The Application of Ju'alah in Islamic Finance: The Malaysian Perspective

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Abstract

Ju'alah is one of the least researched types of Shariah contracts used in Islamic finance. The objective of this paper is to explore the current and potential applications of Ju'alah with specific reference to Malaysian Islamic banking, takaful and the Islamic capital market. This paper establishes that there is potential for using Ju'alah in Islamic finance as a primary and/or secondary contract. It also establishes that Ju'alah can be used in takaful, though it is not being currently used for this in Islamic banking and the Islamic capital market in Malaysia. It is anticipated that the findings of this paper will improve understanding of the practice of Ju'alah in the Malaysian Islamic finance industry.

Keywords: Islamic banks, Islamic Capital Market, Islamic Finance, Ju'alah application, Primary contract, Secondary contract, Takaful Industry

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1. Introduction

The famous English law case Lampleigh v. Braithwaite [1615] which is about past consideration, is a perfect example of Ju'alah. In this case, the defendant, Braithwaite, killed a man and asked the plaintiff, Lampleigh to secure him a pardon from the king. The plaintiff made great effort to do this, spent many days riding and journeying at his own cost across the country to find where the King was, managing to get the pardon requested. Afterwards, the defendant promised to pay the plaintiff £100 in gratitude. He later failed to pay the money so the plaintiff sued (Stoljar, 1966). However, at that time English contract law was against the claim of Lampleigh on the grounds that the performance by the plaintiff came before the promise by the defendant; a case of past consideration. In contract law, past consideration is not a valid consideration. However, contract law was amended after this case and past consideration was given significance.

The contract of compensation in this case is known as Ju'alah according to Shariah law (the law of Islam). Ju'alah as a term refers to commission or reward. It is an incentive contract in Islamic Finance which is different to simply a fee paid for a task. The Ju'alah payment (as Ju'l) is compulsory when the performer (the Amil) fulfils the work announced or contracted by the offerer (the Ja'il), while it is voluntary for the performer (the Amil) to accept the offer of Ju'alah. In the past, Ju'alah was used to achieve certain objectives such as to reward those who find lost property, people who can treat and recover sickness, and those who dig wells to look for water. Today, the Ju'alah contract is used as a supplementary contract in the Islamic finance industry.

When focusing on the significance of Ju'alah for Islamic finance, not many scholars discuss the application of Ju'alah in Islamic banking. However, some literature could be found on the application of Ju'alah in the Takaful industry and in Islamic Capital Markets (ICM). In the case of Islamic banking, they talk about the potential of application of Ju'alah specifically in the debt recovery area for banks. From the literature review it is understood that Ju'alah is not a primary contract, but it is a secondary contract which has the potential to be used in Islamic banks for products such as debt recovery. In Takaful, it can be a sub-contract used as a hybrid Takaful model. However, in ICM, it is found that it could be used as a primary contract. As such, the objective of this paper is to identify the use of Ju'alah in Malaysian Islamic financial institutions and suggest the ways and methods that Ju'alah use can be increased in these institutions.

This paper is divided into four sections. Following this introduction, section two discusses the literature review about Ju'alah while section three analyses the current application of Ju'alah in Islamic Banks, Takaful and Islamic Capital Market in Malaysia. Section four presents recommendations followed by the conclusion.

2. The concept of Ju'alah

Ju'alah has been defined by various scholars. Zuhaili (1989) states that the contract of Ju'alah, named after the wages paid as Ju'l, is an open promise by one party to pay a named reward (the Ju'l) to whoever performs a particular task This contract is binding unilaterally on the initiator who promised the reward, and is therefore concluded unilaterally (Shanmugam and Zahari, 2009). From this definition, it is obvious that Ju'alah is a promise to offer a specified reward for a task which cannot be legally avoided by the person who offered the task. It is also understood that it is a unilateral contract on the offeror and it is clear that sometimes the title of Ju'alah contract is given after paying the wages (reward) by the offerer for the performed task.

