



# Research Journal of Business and Management

Year: 2017 Volume: 4 Issue: 3



## A COMPARISON BETWEEN MALAYSIA AND INDONESIA IN ISLAMIC BANKING INDUSTRY

DOI: 10.17261/Pressacademia.2017.705

RJBM- V.4-ISS.3-2017(4)-p.276-286

**Atikullah Abdullah**

Universiti Sains Malaysia, School of Humanities, 11800 Penang, Malaysia. [atik@usm.my](mailto:atik@usm.my)

---

### To cite this document

Abdullah, A., (2017). A comparison between Malaysia and Indonesia in Islamic banking industry. Research Journal of Business and Management (RJBM), V.4, Iss.3, p.276-286.

**Permenant link to this document:** <http://doi.org/10.17261/Pressacademia.2017.705>

**Copyright:** Published by PressAcademia and limited licenced re-use rights only.

---

### ABSTRACT

**Purpose-** This paper aims to compare Malaysia and Indonesia in terms of current circumstances in the Islamic banking industry. This is very interesting because of several factors. Firstly these two countries are neighbors. Secondly, both countries have expressed their aspiration to be the center for the Islamic banking industry not only in the region but also in the world. Thirdly, both countries have significant differences in demographics and economic conditions. It is therefore very interesting to see which country is in a better position than other in the Islamic banking industry at present. This will help researchers to predict which country will achieve the target first if it occurs.

**Methodology-** The comparison will focus on five selected items in Islamic banking institutions ie legal framework, court jurisdiction, capital growth, products offered and shariah governance. For legal frameworks, court jurisdiction and shariah governance analysis will be made on the basis of provisions in legislations and statutes in both countries. Comparison of the products offered will be analyzed based on the list of products and the amount involved. However, since profit sharing activities are regarded as a key feature of an Islamic banking system as argued by many authoritative scholars in this area, the involvement of Islamic banking institutions in profit sharing based products in both countries will be the main focus in the analysis. Capital growth is chosen because according to Sula (2011) the development of a bank, should be seen from the market share because the market share reflects the portion from the sale of industrial goods or services carried out by an industry. Prior to that, Shaffer (1993) reported that market share is important, because it reflects the performance associated with bank's competitive position in the banking industry.

**Findings-** The study shows that although both countries are making good progress in the Islamic banking industry, no country is far ahead of another. While Malaysia is ahead of Indonesia in some items, Indonesia is ahead of Malaysia in some other items.

**Conclusion-** This paper concludes that both countries have advantages and disadvantages of others in the Islamic banking industry. Hence both should overcome their weaknesses and continue to build from their strengths to make their aspirations a hub in the Islamic banking industry as a reality

**Keywords:** Islamic banking, shariah compliance, Indonesia, Malaysia, banking industry.

**JEL Codes:** K00, K19, K20

---

### 1. INTRODUCTION

Islamic bank in Malaysia was commenced in 1983 with a single fully fledged Islamic banking institution namely Bank Islam Malaysia. Since then Islamic banking industry in Malaysia has been growing tremendously well through four different phases and at this moment there are 16 fully fledged Islamic banking institutions in operation in Malaysia (Md Nor, M.Z. et.al., 2016, p.601-604). With the strong growth in the number of banks, capitals and products, it is no surprise that Malaysia aspires towards becoming the main player in Islamic banking in this region. Lately though, the position of Malaysia as the main Islamic banking market in South East Asia has been challenged by Indonesia. Considered as a late comer, Indonesia started its Islamic banking industry in 1992, almost a decade behind Malaysia through the establishment of Bank Muamalat Indonesia (BMI). The growth has not been too bad since then and in 2015 the Islamic banking industry of Indonesia comprised of 12 general sharia banks, 22 shariah business units of conventional banks and 161 sharia people's credit banks (rural Islamic banks) with significance growth in capital as well (Sobol, I., 2016, p.171-173). Nevertheless, the product and the capital growth are somewhat slow moving when compared to Malaysian Islamic banking industry. At the

outset, the fact that Malaysia with more or less 30 million people and only 60% are Muslims make it look like a miniature compared to Indonesia as a giant with over 270 million people and over 90% are Muslims. Some observers aptly put it 'Islamic banking in Indonesia is a giant waking up' (Global Business Guide:2015) or a 'sleeping giant stirring' (New Horizon:2012).

This paper discusses comparisons between Malaysia and Indonesia about the current situation in the Islamic banking industry with a focus on five key items, namely legal framework, court jurisdiction, capital growth, product offerings and shariah governance. For this purpose, initially this paper will present the true reality of these five items in Malaysia and Indonesia based on the available facts and figures separately. Next is followed by comparative discussion and analysis between the Islamic banking industry in both countries on the five items. In the end, a conclusion will be made to show the position of both countries in the Islamic banking industry.

## **2. THE CURRENT STATE OF ISLAMIC BANKING INDUSTRY IN MALAYSIA AND INDONESIA**

### **2.1. Legal Framework**

By legal framework it is meant a broad system of rules that governs and regulates decision making, agreements, laws etc. The development of Islamic Financial Industry in Malaysia is based on top-down approach or "government-driven" approach where both regulators and the players were initiated and backed by strong political will. (Yusoff, S.A., 2013, p.391) There were at least ten pieces of legislations which form the legal framework for the establishment and operation of Islamic banking system in Malaysia. These were Islamic Banking Act 1983 (IBA), Banking and Financial Institution Act (BAFIA 1989), Takaful Act 1984, Central Bank of Malaysia Act (CBMA 1958), National Land Code 1965, Hire Purchase Act 1967, Stamp Duty Act 1949, Property Gains Tax Act 1979 and Islamic Financial Services Act (IFSA 2013). The earliest legal foundation for the Islamic banking industry in Malaysia was Islamic Banking Act 1983 (IBA). This act paved the way for the establishment of the first Islamic banking institution in Malaysia and it also authorised the central bank or Bank Negara Malaysia (BNM) to supervise and regulate Islamic banks, similar to the existing licensed banks. Although the IBA is considered as too general and non-comprehensive consist of 60 sections, it is acknowledged though that it creates healthy flexibility to Islamic financial institutions (Hasan, Z., 2006, p. 4). Six years later in 1989 Section 124(7) of the existing Banking and Financial Institution Act 1989 (BAFIA) was then introduced. The introduction of this section allows conventional banks to open Islamic counter to offer Islamic banking products (Hassan, R., 2006, p.2). This section also required them to establish the Shariah Committee in order to advise them any matter related to Islamic banking business or Islamic financial business. Initially this scheme is known as Interest Free Scheme Banks or Skim Perbankan Tanpa Faedah (SPTF) and later on changed to the Islamic Scheme Banks or Skim Perbankan Islam (SPI) until now. Arguably the introduction of section 124(7) of BAFIA promotes healthy competition amongst Islamic banking players (Hasan, Z., 2006, p.5). Apart from the IBA and the BAFIA, the Central Banks Act 1958 (CBA) also plays a crucial role in term of regulating the aspects of supervision and monitoring of the implementation and operation of Islamic banking. This can be seen in the case of the amendment of section 16B of the CBA in 2003. This amendment was made in order to enhance the role of the Shariah Advisory Council of BNM in supervising the operations of every individual Islamic banking institution in this country (Hassan, R., 2006, p.5).

