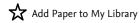
Q Product Submit Blog ↗ Ä & Subscribe **Browse** Rankings Contact (https://www.ssrn.com/)Services paper (https://papers.ssrn.com/sol3/ShoppingCar



🄼 Download This Paper (Delivery.cfm/SSRN_ID2467917_code1694885.pdf?abstractid=2467917&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2467917_code1694885.pdf?abstractid=2467917&mirid=1&type=2)



Share: f 💆 🖾 🔗



Establishing an Interest-Free Lending Platform Applying Optimum Premium, 'Mesbah Point,' in Amortization and Time Value of Money

IJBSR, Vol. 4, No. 1, pp. 1-18, 2014

18 Pages

Posted: 4 Aug 2014

Amir B Izadyar (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1694885)

Darulmaali Financial Group

Feroza Ragnath (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=2263044)

Darulmaali Financial Group

Date Written: January 25, 2014

Abstract

The concept of "Interest" has been viewed as a forbidden instrument in Islamic investments. This study has focused on establishing an interest-free platform, and introducing a new method of direct-to-consumer financing using the amortization and the time value of money. Based on this method, the borrower makes a pre-determined amount of upfront payment in order to receive zero percent interest rate financing and only makes monthly principal payments during the term of the loan. Using the same interest rate and the same term period as in amortization, the total amount of interest occurring during the amortized loan is replaced as future value and the discounted value is calculated as the amount of upfront payment. The relationship between the amount of upfront payment in each range of 30, 20, 15, 10 and 5 year terms and the interest rates 1%-30% shows a parabolic pattern in each term, in which the amount of upfront payment will increase to a pivotal level in each term and will decrease as the interest rate increases. The vertex point of the parabola is named "Mesbah Point" in order to distinguish this conceptual point. Therefore, Mesbah Point is the optimum amount of upfront payment collected, irrespective of the interest rate, to receive an interest free, zero percent loan. In other words, Mesbah Point is as an interest rate-proof value in which the borrower, regardless of interest rates in the market, can contribute a pre-determined amount of upfront payment to receive an interest free, zero percent interest rate loan.

Keywords: Zero-percent interest rate, Mesbah Point, Islamic Finance, Time Value of Money, Securitization

JEL Classification: G15, G21, G23

Suggested Citation >

Show Contact Information >



📆 Download This Paper (Delivery.cfm/SSRN_ID2467917_code1694885.pdf?abstractid=2467917&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2467917_code1694885.pdf?abstractid=2467917&mirid=1&type=2)

7 References

1. Abdul Khir, MF

The concept of the time value of money: A shariah viewpoint International Journal of Islamic Banking and Finance , volume 3 , p. 1 - 15 Posted: 2013

2. Abu Umar Faruq Ahmad (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=3208870) , M. Kabir Hassan (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=12927) The Time Value of Money Concept in Islamic Finance (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3263783)

The American Journal of Islamic Social Sciences 23.1 Pages, 24 Posted, 1 Nov 2018

We usePowkies የቡናልካቹምe/kaeeessary የው/khakleභኒහා sife/አንሪከk. የአማሪት የተልያ ቁዝሪህ ተያንድ ቁዝሪህ ተያንድ ቁዝሪህ ተያንድ የተመሰጠ ነው።

improve, and personalize our content and your digital experience. For more information, see our Cookie

<u>Polity Parks:/AvDerniteriter-Kounteral/Essimerimeren</u>ouche

Islamic vs. conventional banking: Business model, efficiency and stability

4. M U Chapra The nature of riba in Islam	200 2	
The Journal of Islamic Economics and Finance , volui	Load more	
0 Citations		
Fetch Citations		
Do you have a job opening that you w	would like to promote on SSRN?	
Place Job Opening (https://www.ssrn.com/i		
Paper statistics		
DOWNLOADS	109	
ABSTRACT VIEWS	574	
RANK	456,148	
7 References		
PlumX Metrics		
(https://plu.mx/ssrn/a/? Related elournals ssrn_id=2467917)		
Banking & Insurance eJournal (https://papers.ssrn.com/Follow ①	/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1492282)	
Feedback 💭		
Submit a Paper > (https://hq.ssrn.com/subn	missions/CreateNewAbstract.cfm)	
SSRN Quick Links		~
SSRN Rankings		~
About SSRN		~
trk=tyah&trkInfo=clickedVertical%	f (https://www.facebook.com/SSRNcommunity/) in (https://www.linkedin.com/company/493409? 33Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId	l%3Acompany_493409%2Cidx%3
(http://www.elsevier.com/)		

Privacy Policy (https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, Al training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit Cookie Settings.

Terms and Conditions (https://www.ssrn.com/index.cfm/en/terms-of-use/)

Copyright (https://www.ssrn.com/index.cfm/en/dmca-notice-policy/)

(https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true)