International Journal of Engineering & Technology, 7 (4.19) (2018) 245-251

International Journal of Engineering & Technology

Website: www.sciencepubco.com/index.php/IJET

Research paper

A Review on Framework for Credit Outlook in Islamic Finance: a Personal Financial Perspective

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Abstract

With the development of Islamic finance since the 1970s, numerous Islamic financial concepts and products had been developed, providing the opportunity for Muslims to acquire goods and services using debt-based financing, whilst adhering to *Shari'a*h, notably the prohibition of *riba*. Islam also places significant importance towards fulfilling the rights of the creditor by repaying one's debt and avoiding the risks of indebtedness that would harm oneself and others. Given the delicate balance between permissibility and the wary nature on credit, this study attempts to provide a framework on credit, notably in view of the contemporary financial world of today, by bringing into context the Life Cycle Hypothesis and empirical research on saving motives. Utilizing the *Maqasid al-Shari'ah*, the resulting framework establishes three main lines of inquiry that should be considered, prior to the attainment of credit. A preliminary discussion and recommendations is also described, emphasizing the important role of both credit and non-credit alternatives, to be considered and created by Islamic Financial Institutions.

Keywords*: Credit, Debt, Maqasid Al-Shari'ah*

1. Introduction

In the contemporary world, the reliance on credit is prevalent, be it described from a demand or supply perspective. On the latter, the financial world of today has witnessed a rise in household debt, attributed to several factors including financial deregulation policies, which in recent decades had led to increased supply of credit to consumers (Houle 2014; Iacoviello 2008).

Meanwhile, with regards to the demand for credit, the wants of men will always exceed their needs.

"Narrated Abu Huraira: I heard Allah's Apostle saying: The heart of an old man remains young in two respects, i.e., his love for the world (its wealth, amusements and luxuries) and his incessant hope."

(Sahih al-Bukhari, Hadith no. 6420, Book 81)

Therefore, with the prevalent use of debt within the personal financial sphere, there is a need for contemporary Muslims to understand the nature of credit/debt in Islam, acknowledge the benefits that a loan or credit may provide, whilst at the same time, place the due amount of caution towards using credit, and falling into indebtedness.

Within that context, there is undoubtedly a need for some form of framework, for contemporary Muslims to consider in deciding to undertake a credit facility or otherwise. This paper therefore attempts to explore a framework towards ascertaining credit, within a personal financial perspective, within the purview of the financial world that Muslimscurrently live in.

Section 2 provides a literature review on the nature of wealth and credit in Islam, notably based on the *al-Qur'an* and *Hadith*.

In Section 3, credit is observed through the lens of the *Maqasid al-Shari'ah*, in view of the world we live in, while Section 4 explores the Life Cycle Hypothesis and financial needs. Section 5 proceeds to detaila framework that encapsulates important points that must be considered in deciding credit/debt uptake. Towards the end, Section 6 outlines the resulting implications that may need to be considered if such framework provides a value-laden approach to view the role of credit/debt in contemporary Islamic societies.

2. Nature of Wealth and Debt in Islam

2.1. Nature of Wealth and Credit in Islam

To understand the nature of credit/debt in Islam, it is pertinent to firstly observe the nature of wealth within an Islamic context. Wealth in Islam is seen as primarily owned by God, and entrusted onto individuals who play their role as vicegerents(Chapra 1979; Lahsasna 2013).

The *Qur'an* reads:

'He it is Who created for you all that is in the earth...'

(2:29-30)

Therefore, one of the important aspects of wealth in Islam is that in its various forms, it ultimately belongs to Allah, the Creator, the Sustainer, and the Provider of all income and wealth.

Therefore, for Muslims, therein lies a certain responsibility and a form of trial.For instance, when it comes to paying *zakat* by the rich to the poor, it is not a 'favour' done by the rich, but more correctly, it is a 'right' of the poor towards that wealth (Rahman 2003).

