

HOME BUYERS' PERCEPTION ON ABANDONED HOUSING PROJECTS IN MALAYSIA

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ABSTRACT

Abandoned housing project has become a major issue in the housing industry in Malaysia. Despite several efforts by the government to curb the problem, it still exists in the country. The present study offers new insights on the perception of home buyers concerning abandoned housing projects in Malaysia. Two Islamic home financing products which include Bai Bithaman Ajil (BBA) and Musharakah Mutanaqisah Partnership (MMP) are considered. The objective is to determine, based on the opinion of the respondents, which of these two products is more preferred and what are some of the potential causes of abandoned housing projects in Malaysia. The perception of home buyers is evaluated based on five main categories of items which include, financing concepts used, justice and fairness, pricing methods, legal and governance, and shari'ah compliance issues. The findings show that, using MMP concept in Islamic home financing is preferred as compared to BBA. Also, the insufficient laws and regulations as well as the use of BBA financing are viewed as some of the possible contributing factors to the problem of abandoned housing projects in Malaysia.

Key words: Bai Bithaman Ajil, Musharakah Mutanaqisah, Justice, Abandoned housing projects, Malaysia

Introduction

The growth of Islamic banking and finance in Malaysia is very encouraging with an average annual growth between 18-20 percent per annum (BNM, 2011). This is partly attributed to the increase in demand for residential houses because of incentives provided by the government such as low cost housing scheme and withdrawals from EPF. Notwithstanding the positive growth as noted above, when compared with conventional home financing, Islamic home financing still exhibits a lower market share. This is due to a number of reasons. One of the main reasons is the horror stories of Islamic home financing which has deterred many home buyers. There are many cases in the court pertaining to the Islamic home financing in Malaysia. Many customers therefore prefer the conventional home financing in order to stay away from the problems associated with the current Islamic home financing (Amin, Abdul-Rahman & Abdul-Razak, 2013). Particularly, the problem of abandoned housing projects remains one of the biggest challenges in the housing industry in Malaysia.

The literature on abandoned housing projects has indeed shown that the most affected stakeholders are the home buyers. The Malaysian government is very concerned about the plight of home buyers concerning abandoned housing projects. In 2014 alone, there were 68 private housing projects in Peninsular Malaysia listed as abandoned projects. That involved 24,726 housing units and 17,468 buyers (MHLG, 2014). The issue of abandoned housing project is indeed burdensome to the home buyers. For instance, home buyers are required to pay back the financing amount even though the house is not completed. Despite the alarming rate of the problem of abandoned housing projects, studies that investigate the causes and particularly the perception of home buyers on abandoned housing projects in Malaysia are limited. The views of the home buyers are necessary in order to enable policy makers formulate possible measures to ensure that the problem is mitigated. Accordingly, the motivation of the present study is to offer new insights on the perception of home buyers concerning abandoned housing projects in Malaysia and taking into consideration two Islamic home financing products which include Bai Bithaman Ajil (BBA) and Musharakah Mutanaqisah Partnership (MMP). Specifically, the study determines the product that is favored more by the respondents. Secondly, it determines the possible causes of abandoned housing projects. The study begins with the introduction followed by the literature review and methodology. The next section discusses the findings and ends with the conclusion in the last section.

2. Review of Literature

In history, abandoned housing projects were initially identified in Malaysia more than 30 years ago in 1983 (Zairul, 2008). As at the end of 1986, about 14,568 housing units consisting of 126 housing projects were identified as not completed on schedule and thus abandoned. A total number of 6,834 home buyers were affected (Abdul Rahman et al., 2013). Similarly, in Peninsular Malaysia, during the period of 1990 to 2005 about 88,410 housing units involving 261 projects were recorded as abandoned by the Ministry of Housing and Local Government. Inevitably, this problem as well affected a total number of 58,685 home buyers and Selangor recorded the highest number of abandoned projects. In Selangor alone at that time, about 32,987 housing units comprising 63 projects were abandoned which affected 22,480 home buyers. Thus, among the stakeholders affected when a housing project is abandoned, home buyers are the most affected. Despite the fact that they may not yet be staying in their new houses which are most often still under construction, nevertheless they have to make periodic payment for the house financing. Sometimes the housing project may be abandoned for long; yet the unfortunate home buyers have to honour the monthly payments otherwise they would be penalized or prosecuted (Consumer.org.my, 2014).