To ensure the smooth and safe operation of financial institutions and to promote stability in financial and payment systems, the BNM conducts a yearly assessment of risks and challenges faced by the financial system. (Yusuff, S.A., 2013, p.393) This assessment also enable the BNM to evaluate the strength of its regulatory and supervisory measures. This assessment exercise produced the Financial Stability and Payment Systems Report in 2012. This report has prompted the government to enact the brand new "Islamic Financial Services Act (IFSA) 2013 and its conventional counterpart the Financial Services Act (FSA) 2013 in order to reinforce the BNM's mandate to safeguard financial stability and strengthen the foundations for a regulatory and supervisory framework that is effective, transparent and contributive towards an efficient and resilient financial system. The new laws also strengthen the oversight on the market conduct of financial service providers, promote effective oversight of payment systems and payment instruments, and support preconditions for the development of the financial sector. The IFSA is considered as the most comprehensive piece of legislation in the realm of Islamic banking sector (The Star, 6 February 2013). This is due for several reasons. First, its introduction in 2013 means that a number of existing Islamic banking related legislations are repealed and replaced. Second, this new legislation also provides a comprehensive regulatory framework of the various Islamic financial contracts and their application in the offering of Islamic financial products and services by Islamic financial institutions. Third, the contract-based regulatory framework provided in IFSA also gives regulators greater oversight and powers to further scrutinize financial holding companies and non-regulated entities if they pose a risk to financial stability. Fourth, the IFSA governs all IFIs including Islamic banks, takaful operators, international Islamic banks, international takaful operators as well as operators of payment systems which enable the transfer of funds between Islamic bank accounts or which enable payments to be made by means of Islamic payment instruments, issuers of Islamic payment instruments, takaful brokers and Islamic financial advisors. In short, this act which is destined to ensure end-to-end shariah compliance covers whole range of shariah governance right from shariah standard, operational standard, oversight functions and regulation. In addition to IFSA, Islamic banking institutions in Malaysia are

also bound by some guidelines issued by BNM in 2013 as a measure to consolidate Islamic finance industry namely, capital adequacy framework for Islamic banks, capital adequacy framework for Islamic Banks (capital components), financial reporting for Islamic banking and Islamic financial institutions and guidelines on *ibra* (Rebate) for sale-based financing.

Furthermore, to boost up the operation of Islamic banking, the Law Harmonization Committee Report 2013 formulated four recommendations namely, to introduce provisions in court rules on imposition of late payment charges on judgment debts, to allow better access to Islamic financing for consumers through recommended amendments to reserve land legislations in all states, to facilitate Islamic financing involving landed property through recognition of Islamic finance in the National Land Code 1965 and to amend the Companies Act 1965 in order to facilitate the effort to offer globally accepted Shariah compliant product structures for the Islamic money market.(Hassan, Z., 2014)

In 1992, to open the door for the establishment of Islamic banking institutions, the government of Indonesia through parliament has enacted and passed the Banking Act No.7 which recognizes the existence of two banking systems namely the conventional banking system and the Islamic banking system together to serve the economy. By virtue of this act, the first Islamic bank in Indonesia, Bank Muamalat Indonesia was established in 1992 (Sobol, I., 2016, p.171). During its early years, Bank Muamalat, as the only Islamic bank in Indonesia, faced some difficulties as the existing financial environment in the country then was not conducive enough for the operation and development of a new banking system. For example, there was no supporting network in the industry like market instrument, alternative for liquidity management and central bank facilities that comply with Islamic principles. In 1998, to overcome this problems and to encourage network expansion, the government amended the existing Banking Act no. 7 with a new act, called Act No. 10, to provide a wider opportunity and a stronger legal foundation for Islamic banking. Act No. 10 can be considered as the legal foundation for Islamic banks, as it provides assurance to investors, bankers, and the general public. This act does not only provide networking assistance to the existing Islamic banking institution but it also open the door for conventional banks to establish Islamic banking units within the conventional banking institutions (Siregar M.E. and Ilyas N., 2011, p.2). A few years after that, in 2004 the parliament amended Central Bank Act 1999(Act No.23)that resulted in the birth of Act No.3. Through this amendment, the central bank allowed monetary control with instruments based on Islamic principles. Since then the industry has steadily progressed and expanded. The Act No.3 also strengthens the legal foundations for Islamic banking industry further. Furthermore in 2008 the Islamic banking Act (Act No.21) was passed. In the beginning, this act mentions some of the reasons for its existence such as to achieve justice and virtue in society based on economic democracy, to develop an economic system based on values of justice, equality and well-being in accordance with the principles of shariah, to meet the needs of Indonesian society to Islamic banking services, to comply the rules of the Islamic banking system and to have a more specific legislation relating to Islamic banking than what has been provided in Act No 7 of 1992 and Act Number 10 of 1998. However according to Lindsey (2012), the main aim of this legislation was to gather all the previous regulations in one act and to eliminate any existing inconsistencies. It has also provided a more adequate legal base to the development of Islamic banking in Indonesia and consequently accelerate the growth of the industry. Since then, there is no further development in the legal foundation of Islamic banking in Indonesia despite of the numerous changes and dynamism of the Islamic banking industry locally and internationally.