The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) defines Ju'alah as a contract in which one of the parties (the Ja'il) offers specified compensation (the Ju'l) to anyone (the 'Amil) who will achieve a determined result in a known or unknown period (AAOIFI, 2015). The definition by AAOIFI describes Ju'alah as a contract between two parties that gives specified compensation as a reward to the performer of a specific task. Basically, under both definitions, the same conditions need to be applied in the contract of Ju'alah. First, there is a task or a work to be performed, and then the rewards are to be granted as promised. Although, in terms of modern applications Zuhaili's (1989) definition is more comprehensive as it describes Ju'alah as a contract which is unilaterally binding to the offeror. However, in the AAOIFI definition, it specifies that, the time period can be known or unknown which is not mentioned in Wahbah Zuhayli's definition.

According to Securities Commission Malaysia (2012, p. 10), Ju'alah carries two meanings: the first meaning is "to determine", where the party who wants to offer Ju'alah determine the rate of reward in the Ju'alah contract, and the second meaning is "to make an obligation". According to this definition, Ju'alah is defined as a reward given to a person for completing a given or offered task. Thus, the essentials for Ju'alah involve a rate of reward, a task to complete and two contracting parties. This is similar to Zuhayli's definition and the AAOIFI standard, which derive similar conclusions.

National Shariah Board (2007) issued a fatwa (NO: 62/DSN-MUI/XII/2007) on the contract of Ju'alah in 2007. According to National Shariah Board (2007), Ju'alah is one form of service, in both the financial and other sectors, for which payment of rewards (wadh / Ju'l) depends on the achievement of the results (natijah) that have been determined and the implementation of the above services is in accordance with the principle of Shariah, The MUI National Sharia Board has deemed it necessary to issue a fatwa on the Ju'alah contract as the basis for the transaction to be made guidelines. In the fatwa Ju'alah is described as a promise or commitment in return for the reward (Iwadh / Ju'l) for the achievement of the agreed results. Ja'il is the party who promises to provide certain rewards for it the achievement of specified work (outcome), Maj'ul is the one who implements the Ju'alah.

It is stated that Ju'alah can be contracted to meet the needs of the service as referred to in the consideration provided that the following: (i) Ja'il party must have legal skills and authority (muthlaq al-tasharruf) to perform the covenant (ii) The object (al-'aqd / ma'Jul 'alaih) must be a job which is not prohibited by Shariah; (iii) The results of the work as intended should be clear and well known by the parties at the time of bidding; (iv) The reward ('iwadh / Ju'l) should be determined and be well known to the parties at the time of bidding; (V) There can be no prepayment before implementation.

In Ju'alah, it is stated that in the event of a dispute between the parties, a solution shall be sought through the National Shariah Arbitration Agency or through the Courts if the parties do not reach an agreement.

2.1. Permissibility of Ju'alah

The permissibility of Ju'alah can be seen in the sources of Islam which is the Holy Quran and Sunnah as well as from the opinions of the scholars. In the Holly Quran Allah says:

> "*They said: We are missing the measure of the king. And for he who produces it is [the reward of] a load camel, and I am responsible for it.*" Surah Yusuf [12:72].

Moreover, the legality of Ju'alah is proven from a Hadith where the companions of the Prophet (P.B.U.H) once received a goat as a gift or reward (Ju'alah) because one of them managed to treat a person who was stung by a scorpion by reading surah Al-Fatihah and then applying spit (saliva) on the wound. When they told it to the Prophet, Rasulullah laughed as he said:

> *"Did you all know that it is a blessing? Accept the gift and distribute my share"* (Sahih al-Bukhari, Book No. 71, Hadith No. 632).

The four major schools of Islamic jurisprudence have different views regarding Ju'alah. The Maliki, Shafi and Hanbali schools are of the opinion that the Ju'alah contract is permissible based on Quranic and Hadith evidence (Securities Commission Malaysia, 2012). However, Hanafi opined that the Ju'alah contract contains elements of gharar (uncertainty) in the time and relation to the task. This view is based on analogy with the Ijarah (lease) contract which provides certainty about work, workers' compensation and time (Zuhaili, 1989). The majority of scholars agree that Ju'alah is a valid contract, provided its terms and conditions are met and the intention is to promote social justice and to prevent exploitation. Therefore, it can be concluded based on the Quran, Sunnah, and the views of the majority of scholars that Ju'alah is a permissible contract in Shariah unless the nature of the activity is Shariah non-compliant.

