is the requirement that is able to be modified and amended since it does not yet have a specific regulation endorsed by regulators. The behavioral science method of Sekaran and Bougie (2016) is used to operationalize 'Atiyyah's theory of Maqasid Shariah into several dimensions and elements observed in the framework. Apart from 'Atiyyah's theory, some elements were added to the model from the Service Quality Model (SERVQUAL) (Haywood-Farmer, 1988), Human Development Index (HDI) (Chakravarty, 2003), Malaysian Quality of Life Report (Government of Malaysia, 2011), Performance Measurement and Management Systems (Taticchi et al., 2012), and BNM product guidelines (BNM, 2014). The elements of Maqasid Shariah under the social requirements will be observed in all three stages of product conceptualization, development and commercialization.

Accordingly, this paper aims to evaluate the two selected types of Islamic banking home financing based on their observance of Maqasid Shariah. Hence, Shahwan's (2017) framework is selected for two reasons:

- i. it covers the social aspects of Islamic finance; and
- ii. it combines finance-relevant and operational Maqasid Shariah elements from various models proposed by contemporary and classical scholars in the discipline.

2.1.2 Product development stages of Islamic banks

There is limited literature on product development (PD) in Islamic banking. Most of the research focuses on Shariah processes and discusses selected product development activities of Islamic banks (Hassan & Lewis, 2007; Lahasna & Hassan, 2011; Muda & Abdullaah, 2007). Also, the literature conceptually mentions several stages of the Shariah approval process rather than discussing the overall process of product development in Islamic banks. Ahmed (2011a, 2011b) addressed the limitations in the literature by developing a product development (PD) model adapted from Cooper and Brentani (1991) as shown in Figure 3.

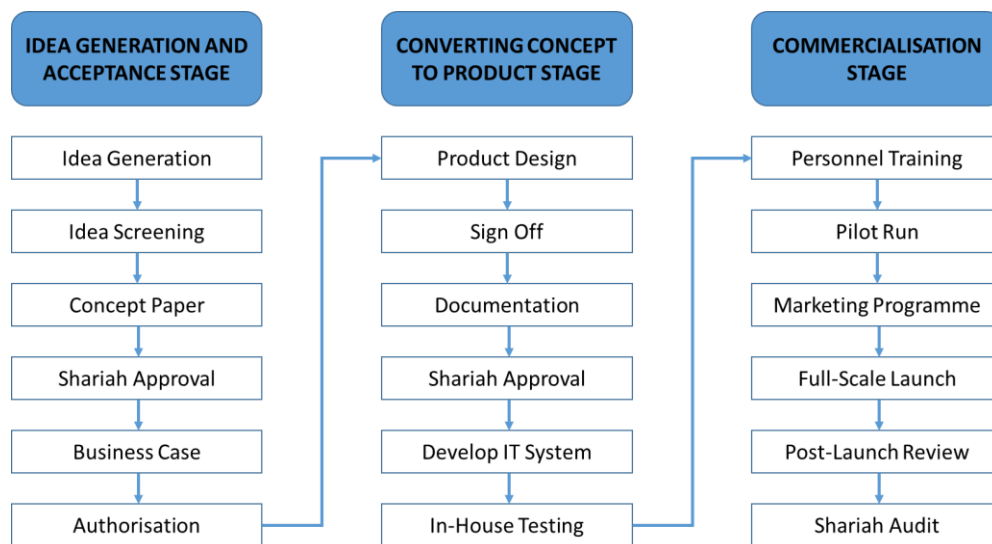


Figure 3 Product development model based on Habib Ahmed (2011)

Rusni (2012) also provided general guidelines for Shariah compliant practices related to the product development process in the Shariah Governance Framework (2010) shown in Figure 4.

