

# The Genuine Ownership of Commodities by Islamic Banks and Its Beneficial Impact in Facilitating Instalment Sales: Sustainability Resource Economics

Jamal Lakhdar Hammoud Azzoun<sup>1</sup>, Ali Ahmed Salem Farhat<sup>2</sup> and Mourad Ben Kaddour Ben Ahmed Boudaya<sup>3</sup>

<sup>1,2</sup>Department of Sharia, College of Sharia, Najran University, Kingdom of Saudi Arabia

<sup>3</sup>Department of Jurisprudence and its Principles, College of Sharia and Islamic Studies, Qatar University

<sup>1</sup>jlazoune@nu.edu.sa, <sup>2</sup>aafarahat@nu.edu.sa, <sup>2</sup>ali.ahmed6405@gmail.com, <sup>3</sup>mboudaia@qu.edu.qa

<sup>1</sup><https://orcid.org/0009-0008-7464-8930>, <sup>2</sup><https://orcid.org/0009-0001-0038-8629>

<sup>3</sup><https://orcid.org/0009-0004-8677-3182>

Received: 05<sup>th</sup> March 2025

Revised: 18<sup>th</sup> April 2025

Accepted: 25<sup>th</sup> April 2025

---

**Abstract:** A large number of customers suffer from a lack of financial liquidity in order to purchase expensive goods, so they resort to the method of purchasing in installments, but many sales stores direct them to banks because their financial accounts are there, and their salaries are deposited in these banks, and the bank either takes a commission for guaranteeing The customer is the buyer, or he pays the full amount to the store in one payment and the customer is asked to pay the bank in installments in an amount in excess of the amount that the bank paid to the store, and because of this increase there is suspicion of usury, or the bank actually owns the commodity with clear documents proving ownership, and these goods are transferred to the bank's warehouses. Then the bank sells these goods on a Murabaha basis in installments to individuals. This is an excellent solution that is in harmony with the rules of Sharia, and related to this ownership is a set of rulings that this research will detail, God willing. Islamic banking in the Kingdom of Saudi Arabia has a pioneering experience in adhering to Islamic Sharia controls in its banking activities, and it seeks pure support for the Kingdom's economy.

The objectives of the research were the most important:

1. Providing legitimate answers to people's questions about the extent to which Islamic banks actually own goods, and knowing its beneficial effects in facilitating installment sales operations.
2. Monitoring a group of miscellaneous provisions and controls related to this topic in one place.
3. Proving the ability of Sharia to find appropriate solutions to people's calamities in their lives.

This research concluded with scientific results that we explained at the end of the research.

The research also concluded with a set of important recommendations listed at the end, which are relevant and related to the field of this research.

**Keywords:** Ownership - Installments - Banks - Facilitation

---

## INTRODUCTION

Praise be to Allah alone, and prayers and peace be upon the one after whom there is no prophet.

### To begin with:

One of the most fundamental conditions for the validity of a sale is that the seller must genuinely own the commodity being sold or have entrusted it to an agent acting on his behalf. The actions of such an agent must be authorised explicitly by the original owner. Several means exist for establishing ownership;

among the most significant are official documents clearly identifying the owner's name and accurately describing the property—whether immovable properties such as real estate or movable assets such as vehicles. The availability of official ownership documentation instils confidence in the buyer. Conversely, the absence of such documents, particularly in real estate transactions, generates apprehension in the buyer, clearly discouraging completion of the sale due to concerns about potential hidden owners or future legal complications arising from transacting without proper documentation. Hence, the significance of banks genuinely owning commodities is evident, as it facilitates the completion of transactions transparently, simply, and easily.

#### **RESEARCH PROBLEMS AND QUESTIONS:**

This research addresses a fundamental question: What is meant by the genuine ownership of commodities by Islamic banks, and what beneficial effects does it have on facilitating instalment-based sales? This central question gives rise to several related subsidiary questions closely associated with documenting various rulings related to genuine ownership regulations.

#### **REASONS FOR SELECTING THE TOPIC:**

The reasons for choosing this topic may be summarised in two main points:

**First:** The urgent desire to document numerous jurisprudential rulings and regulations concerning genuine ownership of commodities by Islamic banks.

**Second:** Frequent enquiries by customers regarding the legal status of commodities not physically possessed by banks, but instead held by their original owners located in different countries, rather than genuinely owned by the banks themselves.