Ju'alah is also said to resemble Iaqathah that incorporates finding lost things. However, a Ju'alah contract is non-binding and accrual of the compensation is contingent upon a condition. Ju'alah is also allowed for uncertain work or tasks (Ananta et al., 2011). The Shariah complaint Istisna (manufacturing) contract is also very similar to Ju'alah since in both contracts the work or the labour is a condition. The main difference is that, Istisna can only be used for manufacturing goods and construction whereas Ju'alah is a multi-purpose contract and it cab be used for both short- and long-term transactions, in all sectors of the economy (Iqbal and Llewellyn, 2002).

2.2. Elements in a Ju'alah Contract

Shariah rules applicable to Ju'alah include AAOIFI standards (Shariah Standard 15) and Guidelines provided by the Malaysian Islamic Capital Market. Table 1.2 summarises the key elements of a Ju'alah contract in the light of the AAOIFI and ICM definitions.

Table 1: Elements in a Ju'alah Contract

	AAOIFI	ICM
1	Two parties (the offeror and the worker)	The contracting parties
2	Form of the contract	Sighah (offer and acceptance)
3	Subject-matter (Reward/Ju`l)	Reward (Ju`l)
4	Subject-matter (work)	Task/employment

Sources: AAOIFI (2015, p.427); Securities Commission, (2012, p.10)

The above comparison shows that in AAOIFI standard the subject matter is combined as one, while in ICM guidelines, rewards and the work (task) is separated into elements. Simply put, both standards state the same elements using different terminologies.

2.3. Conditions under Ju'alah contract

The conditions under Ju'alah here are identified by combining and comprehending the two Shariah standards (AAOIFI Standards 15 and ICM guidelines) about the contract of Ju'alah. From both Shariah standards some critical conditions include: (i) The existence of legal capacity for both parties; (ii) Sighah (offer and acceptance) must indicate the permission to do a job; (iii) Acceptance of the offer is not a condition; (iv) Ja'il should not be a slave, insane or a person arising from bankruptcy; (v) If the task is done by more than one person, the reward should be divided equally; (vi) The job can be for a specified period and the worker will be entitled for rightful compensation if the task (or part of it) is completed during the time; (vii) The reward should be specified and known and the revocation of Ju'alah must be made known; (viii) The offer of Ju'alah can be an announcement or a verbal invitation or any other form towards a specific person or the public; (ix) The worker should be entitled for full compensation if any loss was not due to the tort or negligence of the worker.

If the reward is not specified in the contract, the Shafii school opines that the worker is not entitled to any reward (AAOIFI, 2015). However, Al-Muzani's opinion is that the worker is entitled to a comparable reward for a task that has been performed (AAOIFI, 2015). In short, both Shariah standards comply with each other in terms of conditions.

2.4. Ju'alah as a Primary contract

This section looks into the use of Ju'alah as a primary contract. The Ju'alah contract is positioned as master agreement in some products used in the Islamic Capital Market, even though originally it was defined as a supporting contract in other areas (Shanmugam and Zahari, 2009). One good example can be found in Indonesia, where Ju'alah is being used a primary contract for short-term certificates (Sarker, 2016), namely Bank Indonesia Shariah Certificate (SBIS), a monetary instrument issued by the central bank for monetary control and management of Islamic banking liquidity (Ananta et al., 2011).

Bank Indonesia Shariah Certificate (SBIS) as a monetary instrument

SBIS are issued to improve the efficiency of monetary policy implementation through open market operations based on Shariah Principles (Ananta et al., 2011). SBIS are used to support the agenda of central bank of Indonesia (i.e. Bank Indonesia) in formulating and implementing monetary policy in achieving and maintaining the stability of the currency. The structure of the Ju'alah based model is highly specified, leaving substantial level of flexibility in implementation (Bank of England, 2017).