In fact, abandoned housing projects have a lot of negative social implication to the country as most of the abandoned houses become the gathering places of drug addicts and gangsters. In Malaysia a housing project that is not completed or ready for occupancy is considered as abandoned (Abdul Rahman et al., 2013). Specifically, Abdul Rahman, et al.'s (2013) published work reports that the Ministry of Housing and Local Government (MHLG) of Malaysia considers a house as abandoned if one or more of the following circumstances occur:

- (1) No construction activities on site for six months or more,
- (2) the developer winds up,
- (3) the developer declares an inability to complete the project, and
- (4) the MHLG declares the project abandoned pursuant to the Housing Development Act (118).

At present, there is not much difference in practice of abandoned house under conventional and Islamic finance as both utilize debt financing structures whereby in essence, the bank does not take ownership of the property. Subsequently, Islamic banks absolve themselves in assuming the inherent house ownership risks. So in the process, customers remain the most affected stakeholders. The problem of abandoned housing projects in Malaysia started since 1983 (Zairul, 2008). Since then, the government has been working very hard to bring the issue under control. Currently, various initiatives have been taken by the government to address the issue, nevertheless the menace of abandoned housing projects still occur at the present. This is evident in the statistics of the Ministry of Housing and Local Government (MHLG) as shown in Figure 1 below. Based on this statistics, 30 projects were targeted in year 2015. However out of the 30 target, only 22 were started and only 1 was actually completed as of the date of this statistics. This situation therefore poses a lot of fear as to whether the rest of the 21 projects were completed or not.

Figure 1: Statistics of Abandoned Housing Projects from Year 2009 – 2015

YEAR	NUMBER OF PROJECT			STATUS PROGRESS		
	CURRENT	NEW	TOTAL	PLAN	BUILD	COMPLETE
2009	144	4	148	87(58.8%)	46(31.1%)	15(10.1%)
2010	133	13	146	50(34.2%)	60(41.1%)	36(24.7%)
2011	110	6	116	22(19%)	62(53.4%)	32(27.6%)
2012	84	11	95	9(9.48%)	51(53.68%)	35(36.84%)
2013	60	27	87	24(27.5%)	33(37.9%)	30(34.6%)
2014	57	10	67	32(47.7%)	20(29.9%)	15(22.4%)
2015	52	1	53	30(56.60%)	22(41.51%)	1(1.89%)
-	640	72	712		-	-

Source: Ministry of Housing and Local Government (MHLG)

2.1 Concepts used in Islamic Home Financing

In this study, the concepts used refer to two Islamic home financing products which include BBA and MMP. Bendjilali and Khan (1995), Rosly (2005), Ahmad and Hassan (2009), Hasan (2011), Abdul-Razak and Taib (2011), and Aris et al. (2012) have recorded a number of studies in this regard. According the Bendjilali and Khan (1995), the concept of sell and buy back found in BBA has been burdensome to customers when a housing project is abandoned as the property has already been sold upfront to the customer. This is supported by an earlier study by Siddiqi (1985) which states that the rampant use of debt financing by

banks has cause a burden to customers. This is also not in line with the principles of Maqasid al Shariah (Al Ghazali, 1937) which promote the social wellbeing of society.

On the other hand, according to Ahmad and Hassan (2009) equity home financing like MMP is a better alternative compared to debt based home financing. This is because in MMP bank is a partner in owning the house with the customer. Hence by taking joint ownership, the issue of Bai al-Inah or legal trick that exists in BBA may be eliminated. The use of MMP rather than BBA concept in Islamic home financing is proposed to be capable of helping reduce the problem of abandon housing projects in Malaysia.

2.2 Justice and Equity

Justice and equity in this study refer to fair dealing between the parties involved in the transaction whereby risks and gains are shared equally rather than being a burden to one individual in the contract. The Quran and Sunnah place tremendous emphasis on justice, making it one of the central objectives of the Shariah (Chapra, 1985). The lack of justice and equity in the existing home ownership between the customer, the Islamic bank and the developer has somewhat contributed to the problem of abandoned housing projects. The following related works by Tan (2011), Razali (2011), Dahlan and Aljunid (2010), Yap *et al.* (2010), and Khalid (2010) are reviewed. A study by Tan (2011) claims that lack of justice and equity is a contributing factor leading to the problem of abandoned housing projects. This is because home buyers are exposed to the risk of uncompleted houses as the bank does not take ownership of the property. Moreover, developers have used substandard materials resulting in poor quality of concrete and potholed floors.