#### **RESEARCH OBJECTIVES:**

It can be stated that the most important objectives aimed at by this research are as follows:

1. Supporting the research orientations of Najran University in the area of contemporary jurisprudential issues.
2. Contributing, through research such as this, to disseminating jurisprudential rulings and regulations concerning genuine ownership of commodities.
3. Compiling scattered issues related to this topic into a single resource.
4. Demonstrating the ability of Sharia law to address societal problems based on its authentic jurisprudential principles.
5. Contributing to the facilitation of people's affairs by simplifying the sale of commodities in installments, provided that these commodities are genuinely, not nominally, owned by banks.

#### **LITERATURE REVIEW:**

After careful and thorough investigation conducted by the researchers within the limits of their available resources, some scattered articles and miscellaneous fatwas relevant to the topic were found; however, these materials do not rise to the comprehensive standard or content of the present research.

#### **RESEARCH METHODOLOGY:**

The nature of this research necessitated adopting an inductive-analytical approach, focusing on identifying regulations and rulings regarding genuine ownership by Islamic banks of commodities that customers wish to purchase through these banks.

#### **RESEARCH STRUCTURE AND PROCEDURES:**

The research comprises an introductory introduction, three topics, a conclusion, recommendations, and indexes of topics, sources, and references, organised as follows:

**Introduction:** Including a summary of the research idea, its significance, problems and questions, reasons for selecting the topic, research objectives, literature review, methodology, and structure.

**Topic One:** Clarification of Key Terms in the Research Title

**Topic Two:** Methods for Establishing Genuine Ownership

**Topic Three:** Beneficial Effects of Banks' Genuine Ownership of Commodities in Facilitating Instalment Sales

**Conclusion:** Containing the key research findings and recommendations.

**Index of Topics.**

**Index of Sources and References.**

**Topic One: Clarification of Key Terms in the Research Title**

The proposed title of this research is: "The Genuine Ownership of Commodities by Islamic Banks and its Beneficial Impact in Facilitating Instalment Sales."

This necessitates clarifying the three primary terms comprising this title, namely Genuine Ownership, Islamic Banks, and Instalments.

1. **Genuine Ownership:** Ownership linguistically derives from the Arabic root "*milk*," signifying exclusive possession. Ibn Sidah defines it as: "The act of possessing something and having the capability to exclusively control it"[1]. Thus, this excludes anything that a person does not genuinely possess, lacks exclusive control over, or is otherwise unable to bring under his authority.

The term "genuine" qualifies the term ownership, explicitly excluding any falsely claimed or nominal ownership which lacks supporting evidence.

2. **Islamic Banks:** Some researchers have indicated the absence of a precise definition of a bank, though others have offered definitions, including:
  - (a) "A place where people deposit their money temporarily and withdraw it when needed."
  - (b) "A financial institution primarily engaged in collecting surplus funds from the public, businesses, or the state for the purpose of lending them to others under specified conditions, or investing them in specific financial instruments"[3].

Accordingly, Islamic banks fit the above description while distinguishing themselves through adherence to Sharia rules, avoiding all forms of usury (interest-based transactions). Such banks operate under the supervision of Sharia committees that periodically review transactions suspected of violating Sharia principles.

### **3. Instalments:**

Instalments linguistically refer to division. It is said, "*Qassata al-Shay'a*," meaning "he divided it"[4].

In jurisprudential terminology, instalments denote the postponement of debt repayment, distributing the obligation into multiple, specified periods[2].

This precisely applies to instalment payments in buying and selling, where a purchaser owes an amount divided usually into equal parts, scheduled for payment to the seller at mutually agreed specific intervals. This demonstrates harmony between the linguistic and jurisprudential meanings of instalments.

Having established this, the research revolves around Islamic financial institutions genuinely acquiring specific commodities, holding exclusive control over them (genuine rather than nominal ownership), and facilitating their sale to customers through instalments payable at defined intervals. Genuine ownership is subject to particular regulations, summarised in the next topic.

**Topic Two: Methods of Establishing Genuine Ownership**

Genuine ownership is established through several means, the most prominent of which are:

1. Possession of a deed of ownership bearing official stamps and signatures, documented with competent authorities such as notarial offices and judicial courts.
2. Possession of authenticated sale contracts.
3. Physical possession of the item, with no other claimant contesting ownership, coupled with possession documentation until final ownership deeds are issued.
4. Valid Sharia-compliant gift (*hibah*).
5. Distribution of inheritance.