## **2.2.Court Jurisdiction**

In Malaysia, like in most of the Muslim countries around the world, Islamic finance cases fall under the jurisdiction of civil courts and legislations. Since the civil courts hear Islamic banking matters, those matters will, without doubt, be governed by principles of English common law or civil law. Many cases have been decided that deny shariah court the power to hear Islamic finance cases. For example, in the case of Bank Islam Malaysia Berhad (BIMB) v Adnan bin Omar (1994), there was a preliminary objection raised by the Adnan (defendant) who argued that since BIMB (plaintiff) is an Islamic bank, the Civil Court has no jurisdiction to hear the case in view of Article 121 (1A) of the Federal Constitution 1957.<sup>1</sup> The judge overruled that objection and submitted that the matter was rightly brought before the Civil Court (Hassan,H., 2016, p.34). Among the arguments was that since BIMB is a corporate body, it does not have a religion and therefore is not within the jurisdiction of the Shariah Court. To create a more comprehensive and constructive environment for the development of the Islamic financial system in this country, BNM in the Malaysian Financial Master Plan 2001-2010 has made a recommendation for the establishment of a specialized shariah court to resolve cases involving Islamic banking institutions. Consequently on February 2003, the Chief Judge of Malaya has issued a Practice Direction No. 1 of 2003 whereby a Muamalat Court called Dagang 4 was set up under the Commercial Division of the Kuala Lumpur High Court to hear Islamic banking cases(Hassan, Z., 2007, p.11; Hassan, H., 2016, p.40). Subsequently, the said Practice Direction was replaced by Practice Direction No. 4, 6 and 7 of 2013. It is stipulated in these Practice Directions that this special high court or also known as Muamalat Bench of high court will only hear cases involving Islamic banking institutions. Prior to that, in 2009 the Central Bank of Malaysia Act 1958 was amended, which require the court or the arbitrator to take into consideration any published rulings of the Shariah

---

<sup>1</sup> Article 121(1A) of the Federal Constitution of Malaysia 1957 mentions that "the courts referred to in Clause (1) shall have no jurisdiction in respect of any matter within the jurisdiction of the Syariah courts".

Advisory Council(SAC) of BNM or refer the matter to the SAC for its ruling if a question concerning a shariah matter arises in any proceedings relating to Islamic financial business. This is very reasonable since the background of the judges are from English law and not from shariah law aspects.

Not different from the situation in Malaysia, in Indonesia business and finance are not under the jurisdiction of Islamic court. Even the Religious Court Act, Act No 7 1989 clearly mentioned that religious court only enjoy the jurisdiction over matters related to Muslim family affairs namely marriage, divorce, repudiation, inheritance, bequest, gift (Hasnul Arifin Melayu, 2012, p.69). However, with the amendment made to the Law No. 7 of 1989 of the Religious Court and replaced by the Law No. 3 of 2006, the jurisdiction of the religious court has been extended to cover all aspects of Islamic economic matters, including Islamic banking (Melayu, H.A., 2012, p.69; Dewi,G., and Wirdyaningsih, 2014, p.41) . Later on in 2008, the jurisdiction of Religious Court to settle Islamic banking disputes was further consolidated in section 55 (1) of Law No. 21 of 2008 concerning sharia (Islamic) banking. This new law clearly mentioned in section 55 that dispute settlement of Islamic banking is carried out by a commercial court in the Religious Court structure. In the case that the parties have already agreed to the settlement of disputes through other than Religious Court structure, the settlement of dispute shall be carried out according to the proper akad (contract) content. In this case, the settlement of disputes may not be contrary to the shariah principle. Besides the religious court, the act also provides an alternative institution which has the authority to resolve Islamic banking and finance disputes namely the National Shariah Arbitration Body or Badan Arbitrase Shariah Nasional (BASYARNAS). This Islamic arbitration body in Indonesia was established in 1993 by the initiative of the influential Indonesian Ulama Council (MUI) with the objective of resolving muamalat disputes (Dewi,G., and Wirdyaningsih, 2014, p.41). This means that there are two authoritative institutions that enjoy the legal authority in financial dispute settlement in Islamic banking in Indonesia, one is the shariah court and two, is BASYARNAS as the mediation institution outside the formal judicial system hierarchy.

### **2.3.Capital Growth**

The capital growth here refers to the appreciation in the value of an asset over a period of time. The Islamic banking asset growth in Malaysia has been phenomenal. In 2004, twenty years after its inception the Islamic Banking assets in Malaysia amounted to RM89 billion, accounting for 9.9 per cent of total banking asset in this country. The Islamic banking industry, that consists of both full fledged Islamic banks and Islamic banking schemes in the conventional banks, has shown a good performance with profitability and assets surpassing for the first time the threshold of RM1 billion and RM100 billion respectively at the end of 2005. This figure continues to increase to RM495 billion in 2012, RM685 billion in 2015 and RM742 billion in 2016. In term of market share of the total financing of the banking sector, in 2016 Islamic financing accounted for a third of all bank financing at RM550 billion — some RM55 billion up from the previous year (NST, April 3, 2017). The same is true for the market share of Islamic deposits and investment accounts, which stood at RM602 billion, or 31.8 per cent. From the overall economic impact to the country as a whole the Islamic banking sector has become a major contributor to the overall economic growth, with assets equivalent to nearly 25% of the country's gross national product. According to Bank Negara in 2016, with 27 players offering more than 100 financial products , Islamic banking assets in Malaysia now stand at more than a quarter, or 27 per cent, of the total banking system, surpassing the targeted 20 per cent under Bank Negara Malaysia's financial sector master plan. Therefore, it is not surprising that Malaysia, has become one of the global leaders of the Islamic finance industry. According to a research conducted by Kuwait Finance House Research, in 2013 Malaysia was ranked second just after Saudi Arabia of the nine Muslim majority countries in term of the volume of Islamic market. BNM aspires for Islamic banking to achieve 40% of market share in term of total banking asset by 2020. Presently, Malaysia's Islamic banking assets reached USD173.9 billion with an average growth rate of 18-20% annually. Islamic banking in Malaysia contributes 22% of total shares of Islamic banking in the six main Muslim countries that provide Islamic banking system namely Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates and Turkey (QISMUT) and in term of global share, Islamic Banking Assets in Malaysia constitutes 8% of global share of the Islamic banking system (NST, April 3, 2017).