With regards to this 'right', the *Qur'an* reads:

‘[In their] wealth there is a known share for the beggars and the destitute.’
(70: 24-25)
In another Qur’anic verse,wealth is but viewed as a trial, vis-à-vis that of a responsibility.
‘And know that your possessions and your children are a test, and that with Allah is immense reward.’
(8:28)
In view of wealth being entrusted to Muslims as a responsibility to help those who are less than fortunate, herein liesone form of credit:*qard*. *Qard* can be described as a situation in which a “borrower acquires an absolute right of property in the things lent and comes under an engagement to return equal quantity of things of the same kind” (Aji Haqqi 1999, p. 184). Due to its interest-free nature, wherein only the principal lent will be re-paid, *qard* is considered a good loan. The *Qur’an* reads:
‘Who is he that will loanto Allah a beautiful loan? For (Allah) will increase it manifold to his credit, and he will have (besides) a liberal reward.’
(57:11)
It is important to note that in contemporary Islamic finance, debt comes about not only from the use of *qard*, but it may also arrive through financing. *Qardhasan* is the only ‘loan’ concept in Islamic finance, whilst other concepts that involves credit are often linked to the term ‘financing’, such as *murabahah* and *tawarruq*which falls under the sale-based modesin Islamic finance. However, substantively, for the purpose of this study, debt is viewed independent of whether it is derived from *qard* or financing, for both leads to the effect of acquisition of credit, andleads to debt.

2.2. Perspective of Debt in Islam: Debtor and Creditor

In addressing the perspective of debt in Islam, two viewpoints are highlighted: the debtor and creditor. As a borrower, Islam recognizes the need for loans. *Qard* itself is allowed in Islam due to the wisdom in lessening the hardship of the people in need, and to strengthen the bonds of compassion and humanity (Aji Haqqi, 1999). And in relieving the hardship of those in need of the loan, the *Qur’an* (2:245) states:
‘Who is he that will loan to Allah a beautiful loan, which Allah will double unto his credit and multiply many times? …’
In a Hadith, reported by Abu Hurairah (R), Prophet Muhammad (pbuh) said,
"Whoever relieves a believer from a difficulty in this world, Allah will relieve him from his difficulty and Allah will facilitate him in this world and world hereafter." [Muslim]
From the above, it is therefore understood that *qard* is allowed to negate the sorrows of the borrower, who would otherwise face financial difficulty. Aside from the borrower, the other viewpoint belongs to the creditor, whereby with regards to his/her loan, there are two main considerationslinked to the ownership and control of the said debt.
The first consideration is re-payment, wherein although *qard* or generally speaking, credit is intended to reduce the hardship, there is generally an expectation of re-payment. One of the ways to view this aspect of repayment is by understanding the *zakatability* of debt.According to al-Qardawi (n.d.), if the debt is likely to be repaid, the money lent is *zakatable*, and are to be included in the computation of *zakat* by the lender. This implies the importance of debt not just for the borrower, but also the lender. To the lender, there is a *zakat* obligation linked onto the debt, when the conditions of *nisab* and *haul* conditions are fulfilled.
With this obligation to pay *zakat* comes the expectation of its return that is the principal. In other words, debt must be re-paid, even when a person dies. For instance, upon a Muslim’s death, his/herdebts must be settled from wealth that is left behind, and it must be settled before distribution to the heirs or the implementation of the law of inheritance or *Faraidh*. For instance, the *Qur’an* (4:11) in describing the distribution of wealth to eligible parties, upon one’s death, reads:
‘…(The distribution in all cases is) after the payment of legacies and debts.’
Given the above expectations and responsibilities of the creditor, debt repayment (and in turn the application or attainment of credit) should not be taken lightly, based on the sayings of the Prophet (pbuh):
“The martyr is forgiven all of his sins…except for his debts.” (Sahih Muslim)
“O Allah, I seek refuge with you from all sins, and from being in debt.” Someone said, O Allah’s Apostle! (I see you) very often you seek refuge with Allah from being in debt. He replied, “If a person is in debt, he tells lies when he speaks, and breaks his promise when he promises.” (Hadith al-Bukhari)
The second consideration to the lender/creditor, aside from being repaid, is to relinquish or let go of the debt. The Qur’an (2:280) reads:
‘And if the debtor is in a hard time (has no money), then grant him time till it is easy for him to repay, but if you remit it by way of charity, that is better for you if you did but know.’
The above paragraphs highlightthe nature of debt in Islam, allowed in either the form of either a *qard* or a credit sale, whilst at the same time, placing a sense of urgency and caution for the debtor to repay promptly.

