

MALAYSIAN EXPERIENCE IN IMPLEMENTATION OF THE BANKING AND FINANCIAL TRANSACTIONS WITHOUT RIBA

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ABSTRACT

Islamic banking certainly faces many challengers today which are due to the fact that we live in an economy that is driven and manipulated by interest. The following is an illustration of the different challenges facing by Islamic banking. In a market economy, the banking sector is supported and regulated by the central bank. One could see this kind of support in terms of discount rates on loans given by the central bank to commercial banks in times of need. Also, the central bank regulates commercial banks, which will add to the health of those commercial banks. Unfortunately, Islamic banks in the region do not enjoy such privileges. Because of the fact that most countries have a central bank which operates in a market economy.

The previous were the most important or serious challenges for an Islamic banking system. I think that these challenges and many others are a result of trying to build an Islamic banking system in economies and banks that operate and literally exist around interest. In my opinion, building Islamic banks in a market economy is an obvious failure. Islamic banks can survive only in an Islamic economy that abolishes riba or interest.

Keyword: Islamic Banking, Commercial Banks, Islamic Financial System, Market Economy

INTRODUCTION

The Islamic financial system in Malaysia has witnessed a tremendous growth in terms of demand, acceptance and development since it was first introduced in 1963. It started from a modest beginning with the establishment of the Malaysian Pilgrims Fund Board (Tabung Haji), to the setting up of the country's first Islamic bank, Bank Islam Malaysia Berhad (BIMB), which commenced business on 1 July 1983.

Since then, BIMB became the core component of the country's Islamic financial system. With its initial objective confined to developing a viable and modern alternative to meet the financial needs of Malaysians, the Malaysian model of Islamic banking today is one of the most advanced Islamic banking system in the world.

The ultimate objective of the Malaysian model of an Islamic financial system is to operate in parallel with the conventional financial system in the country. In order to achieve this goal, the Malaysia Islamic financial system should be able to present itself as a viable alternative to the more

established conventional system. Specific legal framework and financial instruments are pre-requisite to the Islamic financial system. Initially, an Islamic Banking Act was enacted to cater for this system (Hasroleffendy Hassan, 2011). As the system continues to develop and new components within the system were introduced, legal rules such as the Takaful Acts as well as rules governing the Islamic Interbank Money Market were then issued.

Being the pressing need to leap frog the expansion of Islamic Banking system, the Central Bank (Bank Negara Malaysia - BNM) later allows the existing conventional banking institutions to offer Islamic banking services using their existing infrastructure and branches. The option was seen as the most effective and efficient mode of increasing the number of institutions offering Islamic banking services at the lowest cost and within the shortest time frame. Following from the above, on 4 March 1993 BNM introduced a scheme known as "Skim Perbankan Tanpa Faedah" (Interest-free Banking Scheme) or SPTF in short which in later years known as "Skim Perbankan Islam - SPI" (Islamic Banking Scheme).

In October 1996, BNM issued a model financial statement for the banking institutions participating in the SPI requiring the banks to disclose the Islamic banking operations (balance sheet and profit and loss account) as an additional item under the Notes to the Accounts. In harmonizing difference in opinion, the National Shariah Advisory Council, being the highest authority to decide on Shariah issues pertaining to Islamic Financial System, was set-up in 1997.

In a move to prepare the domestic system to meet future challenges, BNM has formulated the Financial Sector Master Plan (FSMP), a comprehensive ten-year strategy to evolve a competitive, dynamic and resilient financial system that withstands the challenges that brought about by globalisation and liberalisation of the financial markets. The Islamic banking and takaful sector is recognized as being one of the major potential growth sectors addressed in the FSMP.

The Malaysian experience of Islamic Banking has had a tremendous impact on neighboring countries. Indonesia established its first Islamic bank in 1992, followed by Brunei Darussalam in 1993. Thailand has also announced the creation of its first Islamic bank to be set up soon and many more are expected to come (Rosley, S A, 2003). The Malaysia experiment is fascinating and rich, illustrating the effectiveness of a pragmatic approach to solving the chronic problems in Islamic banking. Such experiment need to be supported, encouraged and guided by all parties especially the Muslims.