According to statistics published by the Indonesia's Financial Service Authority or Otoritas Jasa Keuangan (OJK), as of 2015 the Islamic banking industry of Indonesia comprised of 12 general Islamic banks, 22 Islamic business units of conventional banks and 163 Islamic people's credit banks (rural Islamic banks). For three consecutive years, the market share of the sharia banks in Indonesia stood still at less than 5 percent. Despite of having the largest Muslim population in the world Indonesia has less than 4% shares Islamic banking assets in the QISMUT and less than 2% of global Islamic finance assets. Domestically, only about USD21 492M or 4.8% of its total domestic banking assets are Shariah compliant. According to the Global Advisors' Islamic Finance Outlook Report for 2016, no Indonesian Islamic banks were ranked in the top five largest banks based on assets in Southeast Asia. The performance of the Islamic banking industry in Indonesia has yet to satisfy the public's expectations. Although with a market of more than 200 million Muslims, Islamic banks in Indonesia still face difficulties luring more customers and increasing their assets. Islamic banks in Indonesia was ranked as eighth out of the nine Muslim-majority countries evaluated in 2011-2012. The country ranked first was Saudi Arabia, followed by

Malaysia(Kuwait Finance House Research, 2013). The market shares of Islamic banks in Indonesia is 20% lower than Islamic bank market shares of Malaysia (Jakarta Post, July15, 2016).

In order to spur Indonesia aspiration to become global hub for Islamic finance, OKJ developed and launched a five-year roadmap in early 2015. The government also launched a program called "I Love Shariah Finance Program"(ILSFP) in Jun 2015. The ILSFP aims to increase the Islamic finance industry's current 4.88% share of Indonesia's total banking and finance market to 15% by 2023. One of the steps that has been taken place to achieve the target is the merger of the existing Islamic units of state-controlled banks Bank Rakyat Indonesia (BRI), Bank Mandiri and Bank Negara Indonesia (BNI). This merger resulted in a huge USD8B sharia bank asset. According to OJK this mega Islamic bank would also quadruple Islamic banks' market share in Indonesia to 20 percent by 2018. The three aforementioned banks together currently account for about 40 percent of Indonesia's Islamic banking assets. While some see this goal as overly optimistic, Indonesia's Islamic banking assets grew at a compounded annual growth rate of 29.2% between 2010 and 2014, giving credence to the possibility of achieving a 15% market share by 2023. Thus the New Horizon Global Perspective on Islamic Banking and Insurance (2012) referred to Islamic banks in Indonesia as "the sleeping giant stirring".

#### 2.4.Products Offered

Islamic banking in Malaysia has been accused of using many controversial debt-based financing. In Malaysia, debt based financing is widely used since the first Islamic bank was introduced in 1983. This debt based financing is called variety of names using different kinds of Islamic business contracts such using either al-bay' bi thaman ajil (BBA) or murabahah or al-ijarah thumm al-bay' (AITAB) or al-ijarah al-muntahiyah bi al-tamlik (IMBT), bay al-dayn and bay al-innah, bay' al-tawarruq contracts (Jusoh, M. and Khalid, N., 2013, p.33) which the amount of financing facility could be paid by the customers to the banks on a deferred payment basis agreed upon by both parties throughout the tenure of the financing and it is normally on the fixed payment monthly instalment. On the other hand, the equity-based financing especially musharakah mutanaqisah or diminishing partnership is rather new when it was introduced by foreign bank such as Kuwait Finance House (Subky K.H.M. et. al. 2017, p.18) after the liberalisation of Islamic financial sector that allow the entry of foreign players in Malaysia. According to Bank Negara Malaysia's (BNM) Feb 2014 monthly statistics, the total aggregate financing of Islamic banking system in Malaysia through musharakah and mudharabah contributed only less than 6 per cent of the total aggregate financing despite of their noble concepts and philosophy in helping the community to achieve fair and equitable distribution of profit and reduce the gap between the rich and the poor.

Indonesia, unlike its neighbor, only use some contract that are non controversial, in their perspective such as mudaraba and musharaka (equity-based products), murabaha, salam and istisna'a (debt-based products). In Indonesia, although the debt based financing also form the lion shares in Islamic banking total business portfolio, due to the relatively early stages and lack of supportive infrastructure, the percentage of Islamic equity based financing is much bigger if compared to the percentage in Islamic banking in Malaysia. The involvement of Indonesia's Islamic banking institutions in profit-and-loss sharing contracts namely mudarabah and musgharakah forming 22.2% with musharaka 2.6% and mudaraba 19.6%. while debt financing (i.e., murabaha), formed 69.3% of all Islamic banks financing portfolios at the end of 2001 (Siregar,M.E., and Ilyas,N., 2011, p.) By 2013, the financing volume released in the form of murabahah financing amounted to IDR 106,779 billion or 60.2 percent compared to the financing volume released in the form mudarabah and musharakah which slightly increase from the amount in 2001 to IDR 50 079 billion or 28.23 percent.

#### 2.5.Shariah Governance

Shariah governance framework is a set of organisational arrangements through which Islamic financial institutions ensure effective oversight, responsibility and accountability of the board of directors, management and shariah committee. The framework serves as a guide towards ensuring an operating environment that is compliant with shariah principles at all times. There are two different models of shariah governance supervision framework implemented by Islamic banking institutions in the world, namely the centralised model as implemented by Malaysia and decentralised model or 'minimalist approach' as implemented by most of the Gulf Countries (Yussof, S.A., 2013, p. 392). In Malaysia, The Islamic Banking Act of 1983 provides for the establishment of the institutional shariah body or shariah committee at every Islamic banking institutions. Furthermore, The Central Bank of Malaysia Act 1958 provides for the setting up of the Shariah Advisory Council operating under the flagship of the Central Bank of Malaysia (BNM) which plays the role of a shariah apex body. This means that there are two-tiered shariah governance structure has been established, comprising an apex shariah advisory body at the BNM and a supervisory shariah committee formed at the respective Islamic financial institutions. The supervisory shariah committee of the respective Islamic banking institution is however bound by the resolutions issued by the Shariah Advisory Council of the BNM. In 2011 BNM has introduced the guidelines for Shariah Governance Framework for Islamic Financial Institutions(IFIs). The guidelines provide road map for IFIs to develop sound shariah governance and to reinforce the regulators expectation on effective and efficient IFIs governance system. Among other aspects, the emphasis is on the independence of the Shariah Committee in ensuring sound shariah decision-making and on the role of the board of directors in recognizing the independence of the Shariah Committee. The ultimate goal of this framework is to ensure

continuous public confidence on the strength and credibility of Islamic finance industry. Furthermore, the Islamic Financial Services Act of 2013 was enacted to reinforce the BNM's mandate to safeguard financial stability as well as to statutorily monitor and enforce Shariah compliance. IFSA 2013 went as far as given the Central Bank the locus standi to initiate civil actions in court against financial institutions. In addition to local guidelines and legislation, all Islamic banking institutions in Malaysia recognize and comply with shariah guidelines and accounting and auditing standards issued by Dubai based the Accounting and Auditing Organization for Islamic Financial Institutions(AAOIFI) and Malaysian based the Islamic Financial Services Board(IFSB).