3. Wealth and Maqasid Al-Shari’ah

The *Maqasid al-Shari’ah*(Objectives of *Shari’ah*) is considered as an important concept that can strengthen the development of Islamic finance, whether it is advocated in a general Islamic financial/economic context (Chapra 2008; Dusuki and Abozaid 2007; Lahsasna 2013), or in specific areas within Islamic finance, such as the Islamic capital market (Dusuki 2011) or in developing Islamic financial products through the product development process (Ahmed 2011).
According to Imam al-Ghazali, “The very objective of the *Shari’ah* is to promote the well-being of the people, which lies in safeguarding their faith (*din*), their self (*nafs*), their intellect (*‘aql*), their posterity (*nasl*), and their wealth (*mal*). Whatever ensures the safeguard of these five serves public interest and is desirable, and whatever hurts them is against public interest and its removal is desirable.” (Chapra 2008, p. 4)
The traditional scholars including al-Shatibi classify the general objectives into three sub-categories according to the hierarchy of needs, or levels of necessity: the essentials or necessities (*daruriyyat*), the complementary (*hajiyyat*), and the desirables or luxuries (*tahsiniyyat*) (Al-Raysuni, 2005).
The above-mentioned five essential values (*din*, *nafs*, ‘*aql*, *nasl* and *mal*) are classified as essential *maqasid* or *daruriyyat*, which must safeguarded and protected. None of these essential needs can be ignored, for it will create a disorder in this world and man will not be able to fulfill his requirement as a *khalifah* in this world and achieve success in the world hereafter (Ibn Ashur, 2006). This classification shows the wide-range of dimensions and varieties of *maqasidal-Shari’ah*, which aim to provide ease and eliminate or reduce hardship to the *Ummah* (Syahida Abdullah, 2012).
Meanwhile *hajiyyat* refers to benefits that enhances and complements the well-being at a secondary level, by removing “severity and hardship in cases where such severity and hardship do not pose a threat to the very survival of the normal order.” (Kamali 1991, p. 398). The third category of *maqasid*, in terms of degree of importance, is *tahsiniyyat*, which relates to aspects of *Shari’ah* (and the resulting benefits) that refines and brings the conduct of Muslims closer to perfection (Kamali 1991).
Within the realm of Islamic finance, Lahsasna (2013) highlights that with the protection of wealth being an essential value to ensure the well-being of Muslims, Islamic finance is considered as the means towards the protection and enhancement of wealth.

The importance of wealth vis-à-vis the *maqasid*is elaborated further in Chapra (2008), in protecting and safeguarding wealth for the well-being of the individual and society. Herein, he argues that within the Islamic economic system, there is a need to use wealth to minimize the inequalities of income and wealth; this does not solely indicate the redistribution approaches of *zakat*, *awqaf* and *sadaqah*, but pinpoints to reducing elements or circumstances that contributes to a system of inequality, such as lending money through a *riba*-based arrangement. Taking *riba* as an example, if a Muslim lends his/her funds through a *riba*-laden loan, not only is the individual's wealth forsaken of any blessing as promised in the Qur'an (2:276), but it also creates detrimental effects to the society and economy (Hassan, Kayed, and Oseni 2013; Usmani 2001).

The importance of the avoidance of unjust and inequality can be effectively understood by reflecting human beings as a trustee onto the ownership of wealth, of which he/she will be accountable. This sense of responsibility occurs in the entire cycle of wealth; accountability on wealth creation, wealth accumulation/protection, spending/consumption of wealth, borrowing/lending money as well as wealth purification and distribution (Lahsasna 2013).

Taken as a whole, wealth should only be used to realize the *maqasid* or the well-being of the individual and society, given the role of a vicegerent. Chapra (2008) further emphasized the importance of faith (*din*) as a guiding compass to ensure that wealth becomes a means to an end, and not an end in itself; otherwise, there is the potential for wealth to become a corrupting element befalling upon the individual.

4. Life Cycle Hypothesis and Financial Needs

Towards establishing a framework on credit in Islamic finance, it is important to learn, observe and identify key concepts that are pertinent to explain the financial world that we live in. In recent decades, studies on savings and finance are influenced by numerous models, such as the Life Cycle Hypothesis.

4.1. Life Cycle Hypothesis

One of the leading economic models in recent time is the Life Cycle Hypothesis (LCH), which posits that individuals are "…as a rule and on the average, to be forward looking…" (Modigliani and Brumberg 1954, p. 32) and smooth their consumption or plan for a constant consumption pattern over their lifetime. In other words, individuals attempt to maintain a similar standard of living throughout their lives. Another key assertion is that savings behaviour at a point in time does not depend on current income and current wealth, but savings is dependent on expectation of lifetime resources, a term which refers to current income, expected future income and assets currently under possession (Modigliani 1986).