Banks and financial institutions establish genuine ownership of commodities through valid purchase or supply contracts and by holding these commodities in their own designated warehouses. Ownership of real estate generally follows this same legal and documentary framework.

"Matters relating to proving private real estate ownership are regulated by general principles set out in civil law. Formal rules are governed by the Civil and Administrative Procedures Act and real estate legislation, in addition to certain other laws such as the Registration Act and financial regulations. Notaries perform the fourth element of real estate contracts—official documentation—as well as completing registration procedures and public notice at land registries, thus granting the contract legal authority"[1].

Banks usually collaborate with specialised documentation offices recognised for their reliability, integrity, credibility, and expertise.

The genuine ownership of commodities held in banks' warehouses has a significant impact, numerous benefits, and beneficial effects in facilitating instalment-based sales, detailed in the following topic.

### **Topic Three: Beneficial Effects of Banks' Genuine Ownership of Commodities in Facilitating Instalment Sales**

These beneficial effects are evident in several aspects, the most significant of which include:

1. Enhancing customer trust in banks that genuinely possess commodities held in their own warehouses, as opposed to banks misleading customers into believing they own commodities without valid proof. Such uncertainty deters customers from entering into instalment transactions.
2. Preventing sales involving commodities not genuinely owned by the seller. Jurists unanimously agree that it is impermissible to sell that which one does not own.

Ibn Qudamah stated: "It is not permissible for someone to sell an item he does not own, intending afterwards to purchase and deliver it... We know of no disagreement among jurists on this issue"[7].

2. Ensuring *tawarruq* (monetisation) transactions fully comply with Sharia principles, without any suspicion, as in the case of genuine, straightforward *tawarruq*, involving the real purchase of a commodity at a deferred price. In such transactions, the commodity genuinely enters into the buyer's ownership, is physically delivered to them, and fully guaranteed by them. The buyer subsequently sells it at a lower immediate (cash) price, due to their urgent need for liquidity, provided the commodity is sold to a third party other than the original seller. However, banking *tawarruq* practised by banks carries strong suspicion of prohibition. In banking *tawarruq*, the client obtains cash by purchasing a specified commodity from a particular source at a deferred price from the bank, subsequently authorising the bank itself to sell this commodity on the client's behalf. The client is then obligated to repay the bank an amount exceeding the price paid by the bank. Banks typically purchase commodities at lower prices through global commodity exchanges without genuine physical acquisition or delivery. Such commodities are often located across various global locations, with no genuine ownership or actual delivery occurring, including metals such as copper, iron, and aluminium. Most banking *tawarruq* transactions involve internationally traded commodities due to their liquidity

and procedural simplicity.

A resolution was issued by the Islamic Fiqh Academy during its session held from 19th–23rd Shawwal 1424 AH, corresponding to 13th–17th December 2003 AD, in which participants agreed to prohibit banking *tawarruq*. The summary of this resolution states:

"After reviewing the research presented on this topic and subsequent discussions, the Council determined that the banking *tawarruq* currently practised by some banks involves an organised process whereby the bank arranges the sale of a commodity (excluding gold or silver) from global commodity markets or elsewhere to a client (the person seeking liquidity) at a deferred price. The bank then commits—either explicitly in the contract or implicitly through common practice and custom—to act on the client's behalf by reselling the commodity to another buyer at an immediate (cash) price, subsequently delivering the sale proceeds to the client."

After careful consideration and study, the Council of the Academy resolved as follows:

**First:** The form of *tawarruq* previously described is prohibited for the following reasons:

1. The seller's obligation in the *tawarruq* contract—acting as an agent to resell the commodity to another purchaser or arranging such resale—renders it similar to the forbidden practice of *'inah* (buy-back transaction), whether this obligation is explicitly stipulated or implied by common practice and custom.
2. In many cases, this transaction results in violating Sharia conditions regarding proper delivery (*qabd*), which is necessary for the validity of such transactions.
3. The actual practice of this transaction primarily involves the bank providing a monetary loan at a higher repayment amount to the client, with the purchase and sale process largely being nominal.

This transaction differs from the genuine *tawarruq* known to jurists, the permissibility of which was previously affirmed by the Academy in its fifteenth session under specific conditions detailed in its resolution, based on clear distinctions outlined in the submitted research.

**Second:** The Council urges all banks to abstain from prohibited transactions in compliance with Allah's command.

Furthermore, while the Council appreciates the efforts of Islamic banks to save the Muslim community from the harms of usury, it strongly recommends utilising genuine, lawful transactions instead of nominal arrangements that effectively constitute mere financing with increased repayments benefiting the lender<sup>1</sup>.

