

Islamic Banking in Malaysia: The Essential to Constructan Ecosystem of Understanding Among Staff

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ABSTRACT

Islamic banking has been operating in Malaysia for 32 years, which initially began with the establishment of Bank Islam Malaysian Berhad in 1983. The current number of banks that runs the operation of Islamic banking has risen to 16 organizations. The rapid growth in the number of additional organizations that offer Islamic-oriented banking and finance services demands a holistic understanding among their employees. The intended understanding is the ability of the staff to handle tasks which not only to conform with the standard operating procedures (SOPs) alone, but also to comply with the Islamic requirements. Therefore, the objective of this study is to identify the understanding of employees in the routine implementation of tasks and the improvements that need to be done by the organizations involved. The study was conducted through a qualitative approach by using technique of interviews over employees who serve in the selected Islamic banking organizations. The results found that the understanding of the staff engaged in carrying out their tasks is very limited to the scope of the tasks only. This factor occurs due to various external and internal circumstances that are affecting the understanding of staff in creating harmonization over the tasks performed. The study also suggested that a holistic understanding of ecosystems is to be created in Islamic banking organizations to further enhance governance operations.

KEYWORDS: Islamic Banking, Understanding, Staff, Ecosystem.

INTRODUCTION

The public is aware that the Islamic banking sector in Malaysia has become an integral element of financial activities as catalytic machinery nowadays. The history of its formation is triggered and modeled based on the function of the Tabung Haji (formerly known as Lembaga Urusan and Tabung Haji) as an organization that collects funds from the Muslim community to perform pilgrimage. Based on the development, the government has set up an initiative committee called as "National Steering Committee of Bank Islam" on 30 July 1981. The committee was established based on the "Faisal Islamic Bank of Egypt" and "Faisal Islamic Bank of Sudan" models that serve as a guideline in preparing reports to realize the establishment of Islamic banking institutions in Malaysia [8, 10]. In this regard, the government's objective to create the first Syariah compliant banking institution in Malaysia came true in 1983 with the establishment of Bank Islam Malaysian Berhad. To date, Malaysia has had a total of 16 Islamic banking organizations that operate based on the concept of Shariah compliant. A total of 10 of them is a local Islamic banking organizations, while the rest is Islamic banking organizations owned by foreign holdings [20]. In other words, a positive growth in the organizational development of Islamic banking in Malaysia provides a positive impact to the country's development direction. Meanwhile, human capital or personnels who serve in the Islamic banking institutions also contribute in upholding Islamic banking to international levels. Consequently, the Prime Minister of Malaysia [5] also urged employees who are involved in the Islamic banking operations to have a deep understanding of the implementation of the tasks undertaken. This prompts was made when he inaugurated the "Islamic Management System Transformation Carnival in Malaysia" which held at the Putra World Trade Centre, Kuala Lumpur in 2011. According to him, outstanding staff in all aspects of Islamic finance would be able to realize the Government's aspiration of making Malaysia as an Islamic financial hub at the international level. He is also in line with [7] where the staff proficiency in performing their tasks has great potential to drive global growth, brighten the prospects of the industry and strengthen its competitiveness in the competitive Islamic finance industry.

Thus, it is clear that the progress of the Islamic banking institutions in Malaysia has increased in terms of the number of offering units. Therefore, a good understanding among staff in tasks execution is a vital determinant to the success of the institutions. However, studies pertaining to the understanding among Islamic banking staff are very rarely performed. Previous studies focused on the awareness of the customers towards the services and products offered by Islamic banking organizations. Hence, the understanding among the Islamic banking staff in carrying out their duties should also be reviewed so that the products offered meet the current market demand.

LITERATURE REVIEW

The understanding among Islamic banking staff in managing contracts and customers is important to master. According to [11], staff serving in Islamic banking need to have understanding and are able to master the syariah aspects well in the execution of their duties. A good mastery of understanding could contribute to the strengthening of integrity of the particular participating financial institutions.

The same thing was also mentioned by [12]. According to him, the staff serving in the Islamic banking institution should have a good understanding in carrying out tasks in order to ward off cynical view of the society that often equate Islamic banking as conventional banking.

