

UNIVERSITI TEKNOLOGI MARA

***MAQASID AL-SHARIAH* IN ISLAMIC
BANKS: BEFORE AND AFTER
VALUE-BASED INTERMEDIATION
(VBI) IMPLEMENTATION**

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Dissertation submitted in partial fulfillment
of the requirements for the degree of

Master of Islamic Banking and Finance

Arshad Ayub Graduate Business School

December 2018

AUTHORS' DECLARATION

We declare that the work in this dissertation was carried out in accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of our own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

We, hereby, acknowledge that we have been supplied with the Academic Rules and Regulations for Post Graduate, Universiti Teknologi MARA, regulating the conduct of our study and research.

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Dissertation Title : *Maqasid al-Shariah* In Islamic Banks: Before and After
Value-based Intermediation (VBI) Implementation

Date : December 2018

ABSTRACT

Maqasid al-shariah or ‘the objectives of *Shariah*’ is known to preserve the five basic elements, namely religion, life, intellect, lineage and wealth. Last year, Bank Negara Malaysia (BNM) had published a strategy paper entitled “Value-based Intermediation (VBI): Strengthening the Roles and Impact of Islamic Finance” which touched on how the Islamic banking industry could act as a tool to achieve *maqasid al-shariah*. The introduction of VBI by BNM was due to the lack of awareness and implementation of *maqasid al-shariah* by various Islamic banks. Generally, achieving *maqasid al-shariah* should be the primary focus of most if not all Islamic banks, yet, was not implemented as observed by BNM. It had also signified a concern regarding the operations of Islamic banks which did not represent or promote the true concept of *maqasid al-shariah* within their institutions. Thus, this study aims to highlight the concept of *maqasid al-shariah* that should be realized in Islamic banks. In addition, this study also aims to identify the efforts of Islamic banks in realizing the *maqasid al-shariah* through their products and services before and after VBI implementation. The last objective of this study is to determine the challenges faced by Islamic banks in the realization of *maqasid al-shariah* through VBI. Moreover, a qualitative method was adopted as the main research methodology for this study whereby information on the practices of three Islamic banks in Malaysia including Bank Islam Malaysia Berhad (BIMB), Maybank Islamic Berhad and Bank Pertanian Malaysia Berhad (Agrobank) was gained from semi-structured interviews conducted with bankers directly involved with VBI implementation in the *Shariah* department or division in each bank. Researchers found that the concept of *maqasid al-shariah* that had to be realized in Islamic banks was to provide products and services which could protect religion, life, intellect, lineage and wealth. This study also discovered that *maqasid al-shariah* had been realised in Islamic bank operations in the provision of Islamic banking products and services before and after VBI implementation, whilst being more structured after VBI implementation. There are altogether four challenges faced by the Islamic banks in implementing VBI which are structural issue, high risk segment, lack of awareness and demand and market competitiveness. In tandem, other Islamic banks are encouraged to implement VBI as it could give positive impacts on the application of *maqasid al-shariah* for the bank as well as to aid in further study of the reasons why some Islamic banks are not implementing VBI. The finding of this research could benefit the industry by enlightening the impacts of VBI to the Islamic finance industry.

ACKNOWLEDGEMENT

Bismillahirrahmanirrahim.

Firstly, all praises is to Allah, the Most Merciful, the Most Gracious. With His countless blessings, we can complete our work. Certainly, without the Mercy of Allah, we would not be here and this work would be at a stop.

We will not forget the kindness that our supervisor, Associate Professor Dr. Sharifah Faigah Syed Alwi had shown us. She showered us with words of wisdom, and a gesture of good will. We have stumbled so many times, trying to complete our thesis. Yet, her passion drives us to stay strong and move on. She provides with much needed guidance, supportive attention, constructive comments, and valuable insight. Sincerely, with words, we cannot thank her enough. We could not possibly complete this work without her supervision.

We would also like to take this opportunity to thank our parents. They had sacrificed more than enough to see us through until this day. Their dedication, sweat, and tears to see us succeed reminds us that we have nothing to complain about. We have to be strong because they depended on us and we would not let them down. Dear father, mother, your determination had given us the strength to finally finish this thesis.

Finally, we would like to extend our deepest appreciation to our lecturers that make us a learned individual. We have learned so much during our stay here in this faculty. Also, our deepest gratitude to friends, colleagues and the bankers who had given us their support. Your words of encouragement brought us back up when we are down. We are forever grateful for that.

Jazakumullahkhair. May Allah bless us.

Alhamdulillah... Congratulations Fateha and Ahdiyaty!

TABLE OF CONTENTS

AUTHORS' DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF FIGURES	x
LIST OF ABBREVIATIONS	xi
CHAPTER ONE: INTRODUCTION	1
1.1 Introduction	1
1.2 Background of the Study	1
1.2.1 Islamic Banks and <i>Maqasid al-Shariah</i>	1
1.2.2 'Value-Based Intermediation' as a Tool in Achieving <i>Maqasid al-Shariah</i> by Islamic Banks	4
1.3 Problem Statement	5
1.4 Research Question	6
1.5 Research Objectives	7
1.6 Scope and Limitation of the Study	7
1.7 Significance of the Study	8
1.8 Definition of Terms	9
1.9 Summary	9
CHAPTER TWO: LITERATURE REVIEW	11
2.1 Preamble	11
2.2 Definition of <i>Maqasid al-Shariah</i>	11
2.2.1 Literal Meaning	11
2.2.2 Technical Meaning	11
2.3 Classification of <i>Maqasid al-Shariah</i>	13