

**MONEY & BANKING**

**MARK-UP/BAL-MUAJJAL**

It sale under which the price of the item involved is payable on a deferred bases either in lump sum or in installments. Due to payment at a later date the bank can charge a higher price than the price, which may be paid on the spot, this increase in price is called mark-up . For example, if you purchase an article for Rs.100/- and sell it to your customer Rs.20/- is mark-up.

Mark-up (Murabaha or Bai Moajjal ) is one of the alternative of interest which has been approached by the Council of Islamic/Ideology. This should be taken as second best solution under interest free financing. Mark up as basis of financing could be applied in any business transaction with bank if other approved alternate do not work.

This system could be of considerable use in financing current input requirements of industry and agriculture as well as in the financing of domestic and import trade. This method is relatively simple and the financier earns profit without the risk of sharing loss except in case of bankruptcy or default on the part of the buyer. Pakistan is already providing finance on this basis for community operations of the Govt. i.e. trading operation of Rice Export Corporation of Pakistan, Cotton Export Corporation of Pakistan, Trading Corporation of Pakistan the Utility Stores Corporation and for financing of internal & import trade.

The rates for different type of transaction under the mark-up system may be determined by the banks from time to time keeping in view the market situation and the nature of transaction. The state Bank of Pakistan or any other regulating agency may notify to the banks the maximum/minimum rates of return that can be charged during the corresponding period.

Under the Sharia, it is required that possession of the item to be sold come in the hand of the Bank before it is delivered to the buyer. However, it would be sufficient for this purpose if the supplier from whom the bank has purchased the item sets the purchased item aside the bank and hands it over to any person authorized by the bank in this behalf.

However although this mode of financing is understood to be permissible under the Sharia, it would not be advisable to use it widely or indiscriminately in view of the danger attached to its opening a back-door for dealing on the basis of interest. Safeguards would, therefore, need to be devised so as to restrict its use only to essential cases.