While in [13] stated that aspects of the understanding among the staff itself is the main hurdle which jeopardizes the development of Islamic banking in Malaysia. According to [11], mastery of Sharia by the staff at the Islamic banking institutions is very important in order to enhance the integrity of Islamic financial institutions themselves. In fact, the study concerning understanding among staff of Islamic banking was also recommended in the study of [14-16].

The aspect of understanding has long been emphasized in various fields, especially education and social sciences. The studies found that the history of the researches on the understanding of the aspects had been done since the early 1950s. This study was inspired by many Western scholars. For example, in [6] stated that the concept of understanding is the ability of an individual to parse the meaning and explain in-depth as well as be able to provide the interpretation of applicable characters or symbols and the uses of a particular hardware technically. On the other hand, in [2] stated that the understanding is the process of acquiring an idea, opinion, principle or meaning. But the definitions of understanding submitted by [21] is somewhat different. It pointed out that understanding is a behaviour committed by an individual or a particular party to explain something with the intention of triggering a reaction or reactions concerning the individual situation understood by himself.

From another perspective, in [17] said about the significance of interpretation about the perspective of understanding. According to him, an individual can only be classified as having understanding when he is able to use knowledge and relate it with logical thinking, meaning, provide information to others, conclude and appreciate something of value. The same thing was also explained by [18] who described the understanding as a description of an action for defining meaning to conform in a real context.

However, in [3] stated that prior to a thought processes, multiple basic processes must exist. Among them are the general and specific nature of thoughts. Early thoughts generated then lead to the identification, recognition and movements that lead to the formation of an understanding among human beings.

Although various perspectives were given by the Western scholars in regard to understanding, philosophers in the field of education are seen more ideal in explaining about it. Among them, in [4] described the understanding is a process in acquiring meanings based on the method of communicating. The communication methods are either oral, written or physical gesture involving the use or application of specific symbols. On the other hand, in [19] summarized the perspective of understanding more concisely and easier to be generally accepted by the public. Among them, he described the understanding acts as a method of seeking what is unknown and concluded it with the process of accepting the meaning.

Related perspectives about understanding were also discussed by Islamic scholars in various justifications. Among them, in [1] stated that generally there are four major trends in Islamic thoughts. Among them, stream based on mere revelation, stream based on revelation and mind, stream based on mind and revelation and stream merely based on mind.

Based on the highlights of the work described above, it could be summarized that the definitions of understanding highlighted by Western scholars are more of material properties compared with the concepts of understanding that are reflected by the scholars of Islam, which are more complete account of physical and spiritual aspects. However, the concepts of understanding are quite rarely given emphasized in the Islamic banking and finance operations. Therefore, a holistic understanding of ecosystems should be highlighted in the operations of an Islamic banking institutions.

RESEARCH QUESTIONS

Based on the issue raised by scholars about the need of every staff to master the aspect of understanding in every task execution done in Islamic banking institutions, a research question has been highlighted as what is the mechanism that needs to exist in order to strengthen the understanding among staff of Islamic banking in everyday task execution. Thus, the research question is the main aspect discussed in the study.

RESEARCH OBJECTIVES

A general objective has been formulated for the realization of the study. It is to ensure the presence of mechanism to strengthen the understanding among staff in Islamic banking in everyday tasks execution. Besides the general objective, there are a number of sub-objectives that are interrelated in making this study a success which are explained in the methodology section.

METHODOLOGY

This study has a strategy to build an ecosystem understanding among staff who work in the Islamic banking institution. A holistic understanding of the implementation of the tasks performed is very important in ensuring the Shariah rules and operations of the organization are in harmony. Therefore, this study used qualitative approach. The use of qualitative methods is suitable for achieving the objectives of the study. For the realization of this study, interview technique which is face to face with the employees involved is based on partial structured interview questions.

There were 32 staff involved with the interview process. The interview results were checked in terms of the validity by using the triangulation method from industrial experts and related academicians. A total of 12 persons from the experts was involved in validating the findings.

The findings were detailed as a whole by identifying which one contributes to the vulnerability of staff understanding in the implementation of spectrums of tasks performed in the Islamic banking institution involved. Finally, a finding that leads to the formation of understanding ecosystems was formed to strengthen the understanding among staff in the Islamic banking institutions when carrying out their daily tasks.