Thus, It Becomes Evident That: the credibility of the bank in genuinely owning assets plays a crucial role in gaining the trust of clients. Consequently, selling these assets to clients at a marked-up price is permissible, as this transaction closely aligns with the Murabaha financing model. This contributes significantly to clients' willingness to engage in such transactions. Conversely, if the bank merely uses international goods as a means to generate usurious gains from clients, while not actually acquiring or taking possession of these goods, this casts a strong suspicion of Riba (usury) over the transaction. As a result, clients would likely shun such dealings due to the perceived impermissibility of the transaction under Islamic law.

It may be appropriate in the coming periods to expand the use of technology to support this field (Ahmed, Alharbi, & Elfeky, 2022; Elbyaly & Elfeky, 2023a, 2023c, 2023e, 2023f, 2023g, 2023h, 2023i; A. Elfeky, 2017; A. I. M. Elfeky & Elbyaly, 2016, 2019, 2023a, 2023b, 2023c, 2023e, 2023f, 2023g; A. I. M. Elfeky, Najmi, & Elbyaly, 2023, 2024a, 2024b; Elfekyand, 2016; Masada, 2017; Masadeh & Elfeky, 2016).

---

<sup>1</sup> Financial Transactions: Principles and Contemporary Applications, Dubyan bin Muhammad al-Dubyan, 11/501.

• **CONCLUSION:**

The research has produced several key findings, the most important of which are:

1. True ownership of goods entails actual possession and the ability to fully control and dispose of them.
2. Islamic banks play a significant role in adhering to Shariah-compliant financial transactions, thereby demonstrating integrity in genuinely owning assets.
4. Installment sales are fundamentally permissible, provided no additional charges are imposed for delayed payments.
5. True ownership can be established through multiple means, of which the research has identified five key methods.
6. The genuine ownership of goods by banks has positive impacts on facilitating installment-based transactions, particularly in legitimising Tawarruq transactions without any suspicion of Riba.
7. This study serves as a serious attempt to rationalise banking practices and enhance financial transparency.

• **Research Recommendations:**

The researchers have identified four key areas for further scholarly investigation, which include:

1. Modern indicators for verifying ownership of goods and real estate.
2. The impact and legal rulings on fraudulent ownership claims – A contemporary Islamic jurisprudential study.
3. The principle: ‘What one does not own, one cannot sell’ – Its applications and exceptions.
4. The establishment of bank-operated warehouses for goods – Regulations, rulings, and implications.

**ACKNOWLEDGMENT**

The authors are thankful to the Deanship of Graduate Studies and Scientific Research at Najran University for funding this work under the Growth Funding Program grant code (NU/GP/SEHRC/13/99-2).

**REFERENCES**

- Ahmed, E. S. A. H., Alharbi, S. M., & Elfeky, A. I. (2022). Effectiveness of a proposed training program in developing twenty-first century skills and creative teaching skills among female student teachers, specializing in early childhood. *Journal of Positive School Psychology*, 4316-4330.
- Masadeh, T. S. Y., & Elfeky, A. I. M. (2016). Efficacy of open-source learning management systems in developing the teaching skills of English language student teachers. *American Journal of Educational Research*, 4(4), 329-337.
- Masada, T. S. Y. (2017). Immediate versus delayed feedback in promoting student teachers skills for lesson plan implementation. *Thouqan Saleem Yakoub Masadeh and Abdellah Ibrahim Mohammed Elfeky (2017) Immediate Versus Delayed Feedback in Promoting Student Teachers Skills for Lesson Plan Implementation, British Journal of Education*, 5(8), 43-58.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2016). The impact of learning object repository (lor) in the development of pattern making skills of home economics students. *British Journal of Education*, 4(2), 87-99.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). The effectiveness of virtual classrooms in developing academic motivation across gender groups. *Ann. For. Res*, 66(1), 2005-2020.
- Elfekyand, A. I. M. (2016). The use of CSCL environment to promote students' achievement and skills