The terms and conditions included in SBIS's Ju'alah contract are outlined such that Bank Indonesia acts as employer (Ja'il), Islamic banks act as recipients of work (Maj'ul) and the underlying Ju'alah is the participation of Islamic banks assisting Bank Indonesia's duties in monetary control through the absorption of liquidity from the community and placing it in Bank Indonesia in certain amounts and periods of time (Ananta et al., 2011). In addition, Bank Indonesia uses absorption of liquidity by Islamic banks in the effort to control monetary policy and offers rewards for those who participate in the implementation (Wahyudi and Sani, 2014).

Ju'alah Sukuk for repair of ancient buildings

The Ju'alah contact is also applied as Ju'alah sukuk. According to the Chairman of Shariah Board Securities & Exchange Organization, Dr. Mesbahi Moghaddam (2016), the Iranian Cultural Heritage Organization (originator) has established a Special Purpose Vehicle (SPV) to enter into a Ju'alah contract, whereby the SPV repairs the building and will be rewarded once the repairs are completed. Subsequently, the SPV is granted the required permits and is allowed to issue the Ju'alah Sukuk from the pools the investors' funds and executes (on behalf of Sukuk holders) the second Ju'alah contract with a contractor for repairing the ancient building. When the building is completed, the project is delivered by the contractor to the originator, in accordance with the provisions of the contract. The reward offered is paid to the SPV out of the project returns and annual the budget of the organization. Consequently, the sukuk holders' principal and profits are paid and settled.

Ju'alah for construction

Ju'alah can be used as a construction contract for building hotels, cultural buildings and resort centres by the construction industry. With the same *modus operandi* used for the ancient building repair, the SPV is used by the originator and signs a Ju'alah contract with the SPV as the agent to start the operation. At the end of construction project, the SPV delivers the constructed asset to the originator. The payment can be made in advance, with a down payment, or in the form of stage payment according to the progress of work (Iqbal and Llewellyn, 2002).

2.5. Ju'alah as a Secondary contract

Ju'alah has been widely used as a secondary supporting contract or a contract in a mixed model that is not superior over the other contracts. Ju'alah is also described as a supporting contact in the classification of Islamic contacts (Iqbal and Llewellyn, 2002). For Islamic banks, there is no literature where reference is made to Ju'alah being used as the primary contract. However, on the operational side, scholars often refer the possible use of Ju'alah or the potential it offers banks offering some services as a secondary contract. For Takaful, Ju'alah can be used as a subcontract where it is used as a Hybrid model (Ismail and Ismail, 2012).

Debt recovery for banks as a secondary contract

Ju'alah can be used by Islamic banks for the recovery of overdue debts and certain other services where the subject of the work required cannot be specified (Iqbal and Llewellyn, 2002). In cases where the bank is entitled to compensation for the service provided to their customers, it is permissible to appoint a third party for collection of debts that the entity deserves (AAOIFI, 2015). So, banks can collect debt from bills of exchange and cheques using Ju'alah contract where a pre-announced reward can be given to the entities or individuals who perform the debt recovery work referred by the bank (Wahyudi and Sani, 2014).

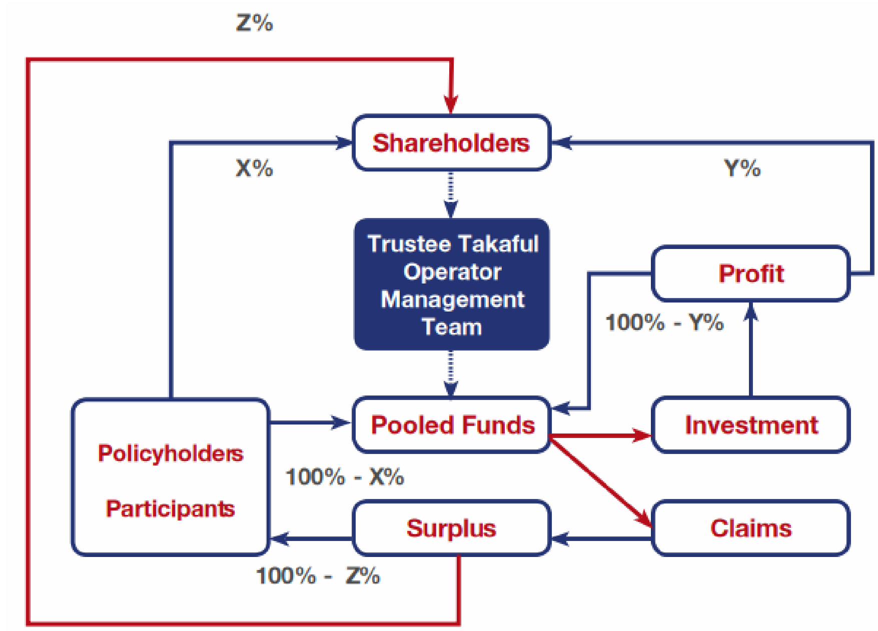
Takaful Industry -Takaful Hybrid Model as a supporting contract