Emergence of Islamic Banking in Malaysia

Since the 1970s, Islamic banking has emerged as a new reality in the international financial scene. Its philosophies and principles are however, not new, having been outlined in the Holy Qur'an and the Sunnah of Prophet Muhammad (p.b.u.h.) more than 1,400 years ago (Abdul Al-Utawah, 1969). The emergence of Islamic banking is often related to the revival of Islam and the desire of Muslims to live all aspects of their live in accordance with the teachings of Islam.

In Malaysia, separate Islamic legislation and banking regulations exist side-by-side with those for the conventional banking system. The

legal basis for the establishment of Islamic banks was the Islamic Banking Act (IBA) which came into effect on 7 April 1983 (Hakimah Yaacob, 2010). The IBA provides Bank Negara Malaysia (BNM) or Central bank of Malaysia with powers to supervise and regulate Islamic banks, similar to the case of other licensed banks. The Government Investment Act 1983 was also enacted at the same time to empower the Government of Malaysia to issue Government Investment Issue (GII), which are government securities issued based on Syariah principles. As the GII are regarded as liquid assets, the Islamic banks could invest in the GII to meet the prescribed liquidity requirements as well as to invest their surplus funds.

The first Islamic bank established in the country was Bank Islam Malaysia Berhad (BIMB) which commenced operations on 1 July 1983. In line with its objectives, the banking activities of the bank are based on Syariah principles (Rusni Hassan, 2010). After more than a decade in operations, BIMB has proved to be a viable banking institution with its activity expanding rapidly throughout the country with a network of 80 branches and 1,200 employees. The bank was listed on the Main Board of the Kuala Lumpur Stock Exchange on 17 January 1992.

The long-term objective of BNM is to create an Islamic banking system operating on a parallel basis with the conventional banking system. However, similar to any banking system, an Islamic banking system requires three vital elements to qualify as a viable system, i.e.:-

- A large number of players;
- A broad variety of instruments; and
- An Islamic money market.

In addition, an Islamic banking system must also reflect the socio-economic values in Islam, and must be Islamic in both substance and form. Recognizing the above, BNM adopted a step-by-step approach to achieve the above objectives. The first step to spread the virtues of Islamic banking was to disseminate Islamic banking on a nation-wide basis, with as many players as possible and to be able to reach all Malaysians. After a careful consideration of various factors, BNM decided to allow the existing banking institutions to offer Islamic banking services using their existing infrastructure and branches. The option was seen as the most effective and efficient mode of increasing the number of institutions offering Islamic banking services at the lowest cost and within the shortest time frame (Rafe Haneef, 2010). Following from the above, on

4 March 1993 BNM introduced a scheme known as "Skim Perbankan Tanpa Faedah" (Interest-free Banking Scheme) or SPTF in short.

In terms of products and services, there are more than 40 Islamic financial products and services that may be offered by the banks using various Islamic concepts such as Mudarabah, Musyarakah, Murabahah, Bai' Bithaman Ajil (Bai' Muajjal), Ijarah, Qardul Hasan, Istisna' and Ijarah Thumma Al-Bai'. To link the institutions and the instruments, the Islamic Interbank Money Market (IIMM) was introduced on 4 January 1994.

In October 1996, BNM issued a model financial statement for the banking institutions participating in the Islamic Banking Skim (IBS) requiring the banks to disclose the Islamic banking operations (balance sheet and profit and loss account) as an additional item under the Notes to the Accounts. As part of the effort to streamline and harmonies the Syariah interpretations among banks and takaful companies, BNM established the National Syariah Advisory Council on Islamic Banking and Takaful (NSAC) on 1 May 1997 as the highest Syariah authority on Islamic banking and takaful in Malaysia (Ahmad Basri, 2011).