In their recently legislated Shariah Banking Act, Indonesia has molded its shariah governance framework similar to the Malaysian model, namely the centralised model of Islamic finance supervision . The National Shariah Board of the Indonesian Council of Ulema is responsible for issuing fatwas in financial matters which are considered binding upon the shariah boards of each Islamic banking institution. The shariah boards of individual banks have to refer to the National Shariah Board for the final fatwas. The national board includes the highest authorities in shariah. However, shariah board members of individual banks have to be highly qualified in order to understand the fatwas, the source of the fatwas and to produce contracts and agreements in compliance with the fatwas. On 11 November 2014, the OJK signed a memorandum of understanding with the National Shariah Board of Indonesian Ulema Council (DSN-MUI), laying the groundwork for cooperation in achieving the stable and sustainable development of the Indonesian shariah financial services sector in accordance with Shariah principles (Lawrence,J., 2014) Through this MOU the role of DSN-MUI is further enhanced to not only issue fatwas but also to oversee their implementation. Specific objectives of the MOU include supporting the strengthening of regulation and supervision of the Islamic financial services industry and enhancing Islamic financial literacy and protecting consumers in the sector. The MOU's scope encompasses preparing regulations, supervising the implementation of fatwas and reciprocal consultation. Like the case in Malaysia, besides the the fatwas and rulings issued by DSN-MUI, Islamic banking in Indonesia also adopted the rulings and regulations of the AAOIFI and IFSB.

### **3.DISCUSSION AND CONCLUSION**

#### **3.1.Legal Framework**

The legal and regulatory framework of Malaysia's Islamic banking has been praised by many and has been credited for the smooth and phenomenal development of Islamic banking industry in Malaysia. Right from 1983 with the introduction of IBA, legal and regulatory framework of Malaysia's Islamic banking industry consistently evolving and improving in term of its clarity, scope, and robustness. The introduction of IFSA in 2013 was a testimony of the continuous effort to improve and strengthen the effectiveness of Islamic banking legal and regulatory framework in Malaysia. IFSA destines to regulates end-to end shariah compliance activities within the Islamic banking sector as well as overall Islamic financial sector in Malaysia. Despite of some reservations by industries on some provisions in IFSA, generally though, we can say that IFSA has been the pride of Malaysia's Islamic financial system as this legislation makes the Islamic banking activities strictly adhere to the Shariah rules and principles through a close monitoring and supervision by the regulators. Therefore IFSA arguably marks a new face in the history of the Islamic banking and financial legislation in Malaysia. Having said that, Indonesia is also not very far behind in term of implementing a comprehensive and clear cut legislation that provide and monitor the operation and development of Islamic banking over there. The Islamic Banking Act (Act No. 21) that was introduced in 2008 is a good step in the right direction in order to stimulate the performance of Islamic Banks in Indonesia. According to some critics nevertheless, so far, it had not shown the improvement yet. It is argued that the regulator should really prepare other tools to support the Act No. 21 on Islamic Banking by creating a financial environment that is supportive for the smooth development of Islamic banking in Indonesia. In this sense, Malaysia is still ahead with a comparatively condusive and constructive environment for Islamic financial system to flourish.

#### **3.2.Court Jurisdiction**

While the establishment of The Muamalat Bench in Kuala Lumpur High Court could be praised as a good step to address the issue of Islamic finance court litigation, it however, raised some pertinent concerns. Firstly, it means that Islamic banking cases will be adjudicated by the court which operate within the ambit of conventional civil court structure. This means that there is no designated court being assigned with exclusive jurisdiction under the federal laws to adjudicate Islamic financial disputes. Instead, Islamic finance cases are filed at all levels of civil courts namely Magistrates' courts, Sessions courts and High Courts based on amount of claim involved even though not all the courts have dedicated judges who are well versed in Islamic law. It also means that there is no dedicated judges trained in Islamic banking and shariah to hear cases involving shariah matters. Secondly, it has a very limited geographical jurisdiction of hearing Islamic finance cases filed within the local jurisdiction of Kuala Lumpur High Court only. Hence, this situation suggests that litigants may do 'forum shopping' and elect to file their Islamic finance cases outside the Kuala Lumpur High Court jurisdiction. Thirdly, the function of Muamalat Bench is also very limited and does not cover all legal proceedings arising from Islamic financial transactions. For example, after judgment is recorded, the execution proceedings such as winding up proceedings (Code 28) and bankruptcy

proceedings (Code 29) will be heard by other civil courts in commercial division. These civil courts are not bound to implement Islamic law of finance in their adjudication process. Fourthly, any appeal from the Muamalat Bench will go up all the way to Court of Appeal and Federal Court which, for the time being, do not have specialised panel of judges in the area of Islamic finance. In this sense, Indonesia can be said as way ahead of Malaysia. Section 55 (1) of Act No. 21 of 2008 concerning shariah (Islamic) banking clearly provides that the Islamic banking cases must be adjudicated by commercial court under the Religious Court structure. It also provides that any dispute settlement of Islamic banking must be based on the Islamic law of finance. This is so regardless of the place or mechanism through which the settlement is achieved either through the commercial court of the Religious Court structure or through other than Religious Court structure such as BASYARNAS. In any situation, the settlement of disputes may not be contrary to the shariah principle.

### 3.3.Capital Growth

It is very clear from the figures above that Malaysia is very far ahead of Indonesia in term of Islamic banking asset growth. This can be attributed to many factors. According to Moody's Investors Service, this is down to the fact that Islamic banking in Malaysia has more established franchises, deeper market penetration, and long-standing regulatory support. Although banks in both countries have been experiencing slower growth in Islamic financing since the last couple of years, the slowdown in Indonesia was far more manifested. There is also a more diversified portfolio mix in Malaysia. This situation reflects in turn Malaysia's pioneering role in establishing comprehensive legal, tax and regulatory frameworks to facilitate Islamic finance development. Compared with other major Islamic finance markets such as Saudi Arabia, the United Arab Emirates, Qatar and Kuwait, the Malaysian market differs in a crucial way in that it is as comprehensive and holistic as its conventional counterpart. Indonesia on the other hand, according to some researchers, needs to improve in many ways in order to raise to a more prominent position in Islamic banking sector in the world, Indonesia's. Firstly, competitiveness especially in term of economic benefits such as return on equity, service quality, efficiency and shariah compliance assurance. Secondly, service quality and products information. Surveys conducted show that customers consider Indonesia's Islamic bank's service quality and product information are inferior to those of conventional banks. Thirdly, given their current size and legal lending limits, Islamic banks faced difficulties in serving corporations, except through syndication of financing and fourthly, there is a need to have a proactive approach by Islamic bankers to promote their products and services to corporate customers.