Meanwhile, Razali (2011) is of the opinion that sell and build system is considered as one of the reasons for abandoned housing projects in Malaysia. This situation occurs because developers are paid in advance before the completion of the houses but not able to fulfil the progressive stages in the contract. Just like Tan (2011) and Razali (2011), Dahlan and Aljunid (2010) also assessed BBA and linked it to abandoned housing projects. The practice of BBA is based on debt financing. In the case of abandoned housing projects, debtors of the BBA are required to maintain a series of monthly payments although the housing projects are abandoned. Some may even have to rent another house to live pending the completion of the house under construction. This is not fair for the home buyers as they incur additional cost.

Yap *et al.* (2010) states that developers normally take less measure to prevent the abandoned housing projects. Therefore, home buyers are faced with the denial of potential value appreciation and rental collection. High profit rate in the case of economic crisis also contributes to the dilemma of abandoned housing projects as customers are required to service the profit pending completion of the house. Khalid (2010) also examine the development of abandoned housing projects in Malaysia. His study explains that there is an unfair condition intended by financial institutions in approving the financing. That can be one of the reasons for the problem. Given these studies lack of justice and equity can be a substantial issue that leads to problem of abandoned housing projects.

2.3 Method of Computing and Pricing

Method of computing and pricing involves the way profit and loss as well as selling price is being determined. In this regard, few related studies were examined (Siddiqi, 1985; Rosly, 1999; Meera and Abdul-Razak, 2005; Mohammed *et al.*, 2008; Abdul-Razak and Taib, 2011). A study by Siddiqi (1985) pointed out the over-reliance of Islamic banks on the use of debt as a mode of financing which is considered burdensome for customers. It is widely known that the Islamic banks are using interest rates as their benchmarks for profit rates in home financing. In response to this concern, some authors such as Meera and Abdul-Razak (2005) as well as Mohammed *et al.* (2008) have suggested the use of equity financing as an alternative.

In equity financing, the Islamic bank and the customer are the joint owners of the house and share risk jointly until the house is completed. In terms of pricing, the benchmark is based on the actual value of property which differs from one location to another. Unlike fixed profit, the use of rental rate in equity financing is flexible and can be varied according to changes in the economy. In the case of abandoned house, the customer is not burdened with the entire selling price but share the risk with the bank. There exists risk sharing element in equity financing which can mitigate the issue of abandoned housing projects because of the control elements found in the equity financing. Meera and Abdul-Razak (2005), Mohammed *et al.* (2008), Abdul-Razak and Taib (2011) are also in agreement with the above assertion.

In a more detailed explanation, Abdul-Razak and Taib (2011) claimed that the profit rate currently used in BBA has a negative implication to consumers compared to rental rate proposed in MMP home financing. The current practice of BBA home financing is tied up to the pricing mechanism used in the conventional home loans (Abdul-Razak and Taib, 2011). Abdul Razak and Taib (2011) further argue that consumers pay higher for BBA financing compared to MM home financing. This higher payment in the BBA financing therefore have the potential of contributing to the problem of abandoned housing projects.

2.4 Legal and Governance

Legal and governance in the case of this study has to do with a comprehensive law that governs the whole process of the housing project. Previous studies such as Khalid (2010), Tan (2011) and Hoe (2003) have documented that lack of legal and governance for housing projects is among the reasons for the cases of abandoned housing projects in Malaysia. A study by Khalid (2010) on abandoned housing development in Malaysia discovered that the strict condition on funding provided to the bank to the developer has been a major factor in causing the problem of abandoned housing projects.

