

## Chapter 25: Step by step Murabaha financing

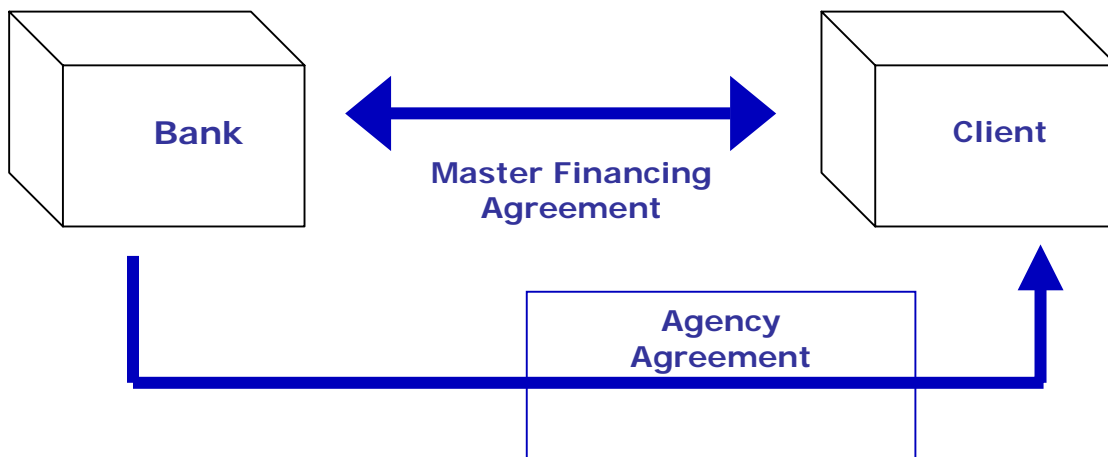
### STEP – 1:

Client and bank sign an agreement to enter into Murabaha.



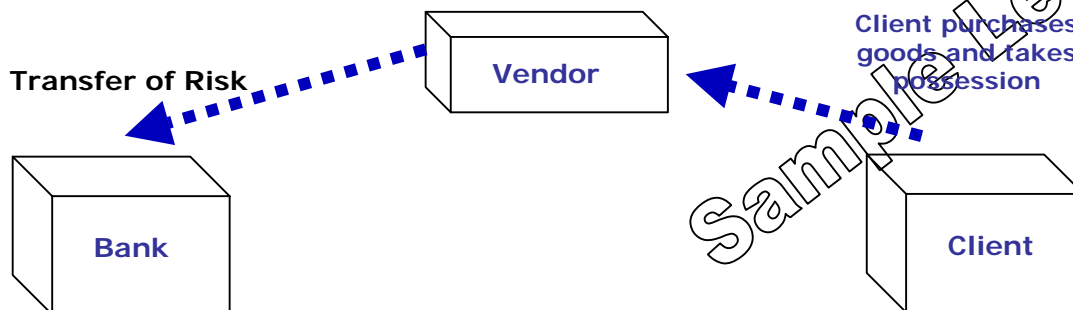
### STEP – 2:

Client appointed as agent to purchase goods on bank's behalf



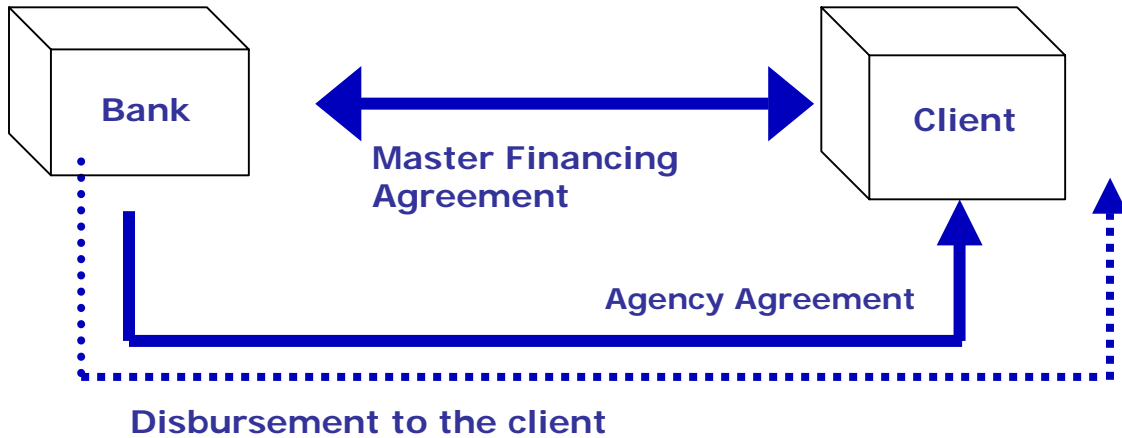
### STEP – 3:

Client purchases goods on bank's behalf and takes their possession.



**STEP – 4:**

Bank gives money to client for purchase of goods.



**STEP – 5:**

Client makes an offer to purchase the goods from bank.



**STEP – 6:**

Client pays agreed price to bank according to an agreed schedule. usually on a deferred payment basis (Bai Muajjal)

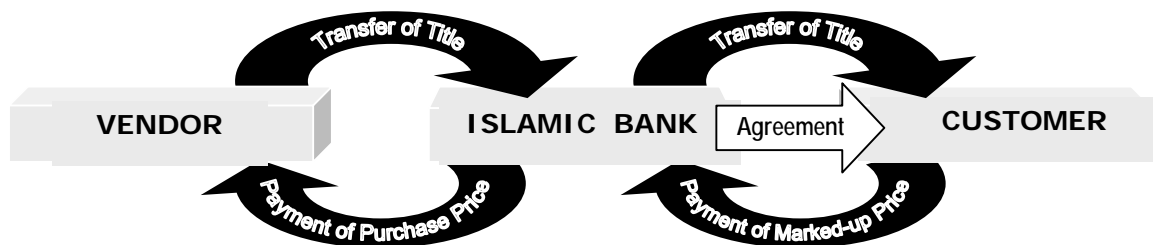


Sample Lecture

## Different capacities at different steps:

- At the 1st step: understanding of sale and purchase
- At the 3rd and 4th steps: Relation of principle and agent.
- At the 3rd step: Relation between the bank and the supplier is that of a buyer and seller.
- At the 5th and 6th steps: Relation of buyer and seller comes into operation between the bank and the client.
- At the 7th step: The relation between bank and client is that of debtor and creditor.
- All the capacities must be kept in mind and must come into operation with all there responsibilities.

## General Mechanics:



- The customer approaches the Bank with the request for financing
- The Bank purchases and receives title of ownership from the vendor
- The Bank makes payment to the vendor
- The Bank transfers the title over to the customer upon payment
- The customer makes payment up-front or on a deferred basis

## Applications of Murabaha:

- Murabaha transaction is the simplest form of an Islamic Financial Transaction. Murabaha can be used to finance the purchase of any assets which is recognized as Mal-e-Mutaqawam (Valuable) under Shariah.
- A wide range of customer needs can be catered through financing purchase of different assets by the customers.
- This is used in: Import finance, Export finance, House financing, Car financing, working capital financing, etc.