Taking the two assertions together, this means that to achieve the 'smooth' consumption line over one's lifetime, there will be instances in the short-run where savings will vary, depending on how far apart current income is with average lifetime resources (Modigliani 1986). In other words, when current income is higher than average life resources, consumers will save more to balance out periods where current income is lower than average life resources, leading to the "hump-shaped age path of wealth holding" (Modigliani 1986, p. 300), as depicted in Figure 1 below.

As the diagram shows, individuals will want to maintain the same standard of living throughout their lifetime, as noted by the consumption expenditures' line. However, for the line to remainconstant, there will be notable variation in income and savings throughout the lifecycle. Generally, in the early working stage, an individual is said to be have a relatively low income and is a net borrower. For instance, one may decide to purchase a house at this stage, turning one to become a net borrower and dissaver. Then, as income increases, the individual begins to settle the debt owed and build up assets for future consumption such as during retirement, giving us the humped-shaped illustration of assets held throughout the life cycle (Life Cycle Hypothesis 2002).

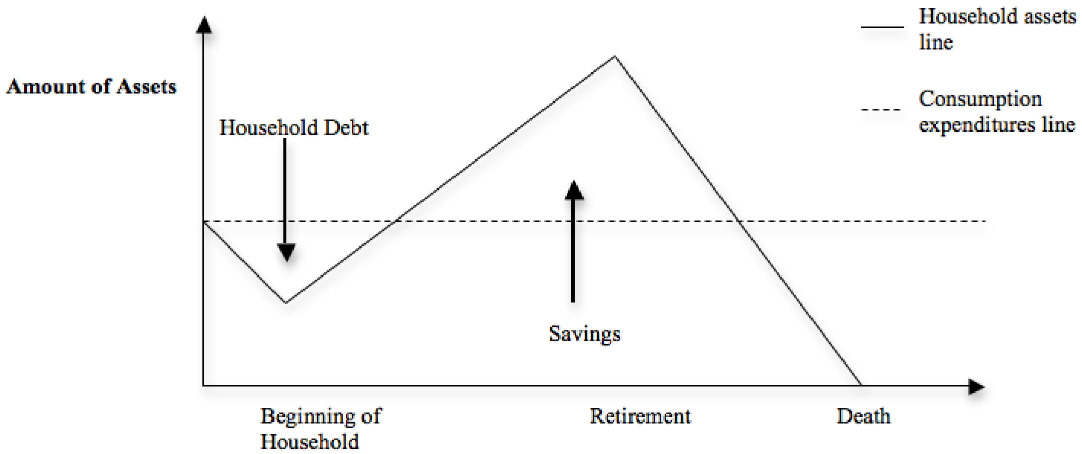

Fig. 1: Demonstration of Life Cycle Theory

Source: Altfest(2007, p. 78)

There are certain shortcomings of the LCH, such as the assumption that expenditures remain constant over time, or that saving for bequest is ignored. Despite its shortcomings, the LCH is the leading economic model that highlights how individuals behave, where savings and income are concerned. Herein lies the context of debt, wherein at the beginning of the household's lifecycle, given that the amount of assets is relatively low, households will strive to acquire assets such as a house, to maintain a particular standard of living. Given that savings are low, household debt is undertaken to mitigate the gap between the households assets line and consumption expenditure line, as shown in Figure 1.

In a personal financial context and where debt is concerned, the LCH indicates that relatively younger households will have more debt than older households, or those entering retirement. Another indication is that the use of debt is inevitable, given the consumptions expenditure line or desired standard of living; this particular point is intriguing within the contemporary Islamic financial context. Taking the LCH into an Islamic context, this means that if contemporary Muslims were to avoid debt, there are generally two scenarios: Either the household attains a high amount of assets at the onset, for instance through inheritance, or a lower standard of living (as indicated by the consumptions expenditure line) is considered.

4.2. Financial Needs

Although the LCH provides insights on financial behaviour of households pertaining to savings and debtover a life cycle, models such as the LCH ignores population heterogeneity, whereby it presumes or only includes one saving motive within the model (Xiao and Noring 1994); for instance,the main saving assumptionin LCH is that households save for retirement purposes, whileKurz(1985, p. 325) notes that in fact "…there is extensive heterogeneity of preferences across the population. This is the reason why polar hypotheses about behaviour, which are assumed to apply uniformly, tend to be rejected by the data."