On the other hand, a study by Tan (2011) examines the sustainability and housing provision in Malaysia. He explained that some of the potential causes for the problem of housing projects are delay in the process for approving of land development, subdivision and issuance of titles. In addition, the ambiguous relationship between federal government, state government and local authority in terms of housing projects are also classified as contributing factors. In the same way, Hoe (2003) indicated that legal and governance issues are the possible reasons that cause abandoned projects to persist. It is also reported that absence of special tribunal for home buyers, lack of home indemnity insurance and land policy, and the like, have contributed to the problem of abandoned housing projects.

2.5 Shariah Compliance Issues

Shariah compliance issues here involve the extent to which the contract is in line with the requirements of Maqasid al-Shariah. The current model of home financing still has a number of issues as the bank does not take the responsibility of owning the house nor bear any risk related to the house. And the developers also sometimes do not complete the project due to their financial incapability. As a result, some studies claimed that the current practice of home financing in Malaysia does not genuinely fall under the concept of buying and selling as required by Shariah. This is because the bank does not own the asset prior to selling it to the customer. Hence, the current practice rather falls under Bai al-Inah sale (Mohammed, 2005). The practice of BBA in Malaysia is therefore argued not to be fully in compliance with the Shariah principle because the bank does not take the risk of ownership and liability on the property (Nurrachmi et al, 2013).

A comparative analysis of MMP and BBA by Meera and Abdul Razak (2005) revealed that MMP has several advantages over BBA to the customer. Apart from being Shari'ah-compliant, MMP can be made to avoid interest (riba) and can reduce the cost of homes and the duration of financing. The authors argue that the balance of finance, at any point in time, never exceeds the original price of the asset, unlike under the BBA where it can. MMP is just and fair compared to the conventional loan and BBA. It is also in line with the objectives of Shari'ah as it allows people to own homes with limited initial capital. In doing so, it promotes the welfare of the people. Anything that protects or promotes these is considered as serving the maslahah and hence desirable.

The equity principle in MMP home financing is more appropriate for customers in home financing under construction. This is because, unlike BBA, the property is not sold upfront to the customer whereby the bank is free from any risk that may occur. Under MMP, the forward lease contract (Al Ijarah al Mawsufah Fi al Dhimma) is used whereby the bank will still bear the responsibility of the house until it is completed. Furthermore, there exist a joint venture between the bank and customer, which ensures the houses under construction are delivered on time. Three studies by Aris et al. (2012), Hasan (2011) and Rosly (2005) are in agreement that in BBA there is no risk sharing, liability and effort (Iwad) which is an important legal maxim to ensure counter values exist to make the sale transaction valid.

3. Methodology

This paper seeks to assess the perception of home buyers on abandoned housing projects based 5 categories of issues which include the perspective of concepts used, justice and fairness, pricing method, legal and governance, and *shari'ah* compliance issues. Abdul Razak, D (2011) Under each of these 5 issues, 3 questions were asked to the respondents. For the purpose of data collection, a self-structured survey based on 5 Likert scale was developed and distributed to 500 home buyers in Klang Valley. The questionnaires were distributed to university students to be completed by their parents and relatives who bought homes. Out of the 500 questionnaires distributed, a total of 328 responses were obtained from the home buyers and used as the sample for the study. The sample of 328 is considered suitable for the study as it is sufficient to have at least 300 cases (Tabachnick and Fidell, 2007). The respondents were selected based on random sampling method. Random sampling was chosen in order to ensure that all parts of the population were represented to help enhance the efficiency. The statistical technique used in this study was mainly descriptive analysis utilizing SPSS. After the data collection, for the purpose of analysis, the 5 Likert scale was converted into 3 Likert scale whereby "strongly agree" and "agree" become *Agree* while "strongly disagree" and "disagree" become *Disagree*. The third one remains as *Neutral*.

4. Results and Discussion

4.1 Profile of respondents

Table 1: Demographic results

Profile	Description	Respondents	Percentage
Gender	Male	176	53.7
	Female	152	46.3
Age	<30	77	23.5
	31-40	78	23.8
	>40	173	52.7
Religion	Islam	272	82.9
	Buddha	30	9.1
	Hindu	16	4.9

	Christian	7	2.1
	Others	3	.1
Monthly income	<3,000	91	27.7
	3,001-5,000	123	37.5
	5,001-10,000	73	22.3
	10,001-20,000	29	8.8
	>20,000	12	3.7

From Table 1 above, majority of the respondents were male constituting about 53.7% and the rest of the 46.3% were female. Similarly, in terms of age distribution, majority of the respondents (52.7%) were above the age of 40. Moreover, with regards to religious denomination, 82.9% of the respondents were Muslims. Also, majority of the respondents fall within the income range of RM3,001-RM 5,000.

