The Legal System of Islamic Banking Finance Framework in Construction and Real Estate Investment

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Research Summary

A real estate finance contract is a legal tool to provide the required financing, whether it is financing the purchase of building or repairing property or investing in real estate. This is a very important contract that touches on the basic pillars of society in all its economic, social and political forms. It touches the basic need of any human, which is the need for housing and shelter, so the countries took care of the real estate finance to ensure the social and economic security of the state.

Real estate finance contracts are one of the solutions in solving the living problems that most countries suffer from. There are types of real estate finance, there’s the traditional real estate contract, which is based on lending the buyer the value of the property or the value of the building, and there’s Islamic funding formulas that fit the personal and company’s investment needs, some that involve the specialty in buying as Muraba and some that specialize in Building Istsna’a, such as investment Musharaka Mutanaqisah (Diminishing Musharakah), as well as Ijha Muntahia Bittamleek that finance the buying of the real estate and building and investing in it. The legal system of each of these formulas is different due to the different basis of legal and sharia law of it. It is subject to a legislative system combined by legislative laws and sharia rules that some of which are set out in the Shari'a Standards of the Accounting and Audit Organization for Financial Institutions (AAOIFI).

As is it considered the contract of sale on the map of one of the modern real estate finances that apply and in the kingdom of Bahrain. As investing in the procedure of funding the construction finance, which is considered by the International Islamic Fiqh Academy as one of the ways of financing the project for real estate ownership. This contract is subject to a legal system of its own, which is included in the provisions of the Real Estate Development Law.