In contrast, behavioural research related to savings, notably those related to saving motivesexplores a multitude of saving motives. For instance, Keynes (1936) outlined eight motives explaining why individuals save.

i. Precaution: saving for unknown events or contingencies.
ii. Foresight: saving for known events such as children education and retirement.
iii. Calculation: saving to enjoy a higher consumption in the future, due to interest and appreciation of wealth.
iv. Improvement: saving to enjoy a gradually, higher standard of living in the future.
v. Independence: saving for the intention of attaining a sense of power to perform certain actions, or to attain some form of independence.
vi. Enterprise: saving for business or speculative intentions.
vii. Pride: saving for bequest.
viii. Avarice: saving due to miserliness.

Other studies either add toor lessen the above listings. For example, Browning and Lusardi (1996) add 'the downpayment motive' in describing saving for future purchase of durable goods such cars or houses.

The significance of understanding saving motives is that these are commonly taken as proxies of financial needs; individuals save in order to fulfill certain financial needs. Though the use of saving motives as a proxy of financial needs is not new, this paper extends this contention further, by highlighting that saving motives can be translated as creditmotives. This can be understood by the notion that if a household has financial needs, and attempts to save for those needs, there may be cases where savings are insufficient to fulfill the financial needs. Therefore, the households would then rely on credit to make up the additional amount. Taken in that context, financial needs can be reflected through 'saving motives' as much as 'credit motives'.

To that end, the above listing from Keynes (1936) is primarily transformed into a debt context as shown in Table 1, with the exclusion of calculation, independence, pride and avarice.

Table 1: Possible Motives to AttainCredit

Motive	Description
Emergencies	Borrowing to fulfil emergency needs.
Foresight	Borrowing to fund known events such as children education and retirement.
Improvement	Borrowing to satisfy a higher standard of living.
Enterprise	Borrowing for business purposes.
Durable goods	Borrowing to acquire durable goods such as a house or motor vehicle, upon fulfilling their downpayment.

Identification of these 'debt motives' is useful to the extent that understanding why contemporary Muslims are likely to borrow, via *qard* or financing, would assist to formulate a framework towards guiding the decision to uptake credit or otherwise, which will be described in the following section.

5. Development of a Credit Framework

5.1. Development of a Credit Framework in Islamic Finance

Towards formulating a credit framework in contemporary Islamic finance, Figure 2 exhibits key areas to consider, classified into aspects that will never change over time (Time-constant Considerations), which pertain to the Islamic concepts such as the nature of debt in Islam outlined by the *Qur'an* and *Hadith*, as well as concepts that are more contemporary in nature (Contemporary Considerations), such as the financial needs of households which may change over time.

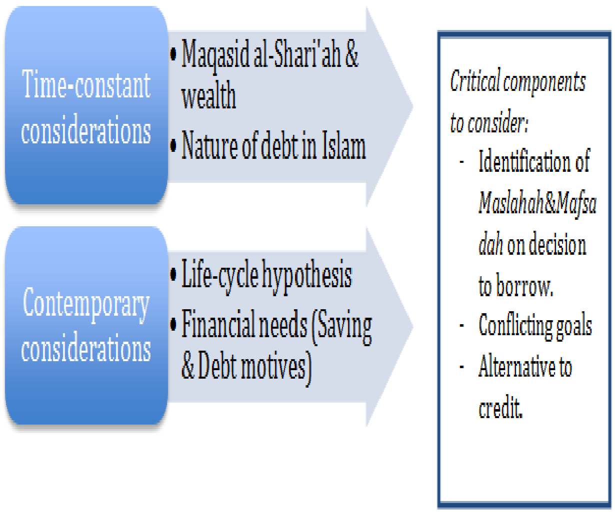

Fig. 2: Concepts pertinent to a Credit Framework

Based on the contemporary consideration of one's saving motives, credit motives and the financial life cycle of an individual as well as the importance of realizing the *maqasid*, Figure 3 depicts three lines of inquiry that contemporary Muslims need to consider towards attaining credit, for any purpose, personal goal or financial need.

The first few considerations in attaining credit relates to goals or the aims of the borrower. Within the purview of Islam, the aims and intentions of the borrower plays an important role, as reflected in the following Hadith:

Towards attaining credit, the first line of self-inquiry relates to ensuring that the personal and financial goals that leads to the attainment of credit, are compatible with the role of Muslims as vicegerents, towards protecting and enhancing the *Maqasid*. For instance, taking a *qard* to cover a child's sudden medical expenses could be deemed as essential or *daruriyyat*, while using *tawarruq* to attain funds for highly speculative stock trading could be considered as incompatible to *Shari'ah* due to the nature of *maysir*.

