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Musyarakah Mutanaqisah: A Systematic Literature Review

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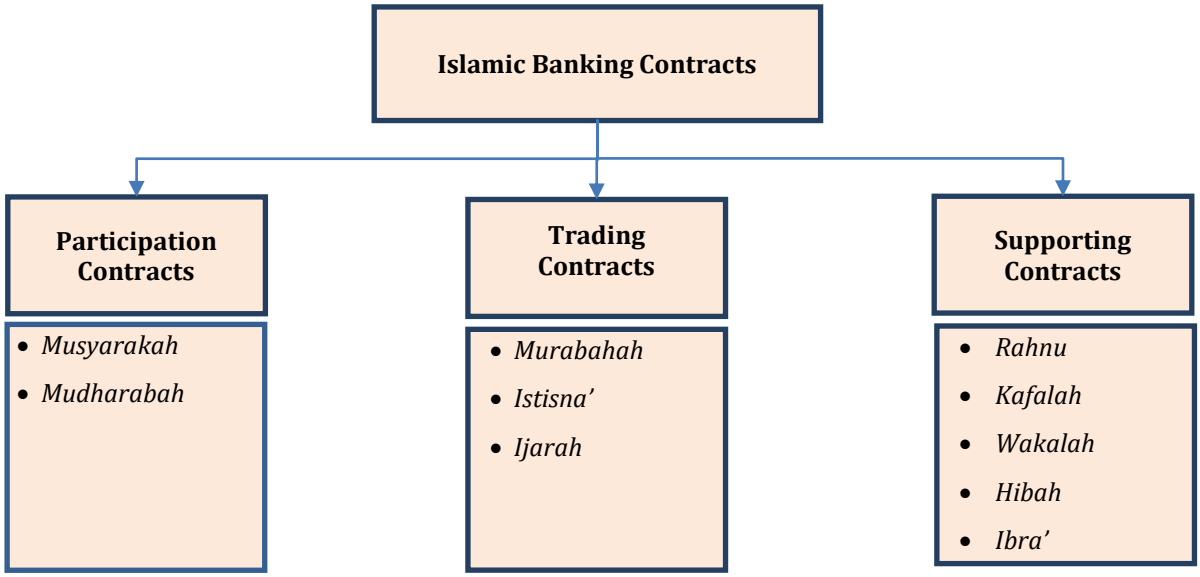
Abstract: The present research aims to highlight trends in the previous research conducted on the Musyarakah Mutanaqisah arrangement. This research conducted a systematic literature review on the Musyarakah Mutanaqisah arrangement on the Scopus database from 2018 until July 2023. This research includes 21 journal articles from the 29 documents retrieved from the Scopus database. It was found that interviews and questionnaire surveys were the most frequently used methods in researching Musyarakah Mutanaqisah. Diverse variables have been studied in previous research. Most previous research on the Musyarakah Mutanaqisah arrangement was carried out in Malaysia since Malaysia is the leader in Islamic finance. Not all previous research was supported by theories or models. Most of the previous research on Musyarakah Mutanaqisah has focused on home financing facility. The findings from the present research can provide the foundation for future research on the Musyarakah Mutanaqisah arrangement.

Keywords: *Musyarakah Mutanaqisah, Systematic Literature Review, Islamic Finance, Islamic Banking, Shari'ah.*

1. Introduction and Background

Islamic banking is a banking system based on the religion of Islam. As such, Islamic banking is guided by Shari'ah or Islamic law. Therefore, Islamic banking products are structured using various Shari'ah contracts to ensure their full compliance with Shari'ah. The classification of Shari'ah contracts commonly used in structuring Islamic banking products is shown in Figure 1.

Figure 1: Shari'ah Contracts Commonly Used in Structuring Islamic Banking Products