The Ju'alah contact is only found in this model for Takaful operation. Takaful hybrid is combination of wakalah (agency), murabaha (partnership), Ju'alah (commission) and waqf (endowment) contracts in accordance with the need of the Takaful operator. A mutual tabarru' (indemnity) is formed by all Takaful participants, including the operator in all four of the above contracts (ISRA, 2011). As one of the conditions of Ju'alah is to pay the reward for certain and specific tasks performed, all the participants will be involved in appointing a person who will perform the task that is managing the Takaful fund in a specified condition as Ju'alah. If the task is performed well as it should be, deserved reward or payment will be granted according to the actual work that is performed (ISRA, 2011).

A similar model is supported by another group of scholars (Ismail and Ismail, 2012) naming Hybrid modified model. Figure 1 shows the illustrative pattern of how hybrid modified model works. The model includes Wakalah, Mudharabah and Ju'alah Islamic contracts. The Wakalah agreement covers the insurance related activities while the Mudharabah contract covers the investment-related activities. The Takaful operator performs the role of agent (Wakeel) for all participating parties, because of the responsibility of managing the fund, as well as the role of manager (Mudharib) associated with managing the investment activities of the fund, while all participants in this model act as principals (Rabbulmal). Therefore, the activity of the Takaful operator involves a fee to compensate for time and effort.

Figure 1 has an additional Ju'alah component (Z%) added to the hybrid model (previous model). It enables shareholders (of the Takaful company) to get a conditional reward, if the surplus exceeds the pre-agreed amount (Ismail and Ismail, 2012). Z% is the surplus portion and Y% is the portion of profit attributed to shareholders (of the Takaful company) specified in the Ju'alah contact. This is in line with the schools of Maliki, Shafi'i and Hanbali stipulation that in Ju'alah the performance fee should be clearly stated to avoid ambiguity and later disputes.

Figure 1: Hybrid Modified Model of Takaful



Source: Ismail and Ismail (2012, p. 11)

Ju'alah was added to this model because previously shareholders (of the Takaful company) did not have any share in the surplus generated by operating Takaful; however, they only receive returns from profit through investment and receive nothing in case of deficit (Khan, 2015). This model is acknowledged as being one of the most useful models of Takaful and is implemented by the Malaysian Takaful operators (Ismail and Ismail, 2012). The modus operandi for this model adheres to the following principles. First, the fee (Wakalah) "is taken upfront during the contract initiation phase" (Ismail and Ismail, 2012, p.11). Then the profit for the investment activities is shared. Lastly, the performance incentive (Ju'alah) is paid, if the operator attains the agreed goal. In this way, the performance fee attribution from the surplus through Ju'alah would benefit the manager to have a prudent underwriting policy.

3. Practical Application of Ju'alah

The practical application of Ju'alah is analysed by studying the Malaysian financial market, to observe the use of Ju'alah for Islamic banks, Takaful companies and Islamic Capital Market which is discussed below. Emails were sent to each targeted Islamic financial provider, to which we didn't get any response unfortunately. As an alternative, data was gathered from their websites and product disclosure sheets. Also, an officer from Bursa Suq Al-Sila provided additional information on Ju'alah contracts and fee income for Bursa Malaysia.

3.1. Identification of Ju'alah use by Islamic banks in Malaysia

In order to identify whether Ju'alah contacts are currently being implemented in Islamic banks and to identify if the products are used as Primary or Secondary contracts for Ju'alah, data has been collected from all sixteen Islamic banks in Malaysia. To collect the data, emails were sent to all sixteen banks, and all sixteen websites were used as secondary source to identify any product or service that incorporates Ju'alah contact.