While the first question looks into the *maslahah* (benefit) of the credit, the second question leads to a reflection of the *mafsadah* (harm). Because of the nature of debt in Islam, which places high importance to debt repayment,the harm that it may lead to, refers to three groups of people: lender, borrower and family members.

For the lender, the harm refers to the non-payment of the credit,

Narrated Abu Huraira:

The Prophet said, "Whoever takes the money of the people with the intention of repaying it, Allah will repay it on his behalf, and whoever takes it in order to spoil it, then Allah will spoil him." [Bukhari]

on which he has the responsibility to pay *zakat* on the credit provided; therefore, the debtor or borrower here has to ensure he has provided due consideration that credit repayment will be made, to avoid infringing the right of the creditor.

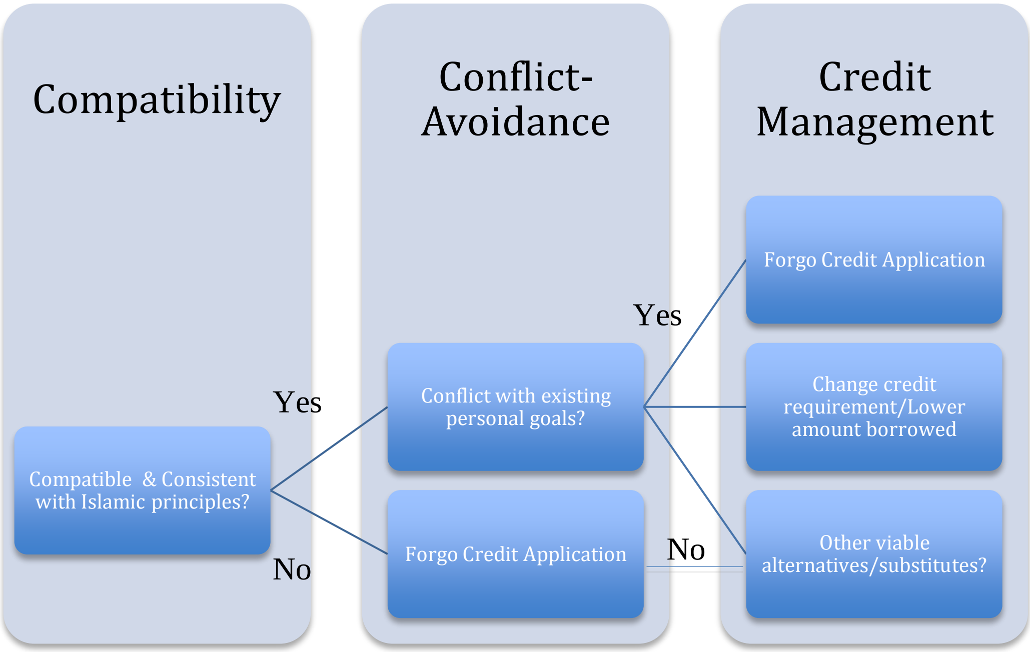

Fig. 3: Managing Credit Motives vis-à-vis Maqasid al-Shari'ah

Compatibility Considerations

1. As a vicegerent and trustee, are my personal/financial goals (that will be reflected onto my saving and credit motives) consistent and acceptable in relation to Islamic principles and the *Maqasid al-Shari'ah*? Will it enhance my *din*, *nafs*, '*aql*, *nasl* and *mal?* Alternatively, will it lead to detrimental effects of these values?

2. Are there any aspects of the credit that will infringe or harm the rights of others? Given the nature of debt in Islam, in terms of the repayment of debt, what is the likelihood of the repayment? Would my family members or other individuals be negatively affected?

Conflict Avoidance

Given my personal/financial goals, are there any goals that will be significantly affected in acquiring or repayment of the credit? Are there any conflicting goals, given my role as a vicegerent and in relations to the maqasid? Will any of my essential goals (daruriyyat) be affected in return for a less essential goal (hajiyyat ortahsiniyyat)?