On 1 October 1999, a second Islamic bank, namely Bank Muamalat Malaysia Berhad (BMMB) commenced operations. The establishment BMMB was the effect of the spin-off following the merger between Bank Bumiputra Malaysia Berhad (BBMB) and Bank of Commerce (Malaysia) Berhad (BOCB). Under the merger arrangement, the Islamic banking assets and liabilities of BBMB, BOCB and BBMB Kewangan Berhad (BBMBK) were transferred to BMMB, while the conventional operations of BBMB, BOCB and BBMBK were transferred to BOCB accordingly. In addition, BMMB was given 40 branches of BBMB and BBMBK in various locations throughout Malaysia and a staff workforce of 1,000, migrated from BBMB, BOCB and BBMBK.

Goals of Islamic Banking

As emphasis in earlier definition of Islamic banking system, Islamic Banks do not deal with loans (except for benevolent loan – Qardh Hassan). Instead, they introduce Musharakah (Partnership), Al-Bai Bithaman Ajil (deferred payment sale as a result from trading activity) and Mudharabah (Profit Sharing of gain and losses),

which make the investments of the Islamic Banks depend on the usefulness and feasibility to the project in which the money is invested (Mudawi, S. Al-Bagkhir, 1984). This is a contrast with traditional banks using the conventional system that loans out money for interest, without regard as to the usage to which the money will be put, because the bank knows that the client is able to repay the loan.

The Banking system should, like all other aspects of the Islamic way of life, be made to contribute richly to the achievement of the major socio-economic goals of Islam. The system should also continue to perform the usual functions that relate to its own special field which other banking systems performs. Some of the most important goals and function necessary for an Islamic Banking system are socio-economic justice and equitable distribution of income and wealth as well as the stability in the value of money to enable the medium of exchange to be a reliable unit of account (Said, Pervez, 2005).

Mobilization and investment of savings, coupled with effective rendering of all services normally expected from the banking system are equally important in achieving the goals of an Islamic banking services provider. It may be argued that the goals and functions of the Islamic banking system are similar to those under capitalism but there is in fact a significant difference in emphasis, arising from the divergence in the commitment of the two systems to spiritual values, socio-economic justice and human brotherhood (A. Shamshad, 2011).

The main principles of Islamic banking are the prohibitions of interest (usury) in all transactions, the undertaking business and trade activities must be on the basis of fair and legitimate profit and the prohibitions of monopoly and hoarding (Ahmad, A, 1997).

Comparison Between Islamic and Conventional Banking

Islamic Banks, like conventional banks, are profitable organizations. Their aim is to gain profit, but they are not allowed to deal with interest or to engage in any business or trade prohibited by Islam. In contrast, traditional conventional banks have as their main goal the maximization of profit subject to a reasonable level of liquidity. They tend to deal with loans only and are keen in engaging

themselves in direct investment as a main activity (Kamaruzaman Jusoff *et al*, 2009).

The difference between the conventional banking system and the Islamic banking system is that, in the conventional system, interests are given (pre-promised) with a guarantee of repayment and a fixed percentage return while in the Islamic system, investors share a fixed percentage of profit when it occurs i.e. the share of the two practices will vary according to the profit achieved. Banks get back only a share of profit from the business to which it is a party and in case of loss, the business party loses none in terms of money but forgoes the reward for its activities during that period.

It is very important to remember that the Islamic banking movement in the country has only approximately 30 years, so it is unfair to compare its result with those of the conventional banks which have been in existence for almost 300 years.

History of Bank Islam Malaysia Berhad(BIMB)

History of establishment of Bank Islam Malaysia Berhad has been started since the 1970s. Proposed establishment of Islamic banks in Islamic countries was discussed at the international level, when the call was made by representatives of countries of Egypt and Pakistan in the Second Meeting of Foreign Ministers of Islamic States in 1971. Following these proposals, study after study has been made to realize the establishment of Islamic banks. These studies were subsequently presented in the First Meeting of Finance Ministers of Islamic Countries in December 1973. In the meeting of Finance Ministers of Muslim Countries held in 1974, the preparation committee, chaired by HRH Tunku Abdul Rahman Putra Al-Haj (Secretary-General of the Organization of Islamic Countries at that time) was to present the first official document that describes the views of people Islam on the banking system.