### 3.4.Products Offered

In term of the number of Islamic banking products, it is so obvious that Malaysia's Islamic banking institutions offer greater number of banking products compared to Indonesia. In this sense, conventional banking products are actually the mirror of the Islamic banking products, different only in term of their contracts involve and the branding, using more Arabic terminologies. Therefore, Islamic banking in Malaysia has been accused of using many controversial debt-based financing. This debt based financing is called variety of names using different kinds of Islamic business contracts such as al-bay' bi thaman ajil (BBA), murabahah, al-ijarah thumm al-bay' (AITAB), al-ijarah al-muntahiyah bi al-tamlik (IMBT), bay' al-'inah, bay' al-tawarruq, bay' al-dayn. Besides some fiqh issues associated with the implementation of these technics of financing, such as the issues of back door to riba (interest) and complete transfer of ownership, the situation become worse due to the fact that through debt based financing, Islamic banks tend to choose risk avoidance strategy which prompt many to accuse the removal of morality from the banking business (Rosly, S.A., and Bakar, M.A., 2003, p.1262). The Islamic banking market is nevertheless, different in Indonesia because there are far fewer products used. This limited product development is due to restricting contracts to those that are "all conformed with shariah". Indonesia, does not approve some debatable contracts such as bay al dayn, bay al innah, tawarruq and bay al arbun and more comfortable with contracts such as mudaraba and musharaka (equity-based products), murabahah, salam and istisna'a (debt-based products). These limited products are useful in many aspects of Islamic finance, but restrict the variety of products that can be offered by banks. This is not necessarily always detrimental because it can check the growth of controversial products from Islamic muamalat point of view.

It is argued therefore, that Islamic banking in Malaysia in particular needs to improve more in term of equity and profit loss sharing ventures. It is the point of agreement among scholars that the profit sharing principle is the main feature of Islamic banking system as it can play critical role in helping the alleviation of the living standard of society through business activities promoted by Islam (Antonio, M.S., 2001:137; Ahmad, A., 1993, p.19; Errico, L., and Farahbarksh, M., 1998, p.6; Chapra, M.U., 1985, pp.68-72; Siddiqi, M.N., 1985, Usmani, M.T., 2002 & 2007; Ali, M.A. and Hussain, T, 2016, p.121; Obaidullah M., 2005, p.57; Siddiqui, S.H., 2002, p.15). It is also argued that lack of equity based or profit and loss sharing financing phenomena around the world may result in the negative public perception on Islamic banking (Sholikhah, Z., et al., 2017, p.30). Several studies highlighted that almost exclusive reliance on debt-based financing is one of the serious problems facing the Islamic banking industry today (Ahmed, A., 2010, p.308; Beck, T., et al., 2012, p.435). Among others, many Islamic banks rely on interest rate as a benchmark in deciding the profit rate. Additionally, the heavy reliance on debt-

based financing is also not advisable as it can lead to issues in getting the instalment paid on time to Islamic banks, which later lead to charging of penalty for late payment.

It is easy to understand the reason behind the lack on interest among commercial banking sector to get involved heavily in equity and profit loss sharing based ventures. However as argued by many researchers before, Islamic banks should not only be profit-oriented, but should also be promoting Islamic values and norms as a whole without undermining commercial viability. Toward this goal, the regulator such as BNM must take proactive action. It is suggested that the regulators imposes a maximum amount of murabahah and other debt based financing to certain percentage only and encourage more profit and loss sharing based financing, such as mudarabah and musyarakah.

### 3.5.Shariah Governance

The effort of Malaysia in drafting specific and clear cut guidelines and legislations to ensure a systematic structure and smooth operation of shariah governance framework is a commendable move. The Shariah Governance Framework of 2011 for Islamic Financial Institutions (IFIs) is very important in order to consolidate the Shariah governance framework in IFIs in Malaysia. This is because it gives a strong emphasis on two very critical points namely the sound shariah decision-making by the shariah committee of every individual IFIs and the role of the board of directors in recognizing the independence of the shariah committee. The ultimate goal of this framework is to ensure continuous public confidence on the strength and credibility of Islamic finance industry. Furthermore, the Islamic Financial Services Act of 2013 was enacted to reinforce the BNM’s mandate to safeguard financial stability as well as to statutorily monitor and enforce shariah compliance. While critics argue that the new legislation does not make major changes to the shariah governance system in Malaysia as it does is to reorganize the system and monitoring measures to ensure a comprehensive shariah compliance especially in relation to the shariah governance processes and product execution, it is a fact though that this legislation has made major improvements to the Islamic Banking Act 1983 and the Takaful Act 1984. At first glance, the new act provides a comprehensive regulation and supervision of Islamic financial institutions, payment systems and other relevant entities. In comparison with Malaysia, the shariah governance model of Bahrain, Kuwait, UAE, Qatar and Oman is based on a “minimalist approach”, in which the regulatory authorities expect IFIs to have a proper shariah governance system without specifying the requirements in detail. The more centralised of approach in shariah governance framework as implemented in Malaysia is no doubt makes the development of Islamic financial system is more systematic and transparent. Therefore it is not surprising that Indonesia decided to follow the Malaysian approach in the shariah governance of its IFIs. Moreover, it was reported that Dubai has recently switched over to a centralised shariah board after seeing the benefits of legal and regulatory clarity offered by centralised governance. However although the Malaysian shariah governance model displaying some semblance of uniformity, it still in need of some fine tuning, as the general wisdom goes “no system can be perfect” as Yussof S.A. (2013) has put it. The table below summarize the above discussion.