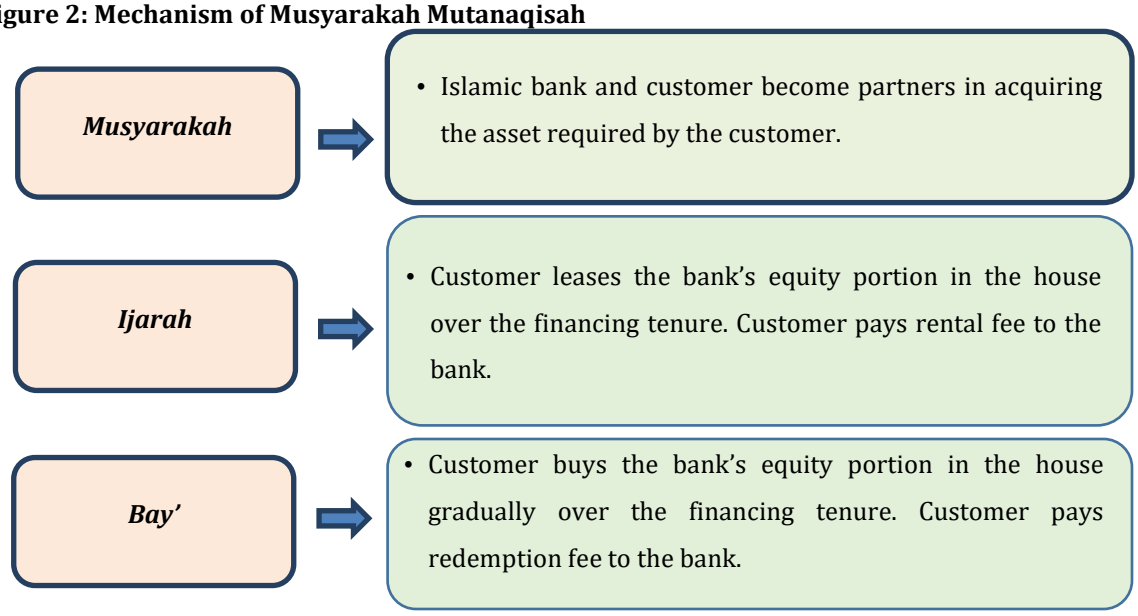


Source: Author.

Previously, most of the Islamic banking products in Malaysia were structured using the Bay' Inah contract and Bay' Bithaman Ajil arrangement. As Islamic banking continuously evolves, a new arrangement is introduced in structuring Islamic banking products including Musyarakah Mutanaqisah. Musyarakah Mutanaqisah is also referred to as diminishing partnership, declining partnership, diminishing musyarakah

or declining musyarakah. In Musyarakah Mutanaqisah arrangement, Musyarakah is put into an arrangement with a few other Shari'ah contracts including Ijarah and Bay. Musyarakah as the first Shari'ah contract in Musyarakah Mutanaqisah arrangement refers to profit and loss-sharing partnerships. It is a partnership contract whereby the partners share profits according to the pre-agreed profit-sharing ratio. The partners will bear any losses incurred based on the ratio of capital they contribute to the partnership. Ijarah as the second Shari'ah contract in the Musyarakah Mutanaqisah arrangement refers to leasing. It is a leasing contract between an owner of an asset who becomes a lessor who leases his asset to a lessee. The lessee is obligated to compensate the lessor for enjoying the usufruct of the asset by paying a rental fee to the lessor throughout the leasing period. Bay as the third Shari'ah contract in the Musyarakah Mutanaqisah arrangement refers to sale. It is a sale contract between a seller of an asset who sells the asset that he owns to a buyer who requires the asset. The buyer is obligated to pay the price of the asset to the seller. Figure 2 outlines the mechanism of the Musyarakah Mutanaqisah arrangement.

Figure 2: Mechanism of Musyarakah Mutanaqisah



Source: Author.

2. Motivation

A review is required on past research is to identify the coverage of the present knowledge domain as it highlights the loophole in the past research (Xiao & Watson, 2019). A systematic literature review can provide a theoretical basis and summary of existing research on a particular domain (Okoli & Schabram, 2010). Previous research gaps can also be obtained through a systematic literature review (Tamrin, Norman, & Hamid, 2017). Consequently, the current research aims to determine the trends in past research on Musyarakah Mutanaqisah by performing a systematic literature review. It is crucial to identify the recent trends in the research conducted on Musyarakah Mutanaqisah. It will assist us in understanding the current state of knowledge on Musyarakah Mutanaqisah and can lead us in our future research on Musyarakah Mutanaqisah. Further research is required to understand Musyarakah Mutanaqisah in appreciate it among other Shari'ah contracts and arrangements that Islamic banks can use to structure their products.