With no responses to the emails, using information available on the website and product disclosure sheets, it was found that no Islamic bank in Malaysia is currently using Ju'alah contacts in their products or in their operations.

3.2. Identification of Ju'alah usage by Takaful operators in Malaysia

Data was collected from the websites of fifteen Takaful operators in Malaysia to identify whether Ju'alah contacts are used in Takaful companies as Primary or Secondary, and to identify available Takaful models that include Ju'alah along with other Shariah contracts used in the model (if any).

To collect data, emails were sent to all fifteen Takaful operators (regarding any Ju'alah contact usage in their products), and all fifteen websites were used as a secondary source to identify the Ju'alah products available. With no response from the emails, the information from the website and data from the product disclosure sheets (PDS) was used to compile the following data.

Table 2: Ju'alah inclusive Takaful products in Malaysia

	Takaful Operator in Malaysia	Primary contract	Secondary contract	Product	Shariah Contracts involved in the product
1	AIA PUBLIC Takaful Bhd	NO	YES	(1) EnrichGold-i (2) AIA i-One (death and total and ermanent disability)	Wakalah, Tabarru, Ju'alah and Al-Qard Hassan
2	AmMetLife Takaful Berhad	NO	NO	Not identified	-
3	Etiqa Family Takaful Berhad	NO	NO	Not identified	-
4	Etiqa General Takaful Berhad	NO	NO	Not identified	-
5	FWD Takaful Berhad	NO	NO	Not identified	-
6	Great Eastern Takaful Berhad	NO	YES	i-Great Murni 2.0	Wakalah, Ju'alah, Murabahah, Qard Hassan
7	Hong Leong MSIG Takaful Berhad	NO	YES	Senior Kasih	Tabarru, Wakalah, Ju'alah
8	Prudential BSN Takaful Berhad	NO	NO	Not Identified	-

9	Sun Life Malaysia Takaful Berhad	NO	NO	Not identified	-
10	Syarikat Takaful Malaysia Am Berhad	NO	NO	Not identified	-
11	Syarikat Takaful Malaysia Keluarga Berhad	NO	NO	Not identified	-
12	Takaful Ikhlas Family Berhad	NO	NO	Not identified	-
13	Takaful Ikhlas General Berhad	NO	NO	Not identified	-
14	Zurich General Takaful Malaysia Berhad	NO	YES	(1) Marine Cargo Takaful And (2) Householder Takaful	Wakalah, tabarru, Hibah, Ju'alah, Qard
15	Zurich Takaful Malaysia Berhad	NO	NO	Not identified	-

Note: information is obtained from Product Disclosure Sheets of the above 15 companies

Looking at this data, it can be seen that in Malaysia, Ju'alah is not practiced as a primary contract by any Takaful operator. However, analysis of the product disclosure sheets and websites showed that there are five Takaful models that use Ju'alah (two of the models from Zurich General Takaful Malaysia Berhad and three from other Takaful operators) which all use Ju'alah as a secondary contract. Moreover, the hybrid Takaful model is implemented by only two Takaful operators (Great Eastern Takaful Berhad and Hong Leong MSIG Takaful Berhad) where Ju'alah is incorporated in the hybrid model. The models using Ju'alah allow surplus sharing with the shareholders.

AIA PUBLIC Takaful Bhd uses Ju'alah in some of its products. One of their savings products, *EnrichGold-I* that offers a combination of Ordinary Family Takaful packaged with a compulsory Investment-Linked plan which uses a Ju'alah contract that allows surplus sharing between the participants and AIA PUBLIC as an Ujrah (performance fee) for efficient management of the fund. Another product from AIA PUBLIC Takaful Bhd is *AIA i-One Plan* which is a term Takaful plan that provides coverage for death and total and permanent disability (TPD). According to the product disclosure sheet, there are four Shariah contracts used in this product namely Wakalah, Tabarru', Ju'alah and Al-Qard Al-Hasan.