In Malaysia, many parties had expressed their desire for the establishment of an Islamic bank and the country it has been discussed in the Bumiputera Economic Congress (1980), the National Seminar on Islamic Concept of Development, held in Universiti Kebangsaan Malaysia (1981) and also at the state level as in Kelantan and Melaka. Lembaga Tabung Haji also managing and also a study on the establishment of Bank Islam in Malaysia, following a motion Bumiputera Economic Congress (1980) said. The same applies to the Malaysian Islamic Welfare

Foundation. On December 10, 1980, YM Mohammad Amir Al-Faisal Al-Saud (President of the International Association of Islamic Banks and also the Chairman of the Islamic Investment Company), headquartered in Geneva, and Tunku Abdul Rahman Putra Al-Haj (President of the Malaysian Islamic Welfare Organisation or PERKIM at that) have signed a "Letter of Intent" which both parties agreed to sponsor the establishment of Bank Islam in Malaysia.

Also concerned about the establishment of Bank Islam in Malaysia is that some private parties who have established the Survey of Bank Islam, alone, a study to explore how to set up an Islamic bank in the country. On July 10, 1981, the Financial Advisory Council and Managing Board of Tabung Haji had a discussion with the Committee. In this discussion, both parties agree that preferably a national steering committee formed to study and make recommendations on the establishment of Bank Islam in Malaysia. Membership of the Steering Committee was appointed by the Prime Minister. Government accepts the recommendation of the Managing Board and Tabung Haji on the establishment of Bank Islam coordinated at the national level. On July 30, 1981, the Steering Committee of the National Bank was established and chaired by YM Raja Tan Sri Mohar bin Raja Badiozaman while the Managing Board and appointed as secretariat of Tabung Haji.

On July 5, 1981, the National Steering Committee for the Islamic Bank has submitted its report and accepted by the government. Following the government's acceptance of the Steering Committee report, the Parliament and the Senate has made the Islamic Banking Act into law in late 1982. The Act was gazette in 1983. Islamic Bank was incorporated as a limited company under the Companies Act 1965 on 1 March 1983 under the name of Bank Islam Malaysia Berhad, after the government consented to its establishment as the country celebrated the Muslim call for this. The Bank has also started his business four months later, on July 1, 1983. Memorandum and Articles of Association (the Bank) stipulates that "all business conducted by the company must follow the principles, rules and practices of Islam." Islamic banks are prohibited from conducting any business activity that is not only consistent with the requirements of Islam. A summary of the most important operations of Islamic Banking Islamic laws based on the implementation "of the Banking and Financial Transactions Without Riba."

Islamic Bank has started its business with an authorized capital of RM 500 million, while its paid-up capital of RM 79.9 million. Holders of its shareholders are the Minister of Finance (Incorporated) Malaysia (RM30 million), the Managing Board and Tabung Haji (RM 10 million), Malaysian Islamic Welfare Organisation-Perkim (RM 5 million), the State Religious Councils (RM 20 million), the Corporation / Foundations of Religious Affairs (RM 3 million) and Federal Level Corporations (RM12 million). Temporary headquarters at Level 1, Kompleks Pilgrims, 5C/1A Road, River Way / Subang, Selangor Darul Ehsan, Islamic Bank started operations with a total staff of about 30 pilot. The Bank has also provided training to them on sharia principles relating to banking and finance. Pilot group of staff responsible for providing the operating system manuals and procedures for the various facilities and banking services offered to customers, in accordance with the principles of the shariah. This is a challenging task in view of the Islamic Bank is the first Islamic commercial bank established in this country.

