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### Mark-up pricing (*Murābaha*)<sup>♦</sup>

The Third Seminar of the Islamic Fiqh Academy also considered at length, apart from other issues, the issue of *Murābaha* (Mark-up Pricing) and after due deliberations arrived at the following conclusions:

- 4.1 The term *Murābaha* has a definite connotation with the Muslim jurists.
- 4.2 Only those forms of *Murābaha* have been considered by the Seminar, which are currently in vogue among the Islamic Banks.
- 4.3 It is an established principle of Islamic jurisprudence that the object is central to all transactions and not the nomenclature they go under. Hence, the deals made under the name of *Murābaha* will have to be scrutinised in accordance with their nature, not resting content with just the name those are made under.
- 4.4 Besides the commonly known conditions covering *Murābaha*, all deals entered into by the Islamic banks as *Murābaha*, will be Islamically permissible only when:
  - a) The quotation forms issued by the banks give full description and quality of the goods offered for sale and in which other necessary particulars have been fully and clearly mentioned so as to eliminate the possibility of disputes between the contracting parties because of lack of full information or ambiguity. Moreover, the profit to accrue to the bank (Sale-Price) over its purchase price or cost price along with the terms of payment, i.e. the period of payment and quantum of installments should also be clearly mentioned.
  - b) It will not be proper to quote, at the time of making the deal, two separate sale-prices one for down payment sale and the other for credit sale, or to link the sale price with the length of payment period at the time of making the deal. The Bank should show the sample of commodity offered for sale and should clearly inform the buyer about the period and the number of installments fixed for the payment and the quantum of profit to the Bank, which will be the purchase price for the buyer from the Bank.

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<sup>♦</sup> 3<sup>rd</sup> Fiqhi Seminar (Bangalore – Karnataka) 8-11 June 1990.