Great Eastern Takaful Berhad also offers products that use Ju'alah as a secondary contract. In the product disclosure sheet of *i-Great Murni 2.0*, Ju'alah is used as compensation for a given service. Great Eastern uses the concept of Ju'alah in a way that underwriting surplus is shared among the participants and the Takaful operator whereby entitlement to underwriting surplus depends on completion of work and delivery of result. Hong Leong MSIG Takaful Berhad also uses Ju'alah as a secondary contract in *Senior Kasih*. In the product disclosure sheet of Senior Kasih, Ju'alah is defined as a contract in which the participant agrees to reward HLM Takaful for its achievement or good performance in managing the risk fund.

This shows that the concept of Ju'alah is used in the Malaysian Takaful industry and there is the potential to further use this contract in other Takaful models and in developing more Takaful products.

3.3. Identification of Ju'alah use in the Islamic Capital Markets

According to the findings from the Bank of England (2017) the central bank of Malaysia does not use Ju'alah as deposit facility models in Islamic Capital market. For the purpose of understanding the use of Ju'alah in Islamic Capital Market, this paper examines the Ju'alah based model used by Bank Indonesia.

The Ju'alah based model used by Bank Indonesia accepts deposits from the Islamic banks, and provides a unilateral promise to pay a certain return upon completion of a specified (Shariah compliant) task or achieving a specific outcome (Bank of England, 2017).The following data is extracted from the central bank of Indonesia, Bank Indonesia's website:

Table 3: Outstanding balance of SBIS

	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Sept 2013
Outstanding balance (in billion Rupiah)	2824	4341	2997	3476	3455	3610

Note: information is obtained from the official website of Bank Indonesia

According to the data above, SBIS has billions in outstanding balance where in 2009 it had a remarkable increase of more than 4 billion. However, it decreased to 3 billion in 2010, and followed a steady growth afterwards. The Ju'alah based certificate is being implemented successfully up to now. This mechanism also enhances the supply of money according to the requirements of the central bank. However the website does not show any data of outstanding balance after 2013. The use of Ju'alah in the Indonesian capital market indicates the potential for experiment in Malaysia to diversify money market instruments.

4. Recommendations and Conclusion

This research clearly identifies that Ju'alah is not used in Islamic banks either as a primary contract or as a secondary contract. Therefore, it is recommended that the banks use Ju'alah as a primary contract as investment financing where it can be used for housing development projects. Moreover, the contract has the capability to be a primary contact as a reward-based contract that will generate revenue for Islamic banks. Furthermore, investment banking could be very profitable where Islamic banks can offer to produce a specific housing project or any other form of asset that can be sold to a potential customer in the market. It becomes Ju'alah when the house developer or maker produces an asset or house to the specification of bank, and the bank pays the price for Ju'alah work, leading to infrastructural development for economic growth as well. It is found that parallel Ju'alah could also be used to structure an Islamic banking product.

For the Takaful industry, the research identifies that "hybrid-model" is used in Malaysia by only two Takaful operators. Ju'alah as a supporting contract has been used in five products most frequently paired with the Wakalah model. However when Ju'alah is used as a Takaful model, any surplus can also be shared with shareholders as well as profit distribution. Therefore, the Ju'alah inclusive hybrid model could be widely implemented by Takaful operators. Incorporating the Ju'alah contract will help in bringing sustainability, enhancing and demand for Takaful operators in Malaysia.

For Islamic Capital Markets, Malaysia could replicate the Indonesian SBIS to diversify the money market in terms of instruments used. SBIS can be used for monetary control and management of liquidity in Islamic banking. As Indonesia has proven the potential of the Ju'alah contract in Islamic capital market as SBIS is successfully implemented by them in the long run. Ju'alah Sukuk can also be used in Malaysia for management of liquidity. Thus implementation of Ju'alah would help in strengthening the market with more Shariah-complaint products.

These findings show that even though Ju'alah as a contact is not being used as actively used as others, it still has the potential to be a powerful contract. The Ju'alah contract was widely used in the time of Prophet (PUBH) as a primary contract, unlike most of the synthetic contracts today that are used in the Islamic finance industry. In general, this paper has shown the potential of Ju'alah as a strong contract to be used in Islamic banking, in the Takaful industry and Islamic capital markets.

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