3. Research Questions

The following research questions guide this research:

Research Question 1: What type of study or methodology has been used in previous research?
Research design requires determining the type of study or methodology, among other criteria. The type of study or methodology used by previous researchers is the factor that future researchers must consider in

designing their research. It will contribute to the body of knowledge, specifically on Musyarakah Mutanaqisah.

Research Question 2: What variables have been studied in previous research?
Variables indicate factors affecting other factors or being affected by other factors. By getting to know the variables studied in past research, researchers will establish a current understanding of Musyarakah Mutanaqisah. It will also provide the foundation for future researchers to determine the variables that should be studied in their research.

Research Question 3: Which countries became the venues for conducting previous research?
Different countries have different regulators regulating the activities within the countries and are subjected to different governance frameworks. Knowledge of the countries where previous research was conducted will assist future researchers in determining the venue for their research. It will ensure that the literature on Musyarakah Mutanaqisah can be enriched.

Research Question 4: What are the applicable theories/models in previous research?
Recognition of the theories and models applicable in previous research enables us to understand the basis of the previous research on Musyarakah Mutanaqisah, besides justifying the relationship between variables in those studies.

Research Question 5: What financing facilities were studied in previous research?
Financing facilities differ in their purpose and nature. There must be a match between the facility and the Shari'ah contract or arrangement used to structure the facility. Identifying the financing facilities studied in the previous research will help us understand variations when the Musyarakah Mutanaqisah arrangement is applied to different financing facilities.

SLR Planning: The method of conducting a systematic literature review in the current research is based on the method employed by Kitchenham et al. (2009). A thorough process is outlined by Kitchenham et al. (2009) for researching a systematic literature review. The process involved five researchers. Any issues that arose were discussed and agreed among the five researchers. All the researchers took part in the planning, execution, and reporting of results phases of the systematic literature review as proposed by Kitchenham et al. (2009). The systematic literature review conducted in this research is guided by the eight steps suggested by Okoli and Schabram (2010). The steps comprise (1) the purpose of the literature, (2) protocols, (3) literature search, (4) quality appraisal, (5) practical screening, (6) data extraction, (7) synthesis of studies, and (8) writing the review. As discussed earlier, this research aims to highlight the trends in previous studies on Musyarakah Mutanaqisah, which would enable us to answer the research questions.

Research protocol involves determining the research objective and research questions and conducting a systematic literature review as the research method. A literature search used the Scopus database which contains quality and influential research. A quality appraisal is assured by choosing journal articles as the publication of these articles is only possible after a thorough peer review by qualified reviewers. The practical screening was performed by excluding irrelevant articles not covering Musyarakah Mutanaqisah. Data extraction was conducted on the selected journal articles by extracting the author, year, journal name, methodology, variables, country, theory/models, and financing facilities. The extracted data was synthesized to identify the trends in the previous research. Eventually, the entire activities of performing the systematic literature review will be documented.

Execution of the SLR: Searching conducted in the Scopus database using primary string searches resulted in 29 documents. Quality appraisal and practical screening of the documents resulted in 21 relevant articles being reviewed. The list of empirical studies reviewed is presented in Table 1.

Table 1: Selected Empirical Studies

No.	Authors	Journal
P1	Ma & Md Taib (2023)	International Journal of Housing Markets and Analysis
P2	Ma et al. (2023)	International Journal of Housing Markets and Analysis
P3	Summer 2023 (2023)	International Journal of Housing Markets and Analysis
P4	Islam & Ahmad (2022)	Journal of Economic Cooperation and Development
P5	Shahwan et al. (2022)	International Journal of the Analytic Hierarchy Process
P6	Bahlous-Boldi (2021)	International Journal of Housing Markets and Analysis
P7	Alkhan et al. (2020)	Journal of Islamic Monetary Economics and Finance
P8	Khan & Nomani (2020)	The Islamic Quarterly
P9	Muneeza et al. (2020)	Journal of Islamic Accounting and Business Research
P10	Shaikh & Noordin (2020)	Journal of Islamic Monetary Economics and Finance
P11	Smolo & Musa (2020)	Journal of Islamic Accounting and Business Research
P12	Bahari et al. (2019)	International Journal of Innovation, Creativity and Change
P13	Hanif (2019)	International Journal of Emerging Markets
P14	Nor et al. (2019)	Journal of Legal, Ethical and Regulatory Issues
P15	Md Zabri & Haron (2019)	International Journal of Housing Markets and Analysis
P16	Asadov et al. (2018)	Journal of Islamic Accounting and Business Research
P17	Abdul Jabar et al. (2018)	ISRA International Journal of Islamic Finance
P18	Mashal et al. (2018)	ISRA International Journal of Islamic Finance
P19	Redzuan et al. (2018)	Al-Shajarah
P20	Md Zabri & Mohammed (2018a)	ISRA International Journal of Islamic Finance
P21	Md Zabri & Mohammed (2018b)	Managerial Finance

4. Results and Findings

This section, highlighting the findings based on the review of the 21 selected articles, has assisted the researchers in answering the research questions.