THE FORMATION OF UNDERSTANDING ECOSYSTEMS

Based on the research done, the understanding of staff who serve at Islamic banking institutions can be strengthened with the presence of the combinations of elements which are interrelated. There are seven elements that have been identified that are able to nourish the understanding of the staff involved. The elements include creation (penciptaan), formation (pembentukan), improvement (penambahbaikan), adoption (penerapan), strengthening (pemantapan), compliance (pematuhan) and acculturation (pembudayaan). These elements are summarized as "7P" based on beginning of the word that started with a consonant P.

Creation

Truly, the understanding of the staff in an organization should involve the process of creation. It is characteristically a process which is able to create uniformity in implementing an outlined agenda. In the context of staff at Islamic banking, understanding needs to be created by developing innovative training and delivery system. This is important so that the vision and mission of the organization can be understood by each employee in achieving predetermined goals.

Formation

However, understanding that is created will not be realised without a guideline that can be followed systematically and governed by an objective system. Therefore, understanding should be accompanied by a formation process of work ethic codes and practice of the Muslim staff. The formation of these elements is considered important as a source of reference for carrying out their duties in a more systematic and effective manner in line with the demands of work underlined by Islam. It is important for Islamic banking organizations and their staff to practise work styles which reflect the appearance of a Muslim, in accordance with the syariah banking identity.

Improvement

However, the acceptance of understanding in every aspect of the tasks implementation should be accompanied by elements of the stimulus. The intended stimulus is a mechanism that can work to improve the morality of staff who involve in carrying out their duties to be more diligent and efficient. Consequently, understanding should be improved from time to time. Hence, improvement of the system of remuneration, benefits and performance evaluation for a more holistic work are expected to stimulate understanding of employees in every implementation of tasks undertaken. This element is important to be applied so that staff understanding of organisational development is in line with the development of human capital quality. Additionally, this element is considered

important in order to create a “win-win” situation between the employer and the employees in achieving the goals set by the organization. The employer is in hope of maximum creativity contributed from their staff while the staff are in the expectation of getting the rewards commensurate with the workloads. The understanding towards the need to create this element is also able to build harmonization between the employer and staff.

Adoption

To strengthen the aspect of understanding among staff involved, it does take the process of adoption. The understanding among employees who work in the Islamic banking is amplified if accompanied with application of Islamic values in the execution of tasks. The organizations should not only characterize Islam in their environment but should also inculcate Islamic values among the staff involved. Employees should be reminded to feature speech style, dressing and behaviour as recommended by Islam. This element is crucial to be highlighted as an advantage that differentiates Islamic banking and conventional banking. Moreover, staff who work at Islamic banking organizations are not only serving based on the Syariah compliant but also able to present the identity that could act as an ambassador or preacher that promotes the goodness of the product and service offered by Islamic banking to the customers. Indirectly, this action is an added value that could be delivered by the staff of Islamic banking for customers, community as well as the organizations they work for.

Strengthening

To strengthen the understanding of staff, understanding should also be established. Strengthening elements should be focused in the management of information system and organization. If there are flaws in these elements, it will be impossible to ensure understanding among employees is at a required level. This element is capable of acting as a form of life support that can drive employees to a greater understanding. However, strong understanding among staff at the Islamic banking cannot stand on its own without any other support elements. Thus, understanding among staff has to take compliance into account in life-long learning among staff involved.

Compliance

The intended objective of this element is compliance practices to minimize risk mitigation. This is where the understanding among the employees in the implementation of tasks will not be strong if they do not take seriously risk factors faced in doing daily tasks. Each employee must understand all aspects of risks that may occur in all actions and tasks which they carry out. This element is important to be understood by each employee so that the elements of damages and losses can be minimized.

Acculturation

Finally, strong understanding among staff will only be futile if there is no effort to cultivate. Innovation should be enforced systematically and objectively. It should be nurtured in terms of compliance and nourishing properties of holistic social responsibility, not just merely to profit organizations but also benefit customers and the surrounding community.

Thus, based on the seven elements of the understanding which have been described above, each element has a close correlation to each other. Together, the elements are creating a chain of which form the basis for producing staff who understand their duties execution in Islamic bankings. The interconnected components have created an understanding ecosystem which is capable of upholding Islamic banking organizations in a class of its own. Figure 1 is a combination of seven elements that have been identified which form an ecosystem of understanding among staff serving in the Islamic banking organizations.