4.2 Descriptive statistics

4.2.1 Concepts used

Table 2: Concepts Used

Concepts used	Disagree (%)	Neutral (%)	Agree (%)
Q37 By choosing an Islamic home financing it will mitigate abandoned housing projects.	8.8	23.2	68
Q5 Home financing based on profit-loss sharing between the customers and bank can avoid cases of abandoned housing projects.	9.7	21.3	69
Q35 I prefer financing that is based on profit and loss-sharing when purchasing a house.	4.3	19.2	76.5

Based on the analysis of the data using SPSS, the results in Table 2 above show that majority of the home buyers (68%) share the opinion that by choosing Islamic home financing it will mitigate abandoned housing projects. This is however not precise as to which specific Islamic home financing concept they think will help mitigate abandoned housing projects. Thus, the second question gives a specific Islamic home financing concept to get the views of the respondents. As shown in the table, majority of the respondents (69%) believe that home financing based on profit-loss sharing between the customers and bank can avoid cases of abandoned housing projects. Conversely, only 9.7% of the respondents disagree and 21.3% remained neutral about that statement. Finally, 76.5% respondents prefer financing that is based on profit and loss-sharing when purchasing a house as compared to only 4.3% who do not prefer. About 19.2% respondents remained neutral.

The above findings therefore mean that, while majority of the home buyers believe that choosing an Islamic home financing will help mitigate abandoned housing projects, they specifically prefer profit and loss-sharing concept. This is consistent with the findings of Ahmad and Hassan (2009). According to Ahmad and Hassan (2009) equity home financing such as MMP is a better alternative compared to debt based home financing because in MMP, bank is a partner in owning the house with the customer. Hence by taking joint ownership, the issue of Bai al-Inah or legal trick that exist in BBA that may contribute to the problem of abandoned housing projects is eliminated. Therefore, the use of MMP rather than BBA concept in Islamic home financing can help reduce the problem of abandon housing projects.

4.2.2 Justice and equity

Table 3: Justice and Equity

Justice and equity	Disagree (%)	Neutral (%)	Agree (%)
Q14 Customers should be fully burdened for houses that are abandoned	89	9.5	1.5
Q27 Islamic home financing using BBA uphold justice when the house is abandoned	59.8	29.6	10.6
Q22 Islamic home financing based on profit and loss-sharing contributes positively to the equitable distribution of wealth and income	1.8	14	84.2

Referring to Table 3 above, 89% of the respondents disagree that customers should be fully burdened for houses that are abandoned. On the other hand, only 1.5% respondents agree to the statement and the rest of the 9.5% were neutral. Similarly, majority (59.8%) of the respondents disagree that Islamic home financing using BBA uphold justice when the house is abandoned. However, only 10.6 % agree that it upholds justice while 29.6% stayed neutral. Considering the contribution of

Islamic home financing based on profit and loss-sharing, 84,2% of the respondents agree to the statement that Islamic home financing based on profit and loss-sharing contributes positively to the equitable distribution of wealth and income.

It can be deduced from the above results that majority of the respondents have the opinion that the burden should not be on customers when a house is abandoned. Also, the customers are of the view that BBA financing does not uphold justice. This situation therefore leads to the problem of abandoned housing as argued by Tan (2011) who claimed that lack of justice and equity is a contributing factor leading to the problem of abandoned housing projects. Similarly, Razali (2011) also is of the opinion that sell and build system (as used in BBA) is one of the reasons for abandoned housing projects in Malaysia. Moreover, Dahlan and Aljunid (2010) also assessed BBA and linked it to abandoned housing projects. All these are evidences that Islamic home financing using BBA is not the ideal home financing product. This therefore draws attention to the Islamic home financing based on profit and loss-sharing (such as MMP) as one of the possible alternatives to BBA. Meera and Abdul-Razak (2005) and Mohammed *et al.* (2008) have all suggested the use of equity financing as an alternative.