**Table 1: Comparing Malaysia to Indonesia for Islamic Banking Industry**

Items Countries	Malaysia	Indonesia
Legal framework	Constructive environment with many related legislations have been put in place to support Islamic banking industry. IFSA 2013 regulates end-to-end shariah compliance activities within the Islamic banking sector and makes the Islamic banking activities strictly adhere to the shariah rules and principles through a close monitoring and supervision by the regulators.	Need to create more supportive environment by creating other tools and introducing and implementing related legislations. The enactment of the Islamic Banking Act No. 21 of 2008 is a good step to stimulate the performance of Islamic Banks in Indonesia. After almost a decade the act needs some improvement.
Court jurisdiction	Cases involving Islamic finance are under the jurisdiction of conventional civil courts. The introduction of Muamalat Bench in Kuala Lumpur High Court should have been a first step not the end of the road. Unfortunately no significant improvement afterward.	Act No 21 of 2008 clearly provides the jurisdiction for the Religious Court to adjudicate all cases involving Islamic finance. Settlement through arbitration must adhere to the Islamic principles
Capital growth	In 2013 Malaysia was ranked second just after Saudi Arabia of the nine Muslim majority countries in term of the volume of Islamic market. In 2016, Islamic banking assets in Malaysia stand at 27 per cent, of the total banking system. Presently, Malaysia's Islamic banking assets reached USD173.9 billion with an average growth rate of 18-20% annually. Islamic banking in Malaysia contributes 22% of total shares of Islamic banking in the	The market share of the shariah banks in Indonesia stood still at less than 5 percent. Indonesia has less than 4% shares Islamic banking assets in the QISMUT and less than 2% of global Islamic finance assets. According to the Global Advisors’ Islamic Finance Outlook Report for 2016, no Indonesian Islamic banks were ranked in the top five largest banks based on assets in Southeast Asia. Islamic banks in Indonesia was ranked as eighth



	six main Muslim countries namely Qatar, Indonesia, Saudi Arabia, Malaysia, United Arab Emirates and Turkey (QISMUT) and in term of global share, Islamic Banking Assets in Malaysia constitutes 8% of global share of the Islamic banking system	out of the nine Muslim-majority countries evaluated in 2011-2012. The market shares of Islamic banks in Indonesia is 20% lower than Islamic bank market shares of Malaysia
<b>Product offered</b>	Debt based financing is widely used since the first Islamic bank was introduced in 1983. On the other hand, the equity-based financing especially musharakah mutanaqisah or diminishing partnership is rather new when it was introduced by foreign bank such as Kuwait Finance House. According to Bank Negara Malaysia's (BNM) in 2014, the total aggregate financing of Islamic banking system in Malaysia through equity based musharakah and mudharabah contributed only less than 6 per cent of the total aggregate financing.	Indonesia only use some contract that are non controversial, in their perspective such as mudaraba and musharaka (equity-based products), murabaha, salam and istisna'a (debt-based products). The involvement of Indonesia's Islamic banking institutions in profit-and-loss sharing contracts forming 22.2% of all Islamic banks financing portfolios at the end of 2001 with musharaka 2.6% and mudaraba 19.6%. By 2013, the financing volume released in the form of mudarabah and musharakah increase from the amount in 2001 to IDR 50 079 billion or 28.23 percent.
<b>Shariah governance</b>	There are two-tiered shariah governance structure have been established, comprising an apex shariah advisory body at the BNM and a supervisory shariah committee at the respective Islamic financial institutions. The supervisory shariah committee of the respective Islamic banking institution is however bound by the resolutions issued by the Shariah Advisory Council of the BNM. In 2011 BNM has introduced the guidelines for Shariah Governance Framework for Islamic Financial Institutions which emphasis on the independence of the Shariah Committee. Islamic Financial Services Act of 2013 was enacted to reinforce the BNM's mandate to statutorily enforce shariah compliance to the extent initiating civil actions in court against errant financial institutions.	The National Shariah Board of the Indonesian Council of Ulama(DSN-MUI) is responsible for issuing fatwas in financial matters which are considered binding upon the shariah boards of each Islamic banking institution. Shariah board members of individual banks have to be highly qualified in order to understand the fatwas, the source of the fatwas and to produce contracts and agreements in compliance with the fatwas. In 2014 with the MOU between DSN-MUI and OJK the role of DSN-MUI is further enhanced to not only issue fatwas but also to oversee their implementation, supporting the strengthening of regulation and supervision of the Islamic financial services industry and enhancing Islamic financial literacy and protecting consumers in the sector.

#### 4. CONCLUSION

In conclusion Malaysia probably ahead of Indonesia in three aspects, namely legal framework, asset growth and shariah government while Indonesia has took over Malaysia in term of court jurisdiction and products offered. It is acknowledged that Malaysia imposes more authoritative regime in term of legal framework and shariah government to ensure smooth and systematic development of Islamic banking sector and to avoid any factor that could destabilise financial eco-system in this country. This is probably a lesson learnt from past experience where many financial researchers argues for a more dicipline and well-regulated banking and financial system. In this sense the U.S subprime mortgage criss in 2008 can always be referred to. In term of asset growth, the area that Malaysia is claimed to perform extremely well it appears however, there are many corners are cut with its heavy involvement in many debatable muamalat business contracts. Indonesia's approach in this respect is rather more cautious by limiting its products only on sound contracts from muamalat perspective. Thus slow growth is understood. As far as the court jurisdiction is concerned, Indonesia is seen to have a more consistent and coherent court structure to deal with cases involving Islamic banking system disputes. In short, although Malaysia is a decade ahead of Indonesia in term of the first to have the Islamic banking system, but it is not running away too far as Indonesia is slowly but surely closing the gap.

#### REFERENCES

- Ahmad, A., 1993, Contemporary Practices of Islamic Financing Techniques. IRTI Research Paper No. 20. Jeddah: IRTI (Islamic Development Bank).
- Ahmed, A., 2010, "Global Financial Crisis: An Islamic Finance Perspective", *International Journal of Islamic and Middle Eastern Finance and Management*, vol.3, no. 4, pp. 306-332
- Ahmed, H., 2014, "Islamic Banking and Shari'ah Compliance: A Product Development Perspective", *Journal of Islamic Finance*, Vol. 3 No. 2, pp.15-29
- Ali, M.A. and Hussain, T., 2016, "Equity Based Finance: A Product Development Perspective", *Journal of Global Business and Social Entrepreneurship*, vol.1, no.1, pp. 119-127
- Antonio, M.S., 2001, Bank Syariah : Dari Teori ke Praktik . Jakarta: Gema Insani Press.