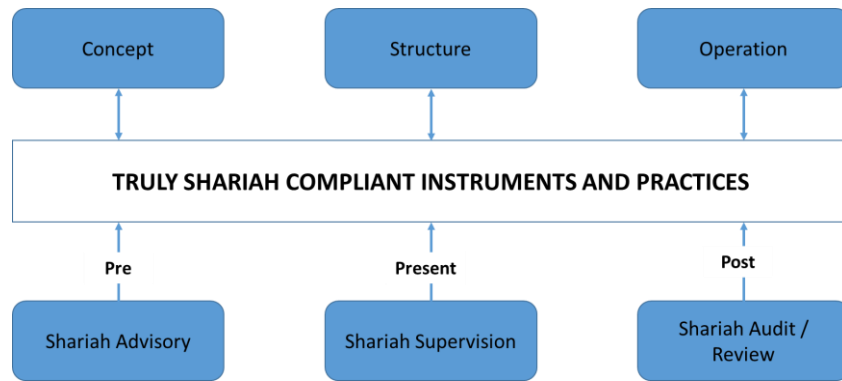


Figure 4 Product development process of Shariah governance framework, Bank Negara Malaysia, 2010 based on Rusni (2012)

2.2 Sale-based home financing: BBA and tawarruq

BBA refers to Bay' Bithaman Ajil. The Shariah Advisory Council (SAC) of Bank Negara Malaysia (BNM) (2010) defined BBA home financing as “an Islamic house financing facility which is based on the Shariah concept of ‘Bay’ Bithaman Ajil’ (BBA)” (p. 162). It is a sale with deferred payment. The term was first used by the Bank Islam Malaysia Berhad (BIMB) in 1983 with the inception of Islamic banking (Mohd Yassin, 1997). Tawarruq refers to “an arrangement that involves the purchase of an asset based on musawamah (supplier does not disclose its cost or markup) or murabahah (supplier sells at a markup and discloses it), and the subsequent sale of the same asset to a third party in order to raise cash” (ISRA, 2016, p. 337).

The literature reveals that BBA and tawarruq-based BBA home financing products are criticized due to the involvement of (1) bay' 'inah (sale and buy back contract), (2) gharar (uncertainty) in the case of incomplete property, (3) non-possession in the event of project abandonment, and (4) overpricing. These issues have caused the customers of Islamic banks to be dissatisfied with these products (Meera & Razak, 2005; Nor, 2008; Osmani and Abdullah, 2010; Saiful Azhar, 2010; Asni and Sulong, 2018). To avoid these issues in Islamic home-financing, musharakah mutanaqishah (diminishing partnership)-based home financing was suggested by scholars and economists (Shahwan, 2017; Ali & Hassan, 2020).

2.3 Partnership-based home financing: *Musharakah Mutanaqishah*

Musharakah in Arabic refers to joint membership in one particular activity or asset, and mutanaqishah means diminishing. Technically, AAOIFI (2017) in its Shariah Standard No. 12 defines the MM contract as “a form of partnership in which one of the partners promises to buy the equity share of the other partner gradually until the title to the equity is completely transferred to him.” The product is deemed one of the innovative products in the Islamic finance industry (Asadov et al., 2018).

Earlier literature argued that MM is more compliant with the Maqasid compared to BBA since it resembles equity-based financing while the latter represents debt-based financing (Asadov et al., 2018). However, after the application of MM in the market, despite its theoretical and conceptual superiority, it raised some concerns (Haneef & Furqani, 2011; Kashi & Mohamad, 2017). Some of the concerns are: (1) sensitivity to Shariah non-compliance risk, (2) pricing, (3) complicated operation, and (4) less

adherence in practice to Maqasid Shariah (Meera & Razak, 2005; Osmani & Abdullah, 2010; Mansoori, 2011; Nor et al., 2019).

The above analysis reveals that MM-based home financing as an alternative to BBA & T has also become a focus of debate. However, there is no empirical research to validate the alignment of MM with the Maqasid Shariah. Therefore, the present study aims to investigate whether MM-based Islamic home-financing products actually fulfill Maqasid Shariah at the various stages of the product development process.

3. Research methodology

3.1 Decision analysis based on multiple criteria

The goal of this paper is to evaluate the two types of home financing products by providing rankings of their compliance to the social requirements of Maqasid Shariah in the three stages of product development. The authors have benefited from Thomas L. Saaty's decision-making tool, popularly known as the Analytic Hierarchy Process (AHP), which is a multi-attribute decision making instrument for various fields including intangible criteria (Huu Phuong & Kar Yin, 2000). The steps of the AHP used in this study are shown in Figure 5.