Referring to financing based on based on profit and loss-sharing, a vast majority of the respondents agree that Islamic home financing based on profit and loss-sharing contributes positively to the equitable distribution of wealth and income. This is consistent with the opinion of Meera and Abdul-Razak (2005), Mohammed *et al.* (2008), Abdul-Razak and Taib (2011). They believe that there exists risk sharing element in equity financing which can mitigate the issue of abandoned housing projects because of the control elements found in the equity financing.

4.2.3 Method of calculation and pricing

Table 4: Method of Calculation & Pricing

<i>Method of Calculation & pricing</i>	Disagree (%)	Neutral (%)	Agree (%)
Q8 Islamic banks should disclose the method of computing selling price to the customers	2.7	3.7	93.6
Q10 The profit earned by Islamic banks should not be a burden to customers	1.5	4.9	93.6
Q15 If the house is abandoned, the bank should only claim the disbursed amount	7.3	11.3	81.4

Table 4 above presents the results of the method of calculation and pricing. With regards to the first statement, 93.6% of the respondents agree that Islamic banks should disclose the method of computing selling price to the customers. However, 2.7% respondents disagree with this assertion and 3.7% remained neutral. Referring to the profit earned by Islamic banks, 93.6% of the respondents agree that the profit earned by Islamic banks should not be a burden to customers. While 4.9% respondents were neutral about this statement, 1.5% of the respondents totally disagree with the statement. Finally, in case the house is abandoned, 81.4% of the respondents agree that the bank should only claim the disbursed amount but 7.3% respondents disagree. The rest of the 11.3% of the respondents remained neutral about the statement.

Referring to the above results, the concern is on the extent to which the method of calculation and pricing brings more burden to the customers. The usage of debt in BBA financing whereby interest rates are used as benchmarks for profit rates, is one of the source of burden to customers. This is in line with the opinion of Siddiqi (1985) who pointed out that the over-reliance of Islamic banks on the use of debt as a mode of financing is considered burdensome for customers. Similarly, the profit rate used in BBA home financing has been argued by Abdul-Razak and Taib (2011) to have a negative implication to consumers as compared to rental rate used in Musharakah Mutanaqisah (MM) home financing.

4.2.4 Legal and governance

Table 5: Legal and Governance

<i>Legal and Governance</i>	Disagree (%)	Neutral (%)	Agree (%)
Q24 The track record and the legality of the developer is important to avoid the case of abandoned house	0.3	5.8	93.9
Q28 The bank must take legal action on the developer if it fails to deliver the house on time	1.2	8.8	90
Q31 The existing laws and regulations are insufficient to ensure justice (adl) to Islamic home financing customers in cases of abandoned house	1.8	18	96.4

With reference to Table 5 above, where as 5.8% of the respondents remained neutral with regards to the first statement in the table, 93.9% of the respondents agree that the track record and the legality of the developer is important to avoid the case of abandoned housing projects. However, 0.3% of the respondents disagree with this assertion. Secondly, while 1.2% respondents

disagree with the second statement, 90% of the respondents agree that the bank must take legal action on the developer if the developer fails to deliver the house on time. Nevertheless, 8.8% respondents neither agree nor disagree with the statement. With regards to the third statement, 1.8% respondents disagree while 96.4% respondents agree that the existing laws and regulations are insufficient to ensure justice (adl) to Islamic home financing customers in cases of abandoned house.

Considering the above results, the response to all the three statements points out to the fact that it is important to have proper laws and regulations in order to avoid the cases of abandoned housing projects. However, the present laws and regulations are insufficient. This situation therefore contributes to the rampant cases of abandoned housing projects. These findings are consistent with some of the previous studies such as Khalid (2010), Tan (2011) and Hoe (2003) who have documented that lack of legal and governance for housing projects is among the reasons for the cases of abandoned housing projects in Malaysia.