Islamic Bank was officially launched by former Prime Minister of Malaysia, YAB Dato 'Seri Dr. Mahathir bin Mohamad on July 1, 1983. In his speech The Honourable Dato 'Seri Dr. Mahathir bin Mohamad, said, "The establishment of Bank Islam in Malaysia is not a manifestation of the arrogance of Muslims or a symbolic effort to show the Islamic countries. The establishment of the Islamic Bank is an effort to ensure that the implementation of Islamic teachings to the economic this country will not take an accident. For this is needed is not a 'gesture' or a symbol but an effort to create and manage a bank can determine how Islam can play a role in the modern economy." In the financial year of the first Islamic bank has opened four branches in Kuala Lumpur, Kuala Terengganu, Kota Baru and Alor Setar. Total assets of Bank Islam as it is of RM550.7 million and a total staff strength of 272 personnel, comprising 109 officers and 163 clerical and non clerical staff.

On June 30, 1984, Islamic Bank customers savings amounted to RM241.4 million. Savers-savers in the four branches of the Bank consist of individuals, government departments, statutory bodies, organizations and companies of the corporate sector. While the finance and investment will be of RM161.1 million. Much of this funding has been provided under the principle of the BBA-Al, Al-Ijarah financing projects under the principle of Al-sharing. On June 30, 1984, the

Bank has short-term investments in Malaysian Government investment certificates of RM71.2 million, and the stock of commodities traded on the basis of "cash & carry 'the agents of RM60 million. Malaysian Government Investment Certificates Government Certificates are short-term liquidity provided by the Government through an Act of Parliament to enable the Bank and other institutions and the public to lend short term funds to the government based on the principle of Al-Qardhul-Hasan (benevolent loan).

In the first year of operations, the Islamic Bank posted a loss for the period under review a total of RM1.3 million. Islamic banks also have to pay the zakat of RM483, 547. With this, the accumulated losses carried forward amounting to RM1.8 million. The first Annual General Meeting was held at the Bank Company's Registered Office at 9th Floor, Menara Tun Razak, Jalan Raja Laut, Kuala Lumpur on February 27, 1985. On June 30, 1985, the Bank made a profit of RM 4.3 million before the payment of zakat and taxation for the financial year under review. Number of employees grew to 366 people, with its new branch in Wellesley, Klang, Jalan Perdana Kuala Lumpur and Seremban. Bank Islam continues to grow with the establishment of subsidiaries that conduct Islamic financial system. In the same year, the Bank has established the Ijarah Sdn. Bhd, in order to buy and own property, immovable property and movable equipment needed by the Bank and let him.

In 1984, the Bank established Syarikat Takaful Malaysia Sdn. Ltd., A takaful (Islamic insurance) that covers the family takaful (Islamic life insurance) and general takaful (Islamic insurance). Also established was a nominee company of Al-Wakalah Nominees (Tempatan) Sdn. Bhd.. In 1991, the Bank has increased its paid up capital of RM133.4 million. In the following year on 17 January 1992, the Bank was listed on the main board of the Kuala Lumpur Stock Exchange (KLSE). It is the first Islamic financial institutions listed on the KLSE. Listing shares in Bank Islam to prove that corporate financial affairs of the Islamic Bank to improve the standard of the financial activities of the most high. In the financial year ended 30 June 1992, a total asset of the Bank, without any details of the counter, over the years has increased from RM1, 357.2 million to RM1, 607.8 million. Bank's profit before zakat and taxes, was 16.1 million compared with RM14.1 million in the previous year.

Islamic banks with other financial institutions more aggressively to offer Islamic banking services and the Bank continues to be a key driver in the Islamic banking industry. At the headquarters level, the management structure has been reorganized into several parts with the addition of Retail Banking and Corporate Banking. At a time when Bank Islam aggressively expanding its business wing, he did not forget to improve the customer service department. Thus, systems have also been enhanced. This puts the Bank's position on par with the Islamic and conventional banks so that they can open up opportunities to develop products and services.