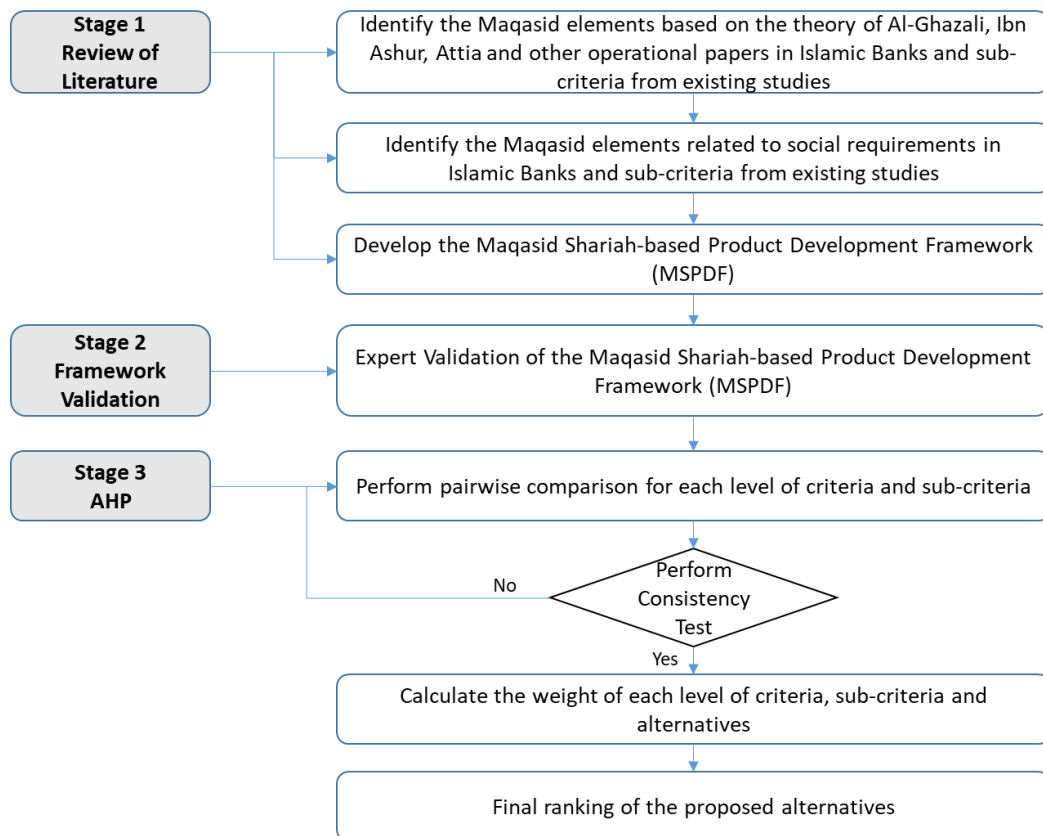


Figure 5 AHP model used in this study adapted from Naseer et. al. (2022)

3.2 Analytic Hierarchy Process (AHP)

To evaluate the extent to which the two products conform to the Maqasid Shariah-based Product Development Framework (MSPDF), the AHP has been adopted. The AHP is a decision-making tool for selecting a right choice in a decision making

problem (Saaty, 1990). The AHP is considered the best tool for dealing with complex decision-making processes. Previous research using the AHP in various banking and finance-related studies include Sharma et al. (2022), Abduh & Omar (2012), Ecer (2014), Yana (2022), Kristina & Atmojo W.T. (2022), and Qian (2022). The current study similarly adopted the AHP according to Saaty's (2008) guidelines as shown in Table 1.

Table 1
Saaty (2008) guidelines incorporated in the current study

Steps	Saaty (2008)	Current Study
Step 1	Define the problem and determine the kind of knowledge sought.	The problem is to investigate which of the two types of Islamic home financing (sale-based or partnership-based) achieve the highest level of <i>maṣlaḥah</i> (welfare) based on Maqasid Shariah (the developed framework of MSPDF) and at what stage of their product development.
Step 2	Structure the decision hierarchy from the top with the goal of the decision, then the objectives from a broad perspective, through the intermediate levels (criteria on which subsequent elements depend) to the lowest level (which is usually a set of alternatives).	The goal is to rank the two types of Islamic home-financing at their stages of product development based on Maqasid Shariah. The criteria are the stages of product development in Islamic banks; and the sub-criteria are the elements of Maqasid Shariah in MSPDF. The hierarchy is structured based on the newly developed framework explained in the literature. The alternatives are the two types of home-financing products; sale-based (BBA & T or partnership-based (Musharakah Mutanaqisah).
Step 3	Construct a set of pair-wise comparison matrices (PCM). Each element in the upper level is used to compare the elements in the level immediately below with respect to it.	The PCM for all three criteria (product development stages), sub-criteria (Maqasid elements) and two alternatives is constructed. Face-to-face structured interviews with selected experts from the Islamic banking industry were conducted.
Step 4	Use the priorities obtained from the comparison to weigh the priorities in the level immediately below. Then, for each element in the level below add its weighed value and obtain its overall or global priority. Continue this process of weighing and adding until the final priorities of the alternatives in the bottom-most level are obtained.	Synthesis of the weights was obtained using the Expert Choice II software. Similarly, the overall priorities of the alternatives were obtained based on their individual importance ranking with respect to the criteria (product development stages) and sub-criteria (Maqasid elements) compared to the two alternatives (Islamic banking products).