- in handmade embroidery. *Journal of Home Economics*, 26(3).
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). The impact of virtual classrooms on the development of digital application skills among teachers of digital skills in Najran region. *Ann. For. Res*, 66(1), 2044-2056.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The impact of blended learning in enhancing the skill performance of producing digital content among students of optimal investment. *Ann. For. Res*, 66(1), 2031-2043.
- Elfeky, A. (2017, July). Social Networks Impact factor on Students' Achievements and Attitudes towards the "Computer in Teaching" Course at the College of Education. In *International journal on E-learning* (Vol. 16, No. 3, pp. 231-244). Association for the Advancement of Computing in Education (AACE).
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). Examining the effects of virtual classroom use inside learning management systems on enhancing student satisfaction. *Ann. For. Res*, 66(1), 1980-1990.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The effectiveness of a program based on augmented reality on enhancing the skills of solving complex problems among students of the Optimal Investment Diploma. *Annals of Forest Research*, 66(1), 1569-1583.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2019). Multimedia: different processes. In *Interactive multimedia-multimedia production and digital storytelling*. IntechOpen.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The impact of problem-solving programs in developing critical thinking skills. *European Chemical Bulletin*, 12, 6636-6642.
- Elfeky, A. I. M., Najmi, A. H., & Elbyaly, M. Y. H. (2023). The effect of big data technologies usage on social competence. *PeerJ Computer Science*, 9, e1691.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). THE EFFECT OF E-TUTORIAL PROGRAMS ON IMPROVING THE PRODUCING DIGITAL CONTENT SKILL. *European Chemical Bulletin*, 12, 6581-6587.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). The Impact Of Project-Based Learning On The Development Of Cognitive Achievement In The Course Of Applications In Educational Technology Among Students Of The College Of Education At Najran University. *European Chemical Bulletin*, 12(6), 6643-48.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). Collaborative e-learning environment: Enhancing the attitudes of optimal investment diploma students towards the digital skills course. *European Chemical Bulletin*, 12, 6552-6558.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The Effectiveness of Using Advanced Organizations within the Virtual Classroom to Enhance the Acceptance of Technology During Disasters. *European Chemical Bulletin*, 12, 6603-6612.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The Efficiency of Online Learning Environments In Fostering Academic Motivation. *European Chemical Bulletin*, 12, 6622-6628.
- Elbyaly, M. Y. H., & Elfeky, A. I. M. (2023). The efficiency of instructional gaming programs in stimulating creative thinking. *European Chemical Bulletin*, 12, 6613-6621.
- Elfeky, A. I. M., & Elbyaly, M. Y. H. (2023). MANAGING DRILL AND PRACTICE PROGRAMS WITH A MOTIVATIONAL DESIGN AND THEIR EFFECTS ON IMPROVING STUDENTS' ATTITUDES TOWARD INFORMATION AND COMMUNICATION TECHNOLOGY COURSES. *European Chemical Bulletin*, 12(6), 6567-6574.

Proof of real estate ownership by notarized contracts, Judy Laila, Master's thesis, University of Mohamed Boudiaf, M'Sila - Algeria, academic year 2018/2019, p. 71.

Jurisprudential definitions, Muhammad Ameer Al-Ihsan Al-Mujaddidi Al-Barakti, Dar Al-Kotob Al-Ilmiyyah (reprint of the old edition in Pakistan 1407 AH), 1st edition, 1424 AH, p. 213.

Banking Tawarruq, Riyadh bin Rashid Abdullah Al-Rashoud, Ministry of Endowments and Islamic Affairs, Qatar, 1st edition, 1434 AH, p. 30.

Shams Al-Ulum and the Medicine of the Words of the Arabs from Wounds, Nashwan bin Saeed Al-Himyari Al-Yemeni, (d. 573 AH), Investigated by: Dr. Hussein bin Abdullah Al-Omari and his colleagues, Dar Al-Fikr Al-Mu'aser, Beirut, 1st edition, 1420 AH, 8/5491.

Al-Muhkam and Al-Muhit Al-A'zam, Ali bin Ismail bin Sayyida Al-Mursi, (d. 458 AH), Investigated by: Abdul Hamid Handawi, Dar Al-Kutub Al-Ilmiyyah, Beirut, 1st ed., 1421 AH, 7/54.

Financial Transactions, Originality and Modernity, Dubyan bin Muhammad Al-Dubyan, Publisher: Al-Mu'tall, 2nd ed., 1432 AH, 2/145.

Al-Mughni Sharh Mukhtasar Al-Kharqi, Abdullah bin Ahmed bin Qudamah Al-Maqdisi, (d. 620 AH), Investigated by: Dr. Abdullah bin Abdul Mohsen Al-Turki, Dr. Abdul Fattah Al-Helou, Dar Alam Al-Kutub: Riyadh, 3rd ed., 1417 AH, 6/296.