- Beck, T. et. al., 2012, "Islamic vs. Conventional Banking: Business Model, Efficiency and Stability." *Journal of Banking and Finance*, vol.37, no. 2, pp. 433–47.
- Cammack, M.E. and Feener, R.M., The Islamic Legal System In Indonesia. Retrieved from <http://digital.law.washington.edu>
- Chapra, M.U., 1985. *Towards a Just Monetary System*, London: The Islamic Foundation.
- Dewi G. and Wirdyaningsih, 2014, "The Importance Of The Codification Of Islamic Contract Law In Solving Banking And Financial Disputes In Indonesia", *International Journal of Business, Economics and Law*, Vol. 5, no. 3, pp. 40-48.
- Errico, L. and Farahbaksh, M., 1998. *Islamic Banking: Issues in Prudential Regulations and Supervisions*. IMF Working Paper NO. 30.
- Financial Services Authority, Republic of Indonesia, 2015, *Islamic Banking Statistics*, Jakarta. Retrieved from <http://www.ojk.go.id/en/Documents/Pages/Islamic-Finance-OJK>
- Global Business Guide:2015. Retrieved from <http://www.gbgingonesia.com/>
- Hassan, H., 2016, "Islamic Finance Litigation: Problems within the Malaysian Civil Courts Structure", *20 Jurnal Undang-Undang dan Masyarakat(JUUM)*, pp.34-42
- Hassan, R., 2006, "Championing the Development of Islamic Banking Law in Malaysia: Legal issues and Remedy", *Shariah Law Report*, vol. 4, pp.1-16.
- Hasan, Z., 2008, *The Effectiveness Of The Legal Framework Of The Islamic Banking System In Malaysia*. Retrieved from <https://zulkiflihasan.files.wordpress.com>
- Hassan,Z., 2014. *The State of Islamic Finance in Malaysia and Indonesia*, *Islamic Finance Review(ISFIRE)*. Retrieved from <http://isfire.net/the-state-of-islamic-finance-in-malaysia-and-indonesia/>
- Hosen, M.N. and Nahrawi, A. A., 2012, "Comparative analysis of Islamic banking products between Malaysia and Indonesia", *International Journal of Academic Research in Economics and Management Sciences*, Vol. 1, No. 2, pp.120-143
- Jakarta Post, 2016, July15. Retrieved from <http://www.thejakartapost.com>
- Lawrence, J., 2014, *Islamic Finance in Indonesia: Past, Present and Future*. Retrieved from <http://www.klgates.com>
- Lindsey T. 2012., "Between Piety and Prudence: State Syariah and the Regulation of Islamic Banking in Indonesia", *Sydney Law Review*, vol. 34, no. 107, pp. 107–127.
- Md Nor, M.Z. et.al., 2016, "The development of Islamic finance in Malaysia: in Trakic, A. and Tajuddin, H.H.A. (Ed.) *Islamic Banking & Finance Principles, Instruments & Operations*.2nd ed., Kuala Lumpur: CLJ Publication, pp. 601-617.
- Melayu, H.A., 2012, "The Religious Court in Indonesia: A Preliminary Overview of Mahkamah Syar'iyah Aceh", *Journal of Islamic Civilization in South East Asia (JICSA)*, vol.1, no.1, pp.55-77.
- New Horizon, 2012, Retrieved from <http://www.islamic-banking.com/resources/7/NewHorizon>
- News Straits Times, 2016, May 9. Retrieved from <https://www.nst.com.my/>
- Obaidullah, M., 2005. *Islamic Financial Services*, Jeddah: Scientific Publishing Centre, King Abdulaziz University.
- Rasyid, A., 2001, *Legal Reform On The Dispute Resolution Mechanism In Islamic Banking And Finance In Indonesia: Issues And Challenges*. Malaysia: International Islamic University.
- Rosly, S.A. and Bakar, M.A., 2003, "Performance of Islamic and Mainstream Banks in Malaysia", *International Journal of Social Economics*, vol. 30, no. 2, pp. 1249-1265.
- Sari, M.D., et.al., 2016, "History of Islamic Bank in Indonesia: Issues Behind Its Establishment", *International Journal of Finance and Banking Research*, vol.2, no.5, pp.178-184
- Serigar, M.E. and Ilyas N., 2011, "Recent Developments in Islamic Banking in Indonesia", *Proceedings of the Fifth Harvard University Forum on Islamic Finance. Islamic Finance: Dynamics and Development*. Cambridge, Massachusetts. Center for Middle Eastern Studies, pp. 189-196
- Shaffer, S., 1993, "Bank Competition in Concentrated Markets", *Federal Reserve Bank of Philadelphia Business Review*, pp.3-16
- Sholikhah, Z. et al., 2017. "Determinant of the Equity Based Financing Volume: A Case of Islamic Banks in Indonesia", *Research Journal of Finance and Accounting*, Vol.8, No.1, pp.30-39
- Siddiqi, M. N., 1985. *Partnership and Profit-Sharing in Islamic Law*. Leicester: The Islamic Foundation,
- Siddiqui, S. H., 2002, "Islamic Banking: True Modes of Financing", *Journal of Islamic Banking & Finance*, vol. 19, no. 1, pp. 11- 24
- Sobol, I., 2016, "Development Of Islamic Banking In Indonesia". *Research Papers Of Wroclaw University Of Economics*. Asian Economies in the Context of Globalization, Wroclaw: Publishing House of Wroclaw University of Economics.

Subky, K.H.M. et. al., 2017. "The Implication of Musharakah Mutanaqisah in Malaysian Islamic Banking Arena: A Perspective on Legal Documentation", *International Journal of Management and Applied Research*, Vol. 4, No. 1, pp. 17-30.

Sula, M.S., 2011, Perkembangan Perbankan Syari'ah Harus Diikuti Peningkatan Pasar. Retrieved from <http://www.republika.co.id/berita/syariah/>

The Star Online, 2013, 6 February

Usmani, M. T., 2002. Islamic Finance. Karachi: Maktaba Ma'ariful Qur'an.

Yasin, N.M., 2007. Legal Aspects of Islamic Banking: Malaysian Experience in Salman Syed Ali & Ausaf Ahmad(ed.), *Islamic Banking and Finance: Fundamentals and Contemporary Issues*. Jeddah: IR

Yussof, S.A., 2013, "The Islamic Financial Services Act, 2013: Malaysia's Model Framework for Shariah-compliance and Stability", *Islam and Civilisational Renewal*, vol.4, no.3, pp.391-406.