

UNIVERSITI TEKNOLOGI MARA

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

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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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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.

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