In 1992, Bank Islam has become the first bank in the country with the introduction of the ATM cards to its customers that tech-chip systems, also known as a smart card (Smart Card), which has to be introduced in Europe. Automatic Teller Machine (ATM) so is installed in all branches of Islam. Just at that moment, the Islamic Bank ATM card does not have a relationship (link) to MEPS until the year 1998. The use of chip technology is proven to be safe from the cloning activity. On October 28, 1993, YBhg. Tan Sri Dato 'Shamsuddin Abdul Kadir had been replaced YM Raja Tun Mohar Raja Badiozaman as Chairman of Bank Islam. For the Management Team, the Mr. Ahmad Tajudin Abdul Rahman has been replaced YBhg Dato 'Dr. Abdul Halim Ismail Managing Director of Bank Islam.

In the same year, BIMB Unit Trust Management Bhd. began operations. In 1994, the first Islamic securities in Malaysia there are the establishment of the Securities Holdings Pte. Bhd. Securities Holdings is responsible for developing the Islamic capital market into a modern, innovative and dynamic that is not directly involved in the business of conventional stock market. Also established was BIMSEC Nominees (Tempatan) Sdn. Ltd., BIMSEC Nominees (Asing) Sdn. Bhd. and BIMSEC Asset Management Sdn. Bhd.. Within 10 years of operation, at the end of the year, Bank Islam has increased to RM1.61 billion in deposits. Total Bank financing less provision for bad and doubtful debts was RM996.5 million. A total asset of Bank Islam, with no details of the counter has been increased to RM1.89 billion. An Islamic bank has been offering a range of products and services and has 32 branches.

Islamic bank has opened 12 new branches, mini, which offers deposit taking and providing facilities current accounts, savings accounts and investment accounts. Islamic banks have a total

workforce of 895 people consisting of 370 officers at all levels, and 525 non-clerical and clerical staff. To strengthen and further develop the Islamic banking system in this country, the Islamic Bank was incorporated BIMB Institute of Research and Training Sdn. Bhd.. in 1995 (a wholly owned subsidiary), which was known as simply 'BIRT'. In 2001, upon the recommendation of Bank Negara Malaysia, 'BIRT' has become an industry-owned institution and was known as "Islamic Banking and Finance Institute of Malaysia" (IBFIM). Apart from making activities of the survey, IBFIM also provides consultancy and training services, particularly those related to banking and insurance (takaful) Islamic, not only to the local Islamic banking players, but also abroad.

The establishment of the Association of Islamic Banking Institutions Malaysia (AIBIM) on July 12, 1995, saw the leadership of Islamic Bank as Managing Director of Bank Islam, Dato'Ahmad Tajudin Abdul Rahman was appointed as President of the Association. The primary purpose of AIBIM is to promote a system and a strong banking practice for the country. The Society is run by close cooperation and consultation, to talk with the Central Bank and regulatory bodies in Malaysia. Until now, President AIBIM led by HE Dato'Ahmad Tajudin Abdul Rahman. Armed with 14 years experience in operation, the Islamic Bank Group has prepared itself to face future challenges. Since the opening of global financial markets are getting closer and taking into account the role to lead the development of Islamic banking and finance, Islamic Banking Group has been implementing a restructuring scheme to streamline the structure and operations. The year 1997 brought major changes in the history of the creation of the Islamic Bank Holdings Berhad (BHB), with an authorized capital of RM2 billion and paid up capital of RM 500 million, as the holding company for the Bank Group.

Bank Islam has also expanded its scope of operations by introducing products such as Private Financing Package, Valley Savings, Savings Ijra' and Ar-Rahnu scheme. Starting in June 1997, the public can obtain information about products and services available in the Bank through its website at <http://www.bankislam.com.my>. In the same year, Bank Islam (L) Ltd, Islamic International Holdings Trust (Labuan) Sdn. Ltd and the International (L) Ltd. began operations. Islamic banks have started MIS Upgrade Program for the development of "Total Islamic Banking Solution". Islamic banks have spread their wings to the outside of the country when in 1999; Bank Islam has a 10%

owned by the Amana Investments Limited, Sri Lanka, which is taking the first part of the foreign equity ownership. Entering the millennium year 2000, the Bank did not miss the preparation face 'Y2K bug'. The Bank has taken steps repair to avoid the risk of business operations that might arise from Y2K conformity assessment. The same year saw BIMB Foreign Currency Clearing Agency Sdn. Bhd. established.