The framework developed and presented in Figure 2 has been utilized in the hierarchy structure to complete step 2 of the AHP process. The commonly used four hierarchical levels; goal, criteria, sub-criteria and alternatives are shown in Figure 6.

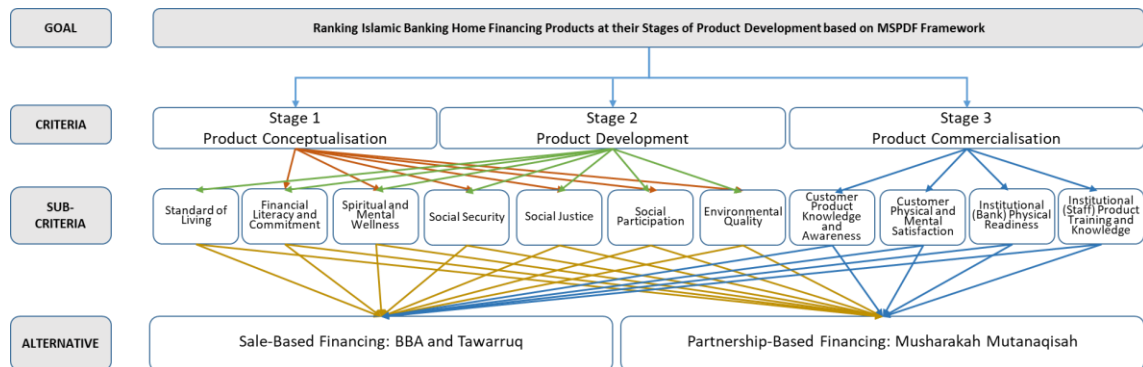


Figure 6 Hierarchy structure based on MSPDF for AHP

3.3 Semi-structured interviews

Data were collected through structured interviews that were conducted over three months. Five experts (PE1-PE5) were selected for interviews based on their expertise in product development and their Shariah knowledge. All of the experts are officers in Islamic banks and have substantial experience in the product development process of these banks in Malaysia. Their profiles lend credibility to the researchers' choice.

Table 2
Experts' profile

No.	Profiles	PE1	PE2	PE3	PE4	PE5
1	Educational background	Bachelor's Degree	Bachelor's Degree	Bachelor's Degree Professional Certificate	Bachelor's Degree	Master's Degree (PhD candidate)
2	Work experience in Islamic banks	5 years	5 years	12 years	5 years	8 years
3	Work experience in the current Islamic bank	5 years	5 years	3 years	5 years	3 years
4	Current designated bank	Locally-owned Islamic bank	Locally-owned Islamic bank	Foreign-owned Islamic bank	Locally-owned Islamic bank	Development Islamic financial institution
5	Current designated department	Personal Financing	Contract Centre	Product Manager	Shariah Review	Product Development
6	Current designated position	Deputy Manager	Team Leader	Senior Manager	Acting Head of Department	Not revealed
7	Experience in product development	Yes	Yes	Yes	Yes	Yes

The interview questionnaire was designed in three sections. Section A required the interviewees to provide their profile as reported in Table 1. Section B provides guidelines for answering the questionnaire and a sample on how to structure the hierarchy for the two alternatives. This section was a response to previous pilot testing conducted by the researcher in which most of the participants did not know how to provide ratings based on the AHP technique. A glossary explaining the sub-criteria was also provided to the interviewees since the MSPDF was new to them. The glossary provided a contextual link between the alternatives and the criteria in the framework. Section C in the questionnaire was based on the framework. A summary of the guidelines was also given to ensure that the experts fully understood the ranking procedure. A sample of Section C is shown in Figure 6.