Research Question 1: What type of study or methodology has been used in previous research?
Eight papers employed quantitative methodology, eleven employed qualitative methodology, and the other two employed mixed methods using both qualitative and quantitative methodologies. Of the eight quantitative papers reviewed, four were questionnaire surveys, three used secondary data, and one used mathematical simulation. Of the eleven qualitative papers reviewed, five used interviews in collecting data, one employed content analysis, one employed library and document analysis, one employed theoretical and document analysis, one utilized document analysis, one performed document analysis and interview, and one used library research and interview. Of the two mixed-method papers reviewed, one employed an interview and questionnaire survey, while the other employed a combination of library research, document analysis, and risk analysis. The methodologies employed in the previous research are shown in Table 2. It indicates that interview has been the most used method in researching Musyarakah Mutanaqisah, followed by a questionnaire survey.

Table 2: Methodology Employed in Previous Research

Paper No.	Methodology
P8 P10 P12 P21	Quantitative – Questionnaire survey
P3 P6 P19	Quantitative – Secondary data
P15	Quantitative – Mathematical simulation
P1 P4 P5	Qualitative – Interview

P14	
P20	
P7	Qualitative – Content analysis
P9	Qualitative – Library and document analysis
P11	Qualitative – Theoretical and document analysis
P13	Qualitative – Document analysis
P16	Qualitative – Document analysis and interview
P17	Qualitative – Library research and interview
P2	Mixed methods – Interview and questionnaire survey
P18	Mixed methods – Library research, document analysis, and risk analysis

Research Question 2: What variables have been studied in previous research?
Table 3 shows the variables involved in previous research. It is observed that Musyarakah Mutanaqisah has been researched from different perspectives, as indicated by the list of diverse variables studied by previous researchers.

Table 3: Variables Studied in Previous Research

Paper No.	Variables
P3	Mortgage interest rate
	Number of houses sold
P6	Delinquency rates
	Volume of refinancing
	Change in house price index
P10	Perceived relative advantage
	Perceived compatibility
	Peers influence
	Self-efficacy
	Attitude
	Subjective norms
	Perceived behavioral control
	Pricing
	Intention to accept Musyarakah Mutanaqisah home financing
P12	Intrinsic motivation
	Religious compliance
	Confidence in Shari'ah compliance
	Customer knowledge
	Service quality
	Cost
	Product benefits
	Promotion
P19	Rental yield
	Gross domestic product
	Housing loan
	Base lending rate
P21	Attitude towards behaviour
	Subjective norms
	Perceived cost advantages
	Perceived behavioral control
	Intention

Research Question 3: Which countries became the venues for conducting previous research?
Table 4 indicates that previous research was conducted mainly in Malaysia, maybe because Malaysia is the leader in Islamic finance in the world. The rest of the research was conducted in Turkey (1 paper), Pakistan and the United Arab Emirates (1 paper), India (1 paper), China (2 papers), and the United States of America (2 papers).

Table 4: Countries where Previous Research was conducted

Paper No.	Countries
P4	
P5	
P9	
P10	
P11	
P12	
P14	Malaysia
P15	
P16	
P17	
P19	
P20	
P21	
P3	Turkey
P13	Pakistan and the United Arab Emirates
P8	India
P1	China
P2	
P6	United States of America
P18	
P7	N/A

Research Question 4: What are the applicable theories/models in previous research?
Fifteen of the 21 selected studies were supported by theories and models, as shown in Table 5. It can be observed that various theories and models underpinned the studies conducted by previous researchers on Musyarakah Mutanaqisah.

