

Murabaha (Cost-Plus Financing)

STATUTORY MANDATE & CORE PROTECTION RULE

Murabaha contracts must disclose the original asset cost and markup profit

What is Murabaha?:

Murabaha is a non-interest bearing loan and sales transaction where the bank sells the good or asset to the borrower. Rather than lending cash with interest, the bank purchases the specified asset and transfers it to the client with an agreed profit margin.

How It Works: Practical Example:

For example, if a customer wants to buy a house valued at \$100,000, the bank purchases the property directly and sells it to the customer for \$120,000, payable in structured monthly installments. That would be financing through Murabaha.

Sharia Principle

The markup profit is fixed at the time of agreement. Unlike conventional loans, the bank cannot increase the debt or charge compounding interest if the customer faces payment delays.