Section C: QUESTIONNAIRE

GUIDELINES TO EXPERTS:

1. You are given **THE SCALE OF RELATIVE IMPORTANCE** to rate the level of importance between two elements in the matrix (next to the matrix).
2. The matrixes are arranged in 3 stages of product development in Islamic Bank; product conceptualization, product development and product commercialization.
3. Your rating reflects your opinions based on your experience dealing with product development activities in Islamic bank.
4. To guide the rating process, your rating should answer this question:
Eg. Question: "How important of "Standard of Living" with respect to "Financial Literacy and Commitment"?"
*Eg. Your answer: "Standard of Living" is **extreme importance** than "Financial Literacy and Commitment".*
Eg. In the matrix: Write number "9" in the respective column..

	Standard of Living	Financial Literacy and Commitment	Spiritual and Mental Wellness	Social Security	Social Justice	Social Participation	Environmental Quality
Standard of Living		9					

Product Conceptualisation Stage of BBA and Tawarruq								THE SCALE OF RELATIVE IMPORTANCE	
	Standard of Living	Financial Literacy and Commitment	Spiritual and Mental Wellness	Social Security	Social Justice	Social Participation	Environmental Quality	Verbal Judgment of Importance	Numerical Rating
Standard of Living								Equal importance	1
Financial Literacy & Commitment								Equal to moderate importance	2
Spiritual and Mental Wellness								Moderate importance	3
Social Security								Moderate to strong importance	4
Social Justice								Strong importance	5
Social Participation								Strong to very strong importance	6
Environmental Quality								Very strong importance	7
								Very strong to extreme importance	8
								Extreme importance	9

Figure 6 Sample questionnaire given to the experts

The interview sessions were conducted in the offices of the interviewees and some were conducted via online teleconference. Each interview lasted an average of sixty minutes. The interviewees were given introductory notes on the objectives of the study and the purpose of conducting the session. They were repeatedly reminded that their views as experts in the field of study were extremely important. The technique to rate the two alternatives based on MSPDF was also explained.

4. Findings

The current study involved multiple experts which required aggregation of the responses. According to Johnson (1980) and Zahedi (1986), the last step after collecting pairwise comparisons data and assigning weights for the elements using the "eigenvalue" method is to aggregate the relative weights of decision elements from the multiple respondents to obtain a set of rankings for the decision alternatives (or

outcomes). Forman and Peniwati (1998) stated that there are two approaches frequently used in the AHP to aggregate group decision making; aggregation of individual judgements (AIJ); and aggregation of the individual priorities (AIP). AIJ normally uses the geometric mean and AIP uses the arithmetic mean. In the present study, the geometric mean of AIJ was chosen to aggregate the group judgements.

Expert Choice 11 software was utilized to compute the priorities of the BBA & T and MM from the PCMs based on the MSPDF elements at the three stages in their product development. Before computation of the priorities, a check of the consistency in the allocation of judgement was conducted. According to Saaty (1987), the computation of a consistency index (CI) and its consistency ratio (CR) are as follows:

$$CI = \frac{\lambda \max - n}{n - 1} \qquad CR = \frac{CI}{RI}$$

where RI (Random index) is the average of the CI values associated with several randomly generated PCM (of size n) (Saaty & Vargas, 1982). If the CR is less than 0.1, the matrix may be considered to have acceptable consistency; otherwise the judgments have to be revised.

The consistency ratio (CR) for all the pair-wise comparison matrices (PCMs) computed for the current study is 0.0458 or 4.58%. According to Saaty (cited by Marcarelli, G. and Mancini, P (2022) and Islam R. (2009)), if the CR value is less than 0.10, then the PCM may be considered to have acceptable consistency; however, if $CR > .10$, then the amount of consistency is not acceptable and revised judgements are required. Since the current study corresponds to the former value, it shows that the respondents have been consistent in their judgements and the data were considered reliable (Saaty & Vargas, 2001).

The ranking of BBA & T and MM was calculated for three aspects: (1) ranking of the two types of products with reference to MSPDF elements in three stages of product development; (2) ranking of sale-based home financing and partnership-based home financing with reference to MSPDF elements, and (3) ranking the three stages of product development with reference to MSPDF elements in sale-based home financing and partnership-based home financing.