Such due consideration on how to repay the credit also benefits him/herself as a borrower, due to wariness of debt in Islam that it may lead to creating lies and breaking one's oath or promise, as noted in the earlier *Hadith*, let alone its non-repayment nature vis-à-vis *death*. The third party on which is affected by debt relates to one's posterity or future generation. Chapra(2008) highlights the issue related to the debt-servicing burden of the present generation who choose to live beyond their means, and at which the burden would fall upon the future generation. Taken as a whole, the issue of compatibility goes beyond ensuring whether undertaking a credit or loan is allowed or not in Islam, but also in ensuring that the benefits exceed the harm to oneself, one's posterity and other parties.

Given that individuals are more likely to have various financial goals, which leads to the respective saving and credit motives, there is at any given point in time a likelihood of conflicting motives. This is especially valid for younger households, as indicated by the LCH, whereby relatively younger households will have more debt than older households. Combined with the prevalence and ease of credit in contemporary society, there is a constant need to ensure any credit attained will not be in conflict with other motives, be it saving or credit motives.

A clear example of conflicting goals or motives are between saving for haj pilgrimage and attaining credit to acquire a luxurious car or home renovation. The former is one of the main pillars in Islam, obligatory for Muslims who are financially able to do so; therefore, one may contend fulfillment of this financial need or saving motive falls into the daruriyyatcategory of needs, towards protecting and enhancing one's faith or din. In contrast, attaining credit to pay off a luxury car or renovating one's home to a higher level could fall into either the hajiyyat or tahsiniyyatlevel of needs, as these are considered non-essential. Therefore, in deciding to save for haj versus to apply credit for a luxury car, there is a trade-off that requires a consideration of needs based on the maqasid. In any scenario that considers the trade-off between the three levels of needs, three outcomes are possible:

1. Forgo Credit Consideration/Application: With regards to the earlier scenario, if owning a luxury car or home extension is deemed to be of a tahsiniyyat category, it would be in the best interest of the individual to forgo the credit application, and ensure funds or surplus income is directed to motives that are of a essential or daruriyyatcategory. In this case, any other motives that are of hajiyyat or tahsiniyyatnature mayrequire its consumption to be deferred. In other words, the car or home extension will be delayed until such time the daruriyyat needs are fulfilled.

2. Amend Credit Requirement/Application: In another scenario, it may well be that both motives (for example, saving for home extension versus credit for a motor vehicle) are equally of a hajiyyat or tahsiniyyatnature, indicating that a trade-off may exist in the form of amending the two motives;this may appear in the form of a compromise of lower savings (for the home extension), lower sum of amount borrowed (for the motor vehicle) and/or varying the type of home extension/motor vehicle.

3. Assessment of viable alternatives or credit substitutes:
Irrespective of whether applyingfor the credit would protect/enhance the maqasidor otherwise, there is a need to assess viable alternatives or credit substitutes, given the nature of debt in Islam.

Credit Management

Given the caution and importance placed upon repaying debt in Islam, are there any alternative or substitutes to credit creation that a financial consumer may undertake, when choosing to avoid debt?

Two viable alternatives to credit or non-credit substitutes relate to lease (*ijarah*) concepts and partnership concepts (namely *musharakah* and *mudarabah*). Being service-based and equity-based respectively, these modes of financing should be considered by customers of IFIs, should it be readily available or offered by IFIs.

6. Discussion and Recommendation

The earlier section depicts a framework that may add value towards managing the credit motives of individuals in relation to the *maqasid*. However, this framework is only a partial segment of the equation; the other segment relates to the supply-side of the credit process, that is the financial or banking sector.
Towards facilitating credit in the personal financial market, Islamic Financial Institutions (IFIs) play an important role to provide interest-free financial products that are *Shari'ah*-compliant. In one context, they play a crucial role in ensuring *riba* is avoided in their debt-based transactions and arrangement. In another context, the financial products that they offer, assisted by the effectiveness of their marketing efforts, creates a market of credit products that pulls at the strings of the saving and credit motives of individuals. With these two contexts in mind, IFIs have a responsibility in ensuring that at least two types of financial products are offered, vis-à-vis the *Maqasid al-Shari'ah*.

6.1. Enhanced Research and Development on Non-Credit Products

One of the realities in the contemporary Islamic financial industry is that the prevailing forms of financing offered by Islamic banks are debt-based financing. Although by and large, these financial concepts and modes are accepted by the respective *Shari'ah* Boards, there is aconstant need for IFIs to considernon-credit alternatives in their product development or R&D process; this is toensure the financial products do minimize the inequalities of income and wealth, as advocated by Chapra (2008); in other words, focusing on products that are closer to the *maqasid*, in particular towards protecting and enhancing *mal*, should be a major area for consideration in the product design and development stage undertaken by IFIs.
This is notably important, bearing in mind that a significant challengeis the rise in household debt, owing to increased supply of credit to consumers (Houle 2014; Iacoviello 2008), consequently leading to potential issues of indebtedness. To mitigate this, given the socio-economic orientation of IFIs, there is a need for Islamic institutions to consider other financial products, aside from credit. Herein, two possible routes for further research and development of new financial products are highlighted below.