Something that is also very proud of the Islamic Bank is being awarded ISO 9002 certification for Trade Finance Operations and bills. This is the first such award given to a local banking institution. In December 2000, Dato Mohd Yusoff Hj Nasir was replaced YBhg Tan Sri Shamsuddin Abdul Kadir, Chairman of Bank Islam. Bank Islam once again to prove its role as a leader in Islamic banking when it became the first bank to receive "Outstanding Performance Award", in conjunction with the Islamic Banking and Takaful Week, organized jointly by Bank Negara Malaysia and the Association of Islamic Banking Institutions Malaysia. The award was presented by YBhg Tan Sri Dr. Zeti Akhtar Aziz, Governor of Bank Negara Malaysia in October, 2001. The award is given based on the important role played by the Islamic Bank in the Islamic banking in this country, its outstanding financial performance, management style appropriate to the promotion of Islamic finance and Islamic financial products are excellent. At the same ceremony, was named the first managing director of Bank Islam, Dato 'Dr Abdul Halim Ismail, as "leaders of Islamic Finance."

History of Islam continues to lead the Bank in October 2001, when Malaysia Rating Corporation (MARC) local rating agencies provide ratings of financial institutions 'A' and short-term rating of MARC-1 to the Bank. The rating reflects the strategic importance of the Islamic Bank in the development of Islamic banking as a viable option to conventional banking. Rating was also given after taking into account the liquidity position of the Islamic Bank is a positive and healthy capital base and strong management. To make the BHB as a one-stop centers or 'supermarket' service in Islamic Finance, Venture Capital Holdings Sdn. Bhd. A venture capital and Holdings Sdn. Bhd. was introduced in 2002. Now with 88 pieces of branch, the Islamic Bank offers over 50 products and services that are comparable to conventional banking.

Name of Bank Islam once again became a reference when he introduced the features of

Islamic Shariah Bank Card in July 2002. Indirectly, he saw ahead of Bank Islam, especially Islamic Bank Card is a chip technology to ensure safety, and according to 'standard' international 'Europay Mastercard Visa' (EMV-compliant). Bank Islam is the world's first bank to offer credit card chip technology. In the third era (2003-2012), Bank Islam has been providing business strategy and plan of action to ensure that the Bank is able to compete and to strengthen its position as the leader of the Islamic banking industry in this country. Restructure its organization is the Islamic Bank in its development strategy to grow and face new challenges (The Bank Islam Malaysia Berhad, 1994-2003).

Conclusion

Islamic banking has emerged as a new reality in the international financial scene. Its philosophies and principles are however, not new, having been outlined in the Holy Qur'an and the Sunnah (words, action and approval of the Prophet where later put in writing by his followers and transmitted to others as "hadith") of Prophet Muhammad (p.b.u.h.) more than 1,400 years ago. The emergence of Islamic banking is often related to the revival of Islamic financial system which is totally usury (riba) free. Riba literally means increase, addition, expansion or growth which are non-trade related e.g. a loan, advances. Technically however, there is no specific or precise definition of "riba" thus excessive profits under certain condition, is also said, may tantamount to Riba'.

Islamic Banking in the modern world, generally aims to promote and develop the application of Islamic principles, law and traditions to transactions of financial, banking and related business affairs. It is also to promote investment companies to be engaged in such business activities that are acceptable and consistent within the Shariah precept. Islamic banks, by doing so, will safeguard the Islamic communities and societies from activities that are forbidden in Islam.

Justice is such an indispensable ingredient of the Islamic faith that it is impossible to perceive the ideal Muslim society where justice has not been established. Islam wishes to eradicate from human society all traces of zulm, a comprehensive Islamic term referring to all forms of inequity injustice, exploitation, oppression and wrongdoing whereby a person either deprives offers of their rights or does not fulfill his obligations towards them.

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