4.1 Ranking of the two types of products with reference to MSPDF elements in three stages of product development

The output from Expert Choice 11 software of the global weights of the two Islamic home financing products of BBA & T and MM with regards to their relation to MSPDF is shown in Table 3.

Table 3
Ranking sale-based home financing (BBA & T) and partnership-based home financing (Musharakah Mutanaqisah) of MSPDF in three stages of product development

No.	Types of Product	Ranking
1	Sale-based home financing (BBA & T)	2 [0.125]
2	Partnership-based Home Financing (Musharakah Mutanaqisah)	1 [0.875]

* The number in [] shows the weight for each type of product with respect to MSPDF elements

As shown in Table 3, the experts have ranked partnership-based home financing (Musharakah Mutanaqisah) higher than sale-based home financing (BBA & T) in terms of achieving the 18 elements of Maqasid Shariah in MSPDF in the three stages of their product development. This means, in the two stages (product commercialization and development), partnership-based home financing is able to preserve the standard of living, support financial literacy and commitment, promote spiritual and mental wellness, support social security, socio-economic justice, social solidarity and participation, and promote environmental quality compared to its alternative sale-based home financing (BBA & T). In the stage of product commercialization, partnership-based home financing (Musharakah Mutanaqisah) is ranked higher than sale-based home financing (BBA & T) in matters pertaining to promotion of customer product knowledge and awareness, customer physical and mental satisfaction, institutional (bank) physical readiness and institutional (staff) product training and knowledge. These results support similar findings by previous studies (Mydin Meera Ahamed Kameel & Dzuljastri, 2009; Mydin Meera Ahamed Kameel & Dzuljastri, 2005; Dzuljastri & Abduh, 2012; Dzuljastri Abdul & Fauziah Md, 2011; Dzuljastri Abdul et al., 2008; Fauziah et al., 2008; Md_Dahlan, 2010; Noreeta, 2008; Dahlan Nuarrual Hilal & Sharifah Zubaidah, 2011; Rosly Saiful Azhar, 2010, 2011; Smolo & Hassan, 2011). This implies that the industry should prioritize offering partnership-based home financing compared to sale-based home financing. Furthermore, the potential of partnership-based home financing to foster Maqasid Shariah as per MSPDF in the overall product development process in Islamic banks will promote the execution of the Maqasid theory on a larger scale along with the agenda of the Sustainable Development Goal (SDG).

4.2 Ranking of sale-based home financing and partnership-based home financing with reference to MSPDF elements

Table 4 shows the ranking of sale-based home financing (BBA & T) and partnership-based home financing (Musharakah Mutanaqisah) with reference to MSPDF elements in Malaysia. At the stages of product conceptualization and product development, the first priority is to ensure that the products preserve Shariah compliance which had been redefined in the framework by the term “spiritual and mental wellness” of Muslims (which are symbolized by the letter ^a). The second priority is to maintain “socio- economic justice” which is symbolized by the letter ^b.

“Spiritual and mental wellness” is explained as the customer being able to adhere to the religious obligation especially in the muamalat with the new product offering in the market. It also means that by offering the new product, the customer can improve their confidence towards muamalat activity in Islam. Additionally, the new product promotes better livelihood and satisfaction. The new product also promotes better counseling and advice in the event of default. These are the aspects elaborated by the

experts in relation to prioritizing spiritual and mental wellness when developing a new product of Islamic bank.

“Socio-economic justice” is a situation where by offering a new product, the customer will be able to be involved in a profit and loss sharing (PLS) activity. The customer will also be able to be involved in a cooperative activity and could experience just product price. They could then experience product price stability. In addition, when introducing a new product, in the conceptualization stage, setting this as a priority will reduce bias towards customers based on religion and gender. It also promotes continuous protection towards an existing customer and his/her future generation through any means (e.g. takaful protection, etc.). Similarly in the product development stage, “socio-economic justice” is also given priority due to its proximity to philanthropic values. Activities like micro financing, waqf and sadaqah will enhance the socio-economic justice of the society.

In terms of product commercialization, the first priority of the experts was “institutional physical readiness” which is symbolized by the letter ^c, and refers to the situations where Islamic financial institutions provide sufficient facilities (IT, physical) related to the new product (existing or new facilities). The institution is also expected to provide sufficient promotion of the new product. The second priority based on the experts’ opinions was “institution staff training and development” which is symbolized by the letter ^d where the institution is expected to provide sufficient staff training, such as the technical input and the end to end product operation, prior to product launch. The contents of the training should also include conceptual input of the product to ensure sustainable product knowledge and delivery to end-users (banking customers).

