



UNIVERSITI TEKNOLOGI MARA

**ISLAMIC HOME FINANCING: FACTORS
CONSIDERED BY HOME BUYERS IN
SEGAMAT, JOHOR**

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ABSTRACT

As home is a basic necessity and people fulfil the needs by means renting, building their own house or purchasing it. However, buyers normally go to the bank for a financing facility for home mortgage whether Islamic or Conventional. Thus, conventional home mortgage are interest based and forbidden in Islam. The Islamic home financing has been regarded as an important source of profit, growth and competitiveness and considered as a major economic sector in Malaysia. Accordingly, Islamic financial institutions have introduced a number of Shariah compliant modes for home ownership, which are the al Bay Bithaman Ajil (BBA) and the Musharakah Mutanaqisah Partnership (MMP) contracts. Consumer preference for Islamic home financing plays a crucial role for Islamic banks due to its ability to predict consumer demand on Islamic home financing products. Consumers' views on the existing and new Islamic home financing products are generally taken for granted by Islamic banks, despite that the consumers are the main stakeholders for the Islamic banking institutions. Therefore, the consumer's views are considered when Islamic banks intend to improve their Islamic home financing facilities. This research aim is to study the factors considered by home buyers towards Islamic home financing in Segamat, Johor such as prohibition of riba, Shariah principle, transparency in transaction and service provision. This research is based on questionnaire survey and the data were collected from 100 respondents. The data was analyzed by using SPSS version 22.0. The result of the study suggested that prohibition of riba and transparency in transaction have significantly related to the customer's preference towards Islamic home financing.

Keywords: Customer's Preference, Prohibition of riba, Shariah principle, Transparency in transaction, Service provision

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CHAPTER ONE INTRODUCTION

1.1 INTRODUCTION

In the chapter one, it will discuss about the overview of Islamic home financing, background of the study, the problem statement, research objectives, research questions, scope of study, significance, limitation of the study and also the summary of the study. This study will focussed on customer's preference towards Islamic home financing in Segamat, Johor.

The background of the study will explain about the issue of Islamic home financing, this chapter also will elaborate more about dependent variable and the independent variables. Lastly, the research question will discuss on the question related to the theoretical framework in the study. The main research question is related to the dependent variable which is basic research in this study.

1.2 BACKGROUND OF THE STUDY

1.2.1 An overview of Islamic bank financing

Islamic banking is an interest free banking which is no fixed rate of return and it is also the banking system that guides the institutions in parallel with the Islamic laws and the Shariah board. Shariah board authorizes the products whether under Shariah compliant or it prohibit in Islam. The Islamic bank offer many products and services to their customers to meet the needs. All of these products and services are important to make Islamic banking competitive with conventional banks in terms of product offering. The financing might be equity based or debt based financing. According to Rashwan (2016), Islamic banks' main objectives are the development of the economy to society