4.2.5 Shari'ah-compliant aspects

Table 6: Shari'ah Compliance Aspects

<i>Shari'ah compliance aspects</i>	Disagree (%)	Neutral (%)	Agree (%)
Q18 Bank should take liability on the defects of houses that they have sold to customers	10.1	19.8	70.1
Q13 The bank should take actual ownership of the property before selling the house to customers	3	13.8	83.2
Q23 Islamic home financing should comply with Shari'ah governance	1.5	7.3	91.2

In terms of Shari'ah-compliant aspects, the findings are presented in Table 6 above. With regards to the first statement, 70.1% of the respondents agreed that bank should take liability on the defects of houses that they have sold to customers. About 10.1% of the respondents however disagreed and 19.8% of them stayed neutral. When asked whether the bank should take actual ownership of the property before selling to customers, 83.2% of the respondents agreed with the statement but 13.8% remained neutral and only 3% disagreed. Finally, with regards to Shari'ah compliance, 91.2% of the respondents agreed that Islamic home financing should comply with Shari'ah governance. Conversely, 1.5% of the respondents disagreed and about 7.3% of the respondents were neutral with regards to the statement.

Based on the above findings, the majority agree that bank should take actual ownership and liability of the property before selling to customer. However, this is not the case in the present BBA financing as practiced in Malaysia. This is required to ensure that the contract is in compliance with Shari'ah. This therefore makes the contract not fully compliant with Shari'ah. As argued by some researchers, BBA contract is not in compliance with Shari'ah as long as the bank does not own the asset before selling it to the customer. This assertion is recognized by Mohammed (2005), Aris et al. (2012), Hasan (2011), Rosly (2005) and Nurrachmi et al. (2013). Mohammed (2005) for instance, argued that the bank does not own the asset prior to selling it to the customer and hence the current practice rather falls under Bai al-Inah sale. Nurrachmi et al. (2013) also stated the practice of BBA in Malaysia is not in compliance with Shariah principles as the bank does not take the risk of ownership and liability on the property. Similarly, Aris et al. (2012), Hasan (2011) and Rosly (2005) are in agreement that in BBA there is no risk sharing, liability and effort (Iwad) which is an important legal maxim to ensure counter values exist to make the sale transaction valid.

MMP is therefore argued to be one of the best alternatives to BBA home financing. A comparative analysis of MMP and BBA by Meera and Abdul Razak (2005) revealed that MMP has several advantages over BBA to the customer. Apart from being Shari'ah-compliant, MMP can be made to avoid interest (riba) and can reduce the cost of homes and the duration of financing. This will consequently help curb the problem of abandoned housing projects.

5. Conclusion

This study offers insights on the perception of home buyers concerning abandoned housing projects in Malaysia. Two Islamic home financing products which include BBA and MMP are considered. The objective is to determine which of these two products is considered more Shari'ah compliant based on the opinion of the respondents as well as determine some of the potential causes of abandoned housing projects in Malaysia. The perception of home buyers is evaluated based on five main categories of items which include, financing concepts used, justice and fairness, pricing methods, legal and governance, and *shari'ah* compliance issues.

The findings show that, while majority of the customers believe Islamic home financing can help mitigate the problem of abandoned housing projects, they specifically prefer profit and loss-sharing. They single out profit and loss-sharing as the concept that can help curb the problem of abandoned housing projects. As found in the results and supported by the literature, BBA financing puts all burden on only the customer and therefore does not uphold justice. The lack of justice and equity in BBA is viewed as a contributing factor to the problem of abandoned housing projects. Similarly, it is important to have proper laws and regulations yet the present laws and regulations are insufficient. This is regarded as another cause of abandoned housing projects in Malaysia.

Considering BBA and MMP with regards to Shari'ah compliance, it is found that majority of the customers prefer banks to take actual ownership and liability of the property so as to ensure that the contract comply with Shari'ah. However, in BBA financing bank does not own the asset before selling to the customer. All burden is on the customer. This therefore makes BBA financing not fully Shari'ah compliant. Conversely, in MMP, bank is a partner in owning the house with the customer. Hence by taking joint ownership, the issue of legal trick that exist in BBA is eliminated. Therefore, the use of MMP concept in Islamic home financing is considered more Shari'ah compliant as compared to BBA.

One important issue that other countries may learn from this study is the aspect of proper laws and regulations to govern housing projects. This would help curb the problem of abandoned housing projects.

The study utilizes only descriptive statistics in the analysis. This is therefore the main limitation in the study. Future research may consider more extensive analysis that go beyond descriptive analysis and use such methods as factor analysis or even qualitative method that involves interviews.

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