



**UNDERSTANDING AND PERCEPTION ON BANK
MUAMALAT FINANCING PRODUCTS
OFFERING:
A CASE STUDY TOWARDS THE POTENTIAL OF
BANK MUAMALAT FINANCING PRODUCTS IN
BINTULU**

**SAOPI BIN TAIP @ TAIF
2000566856**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONOURS) MARKETING
FACULTY OF BUSINESS MANAGEMENT
MARA UNIVERSITY OF TECHNOLOGY**

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ABSTRACT

The emergence of Islamic banking is often related to the revival of Islam and the desire of Muslim to live all aspects of their lives in accordance with the teaching of Islam. The foundations of the philosophies of Islamic Banking are those principles that have been revealed in the Quran and Hadith Revelations, and the Hadiths, which require Muslim to uphold justice and virtue, serve as principles, which guide Islamic banks in managing the business. Its philosophies and principals are however not new. A key element of Islamic banking is that it is based on the deriving an economic benefit from a tangible economic activity and sharing its rewards and associated risks. The other key element is prohibition of Riba, which is known as Interest service in the conventional banking system and promoting Profit and Loss Sharing (PLS) as an alternative of Riba.

It was the objective of the Malaysian government to develop the Islamic banking system paralyzes to the conventional system. A single Islamic bank does not constitute a system. Thus, the government introduced a concept of Islamic window which allow the existing conventional banks to introduced Islamic banking products and services available to a wide range of customers. In order to strengthen the financial sector during the economic crisis in 1998, the government of Malaysia had embarked on a gigantic task of merging smaller banks into 10 core banking institutions

CHAPTER 1

1. INTRODUCTION

1.1.1 Background of the study

A significant development in the Muslim World in the seventies and eighties was a pan-Islamic movement. This movement aimed to revive the glory of Islam and began to demand the application of Shariah (Islamic Law) in aspect of life. The effort to establish in Islamic Banking is one manifestation of the movement. The Muslim countries begin to discover Islam and want to comply their economic and financial activities according with Islamic value. Since the 1970s, Islamic banking has emerged as a new reading in the international financial scene. Its philosophies and principles are however not new having been outlined in the Holy Quran and the Sunnah of Prophet Muhammad more than 1400 years ago. The emergence of Islamic banking is often related to the revival of Islam and the desire of Muslim to live all aspects of their lives in accordance with the teaching of Islam. The foundations of the philosophies of Islamic Banking are those principles that have been revealed in the Quran and Hadith Revelations and the Hadiths, which require Muslim to uphold justice and virtue, serve as principles, which guide Islamic banks in managing the business. It philosophies and principals are however not new. A key element of