Savings products: Undoubtedly, IFIs do have savings accounts for their consumers but the generic bank account serves an equally generic purpose, that is to keep funds in financial institutions.As noted in Section 4, there is a need to acknowledge population heterogeneity, with individuals having multiple personal goals. Therefore, IFIs should consider the creation of specific saving accounts and initiatives/programmes to facilitate the achievement of the personal goals. Whether these goals include saving for Haj pilgrimage, or saving for the down payment of a house, these are personal needs, that differ in saving variables such as amount saved per month, timeline and investments.
The main objective of creating these specific bank accounts and saving programmes (to achieve the respective personal goals) is to manage the amount needed via credit or debt financing, at the later stage, for example in the case of home construction. To that end, there should be at least five bank accounts and saving programme, in relation to Table 1 shown earlier, that is to:
1. Save for emergencies
2. Save for foresight
3. Save for improvement
4. Save for enterprise
5. Save to attain durable goods.

Equity-based products: Another area that requires new research and development pertains to the profit and loss sharing concepts of *Musharakah* and *Mudarabah* (M-M). Given the challenges and lessons learnt in implementing M-M since the 1970s, there is a need to consider the innovation and usage of M-M instead of providing debt-based financing to consumers. This is notably relevant in fulfilling the 'Enterprise' motive noted in Table 1, and to minimize the inequalities of income and wealth advocated by Chapra (2008).

6.2. Credit Products for Daruriyyat Category of Needs

As highlighted in Section 3, the five essential values (*din*, *nafs*, '*aql*, *nasl* and *mal*) classified as essential *maqasid* or *daruriyyat*, must be safeguarded and protected. From a financial perspective, should savings be insufficient to address these needs, and non-credit alternatives are either un-suitable or non-existent, then emergency *riba*-free loans are a required facility, of the last resort. Emergency funds may berequired to safeguard these five values, such as the need for an interest-free loan for medical surgeries forthe poor's children, or to repair the home of the poor after a natural disaster.
IFIs in this context does not necessarily mean Islamic banks only, but should also include Non-Banking Financial Institutions (NBFIs); it is of a lesser importance whichever form of IFI that provides the financial product/facility, but it is critical that an Islamic economic and financial system has the will and responsibility to provide the financial product, especially to avoid further harm befalling upon the poor when no IFI-alternatives exist. If the latter occurs, for instance, the poor may resort to borrowing from informal, unlicensed moneylenders whomcharge exorbitant interest rates and at times illegal techniques to attain the loan repayment. Therefore, to avoid such a circumstance, the role of IFIs to create the relevant credit products and the ensuing policies of leniency in repayment is both pertinent and crucial, for the Qur'an states:
The *Qur'an* (64:17) states:
If ye lend unto Allah a goodly loan, He will double it for you and will forgive you, for Allah is Responsive, Clement.
Further, a Hadith reads:
Narrated Abu Huraira:
Allah's Apostle said, "A man used to give loans to the people and used to say to his servant, 'If the debtor is poor, forgive him, so

that Allah may forgive us.' So when he met Allah (after his death), Allah forgave him." [Bukhari]

7. Conclusion

This paper attempts to provide a framework on credit, within the lens of Islamic personal finance. Using conventional theoretical understanding on savings such as the Life Cycle Hypothesis and empirical studies on saving motives, it develops a framework that is applicable to contemporary Muslimsbefore deciding to apply for credit. More specifically, it highlightsthree key areas to consider towards attaining credit, in relation to ensuring the decision moves one closer to the *Maqasid Al-Shari'ah*.

Future research may consider extending the study towards behavioural research, to better understand how contemporary Muslims view debt, within the margins of its usage and the demand for non-credit alternatives. Aside from this demand-side line of inquiry, future research on the supply-side may involve ascertaining the practices of IFIs to enhance it closer towards the *maqasid*, compared to its present status.

Acknowledgement

This research is fully supported by University Research Grant from Sultan Idris Education University under the grant number of 2018-0134-109-01.

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