Table 4
Ranking of sale-based home financing (BBA & T) and partnership-based home financing (Musharakah Mutanaqisah) with reference to MSPDF elements

<i>Maqasid Elements</i>		BBA&T	MM
Product Conceptualization	Standard of Living	4 [0.125]	3 [0.125]
	Financial Literacy and Commitment	6 [0.064]	6 [0.064]
	Spiritual and Mental Wellness ^a	1 [0.266]	1 [0.400]
	Social Security	5 [0.118]	5 [0.096]
	Socio Economic Justice ^b	2 [0.205]	2 [0.167]
	Social Participation	3 [0.165]	4 [0.097]
	Environmental Quality	7 [0.070]	7 [0.051]
Product Development	Standard of Living	7 [0.019]	5 [0.087]
	Financial Literacy and Commitment	3 [0.144]	3 [0.125]
	Spiritual and Mental Wellness ^a	1 [0.207]	1 [0.325]
	Social Security	4 [0.132]	6 [0.082]
	Socio Economic Justice ^b	2 [0.188]	2 [0.195]
	Social Participation	5 [0.125]	3 [0.125]
	Environmental Quality	6 [0.085]	7 [0.061]
Product Commercialisation	Customer Product Knowledge and Awareness	4 [0.105]	4 [0.085]
	Customer Physical and Mental Satisfaction	3 [0.123]	3 [0.089]
	Institution Physical Readiness ^c	1 [0.387]	1 [0.472]
	Institution Staff Training and Development ^d	2 [0.385]	2 [0.353]

* The number in [] shows the weight for each MSPDF elements with respect to the types of home financing

The above findings are in line with the findings of prior research (Meera & Razak, 2005; Nor, 2008; Osmani & Abdullah, 2010; Saiful Azhar, 2010; Zabri & Mohammed, 2018; Nor et al., 2019). These findings support the view that Islamic banks should prioritize the MM home financing facility (Mydin Meera & Abdul Razak, 2009; Mohammad & Shahwan, S., 2013; Zaaba & Hassan, 2019; Juliyanti & Wibowo, 2021).

4.3 Ranking the three stages of product development with reference to MSPDF elements

The software ranked the three stages of product development with respect to the selected Islamic home financing products including product conceptualization, product development and product commercialization, as shown in Table 5.

Table 5
Rankings of the PD stages

NO.	PD STAGES	Ranking
1	Product Conceptualisation	1 [0.662]
2	Product Development	2 [0.191]
3	Product Commercialisation	3 [0.146]

* The number in [] shows the weight for each stage of product development elements with respect to MSPDF

Table 5 shows that of all three product development stages, product conceptualization should be given the highest priority when making a decision to comply with Maqasid Shariah as per the MSPDF framework, followed by both product development and commercialization. The experts agreed that the product conceptualization stage was the most critical stage because it sets a foundation for any product to be a better product. One of the experts said, “In product conceptualization which is more or less similar to product development in terms of its process, idea generation which could be derived from the product development department or from the Shariah department possesses critical value in ensuring that the product from its root to its fruit (end product) follow exactly what has been prescribed in the Shariah regulations.”

4.4 Summary of findings

In summary, this study concluded that in developing a new product, during the three stages of product development used in Islamic banks, partnership-based home financing products must be given priority over sale-based home financing products. Considering the stages of product development, in the first two stages of product conceptualization and development, “spiritual and mental wellness” and “socio-economic justice” should be given priority when planning a new product. These two aspects represent the preservation of wealth objective of Shariah according to Ibn Ashur (2006) which supports that the objective in wealth preservation is to support and position the spiritual state of humans. When the product reaches the stage of commercialization, institutional and staff readiness should be taken into consideration. In summary, all the elements in MSPDF should be given attention when developing a new product with a different priority. These elements are consistent with the current strategy of the United Nation’s Sustainable Development Goals where the ultimate aim is a call for a global response to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

Figure 7 shows the overall MSPDF hierarchy model based on the goals of conducting the AHP in ranking Islamic banking home financing products in each stage of product development.

