

**THE APPLICATION OF ISLAMIC BANKING IN MALAYSIA:
A CASE STUDY ON THE COURT DECISIONS IN MATTERS RELATING TO
*AL-BAI BITHAMAN AJIL***


BY

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The student/author confirms that the work submitted is his own and that appropriate credit has been given where reference has been made to the work of others.

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Abstract

Islamic Banking is fast growing business in Malaysia since inception in 1983. *Al-Bai Bithaman Ajil* has become its main products. But, there is no specific law to address and govern the *al-Bai Bithaman Ajil* transactions in Malaysia. The Islamic Banking Act of 1983 is only a regulatory act.

The issues discussed by the judges before handing the decisions will be the main focus as it provides the answer pertaining to the grey issues related to *al-Bai Bithaman Ajil* in Malaysia. The decisions are required and handy in clarifying and addressing certain weaknesses, ambiguity and unclear interpretation in the question of law such as the jurisdiction of Court, the application of conventional law, i.e the National Land Code 1965.

This study suggests that a separated procedural and substantive law should be gazetted for *al-Bai Bithaman Ajil*. This is due to the fact the current laws being applied by the Court is not *Shariah* compliant. In addition, it is also suggested that certain legal powers should be given to the *Shariah* Advisory Council to interfere in the proceedings of the Court. At present, the Council's role is to advice to the Bank Negara Malaysia and has no legal authority.

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