Table 5: Theories/Models in Previous Research

Paper No.	Underpinning Theories/Models
P1	Crowdfunding Model
P2	Crowdfunding Model
P3	Interest-free Home Financing Model
P4	Integrated Microfinancing Model
P5	Theory of Maqasid Shari'ah
P6	Diminishing Partnership Model
	Cointegration Model
	Granger Causality Model
P8	Alternative Farm Financing Model
P10	Decomposed Theory of Planned Behaviour
P11	Theory of Maqasid Shari'ah
P12	Conventional Economic Theory
P13	Modern Portfolio Theory
	Capital Asset Pricing Model
P18	Usufruct Model
P19	Autoregressive Distributed Lag Model
P20	Consensus Theory
P21	Theory of Planned Behaviour

Research Question 5: What financing facilities were studied in previous research?
Table 6 shows the type of financing facilities studied in the previous research. Of the 21 papers reviewed, 16 studies focused on home financing, indicating that Musyarakah Mutanaqisah is a suitable Shari'ah arrangement in structuring home financing. The rest of the papers focused on each one of the following financing facilities separately, including property financing, agricultural financing, microfinancing, and credit

cards. One of the papers did not focus on any financing facilities.

Table 6: Financing Facilities Studied in Previous Research

Paper No.	Financing Facilities
P1	Home Financing
P2	
P3	
P5	
P6	
P9	
P10	
P12	
P13	
P15	
P16	
P17	
P18	
P19	
P20	
P21	
P14	Property financing
P8	Agricultural financing
P4	Microfinancing
P7	Credit card
P11	No specific financing

Discussion: Although most previous research was conducted through interviews and questionnaire surveys, the numbers are quite small. More research is needed to increase our understanding of the Musyarakah Mutanaqisah arrangement. More studies should be conducted by including variables that portray Shari'ah perspectives, as such studies by previous researchers have been limited so far. More perception-based studies are needed to understand better the behavior of different parties relating to the Musyarakah Mutanaqisah arrangement. Future studies should be conducted in other countries practicing Musyarakah Mutanaqisah, as past studies were conducted mainly in Malaysia. It will enrich our understanding of the differences in the practice of Musyarakah Mutanaqisah in other parts of the world. Although theories and models exist in previous research on Musyarakah Mutanaqisah, not all previous research has received support from theories and models. Therefore, future research on Musyarakah Mutanaqisah should consider having theories and models to justify relationships in their research. More future studies are needed on other financing facilities structured based on Musyarakah Mutanaqisah besides home financing. It will enrich our understanding of Musyarakah Mutanaqisah, as variation may exist when the Musyarakah Mutanaqisah arrangement is used to structure financing facilities other than home financing.

5. Conclusion

This research can help researchers learn the present state of research conducted on Musyarakah Mutanaqisah. It can be concluded that the amount of research on Musyarakah Mutanaqisah is still limited, as shown by the 29 articles that emerged from the search made in the Scopus database. Only 21 articles were suitable to be reviewed in answering the research questions. The results indicated that interviews and questionnaire surveys were widely used in the research on Musyarakah Mutanaqisah. Interviews were used as the Musyarakah Mutanaqisah arrangement is considered comparatively new than other Shari'ah arrangements and contracts. On the other hand, using questionnaire surveys enables testing of research variables based on theories and models. However, more research is needed to understand this Shari'ah-compliant arrangement better. Musyarakah Mutanaqisah is a Shari'ah-compliant arrangement. Shari'ah-compliant facilities are different from conventional facilities due to the need for the Shari'ah-compliant facilities to comply with Shari'ah fully.

As such, future research should consider including variables that portray the distinctive features of Musyarakah Mutanaqisah as a Shari'ah-compliant arrangement. Focus was given in the previous research on studying the Musyarakah Mutanaqisah arrangement in Malaysia. Therefore, research in the future should also be conducted in other countries to obtain more understanding of the Musyarakah Mutanaqisah arrangement in other countries. Not all previous research was supported by theories or models, even though the research was published in Scopus-indexed journals. Theories or models should support research conducted in the future on Musyarakah Mutanaqisah as they provide a strong foundation for the research. Musyarakah Mutanaqisah has been studied in past research, mainly on home financing. Researchers should consider conducting more research on Musyarakah Mutanaqisah in the context of other financing facilities, as home financing is just one of the financing facilities offered by the banks. The banks also offer other facilities that are structured using the Musyarakah Mutanaqisah arrangement.

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