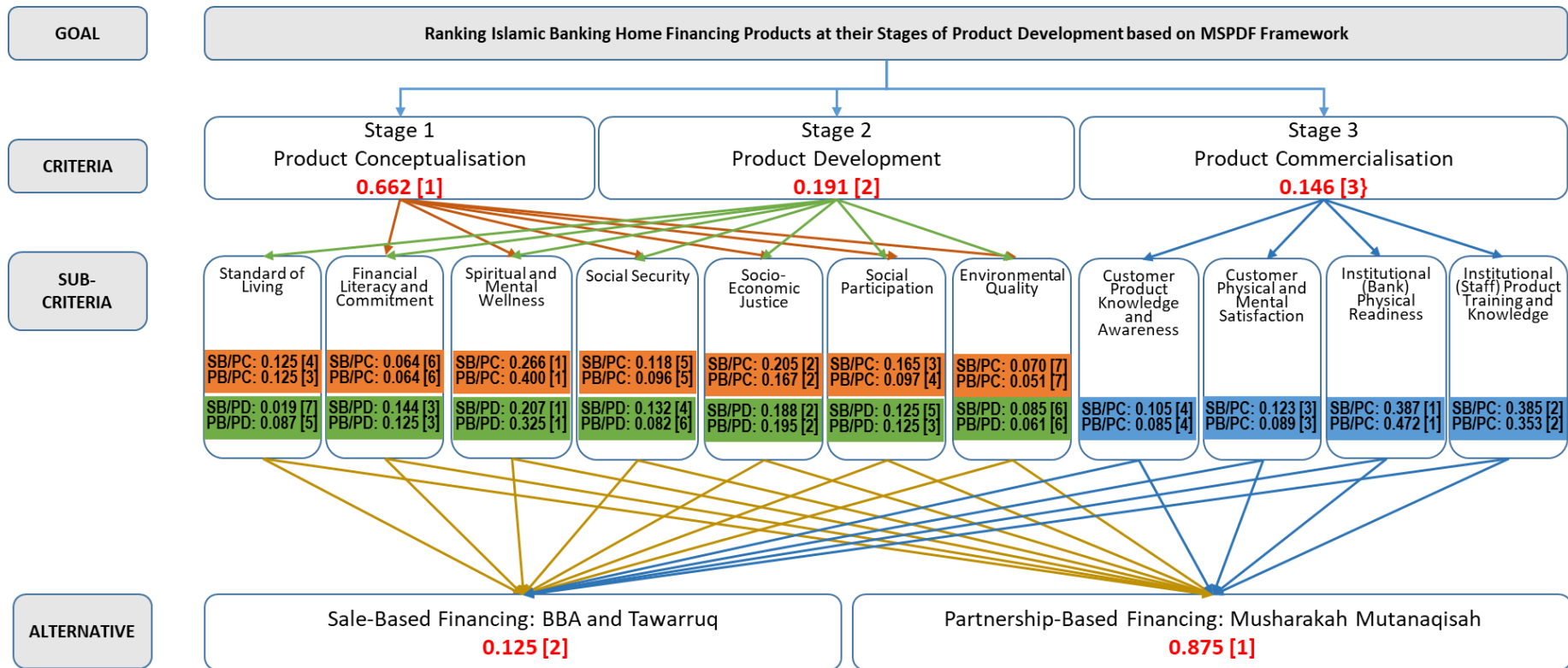


Figure 7 Maqasid Shariah-based product development framework (MSPDF) hierarchy model

5. Conclusion

The results showed that the partnership-based home financing product ranked at 87.5% in conforming to the social requirements of Maqasid while sale-based home financing had a ranking score of 12.5%. The score also indicated that both products complied with the social requirements of Maqasid Shariah with different rankings. These findings support the view of previous researchers who argued that partnership-based home financing represented by MM is theoretically superior to sale-based home financing represented by BBA & T in terms of observing Maqasid Shariah in practice. However, this study also found that by using the AHP to give the rankings, the experts did not totally reject sale-based home financing as not complying with the social requirements of Maqasid Shariah in all the stages of product development, but only to a lesser degree than partnership-based home financing. This is a strength of the AHP, its ability to give a rank rather than a total rejection of the product. The use of the AHP helped settle the long-debated issue about sale-based and partnership-based financing with regards to Maqasid compliance. Countless future studies could benefit from this framework. Future researchers may use it for other financial instruments like vehicle financing, personal financing and corporate financing. Prioritization also could be crafted from customers' experience and perception with regard to fulfilling *Maqasid* requirements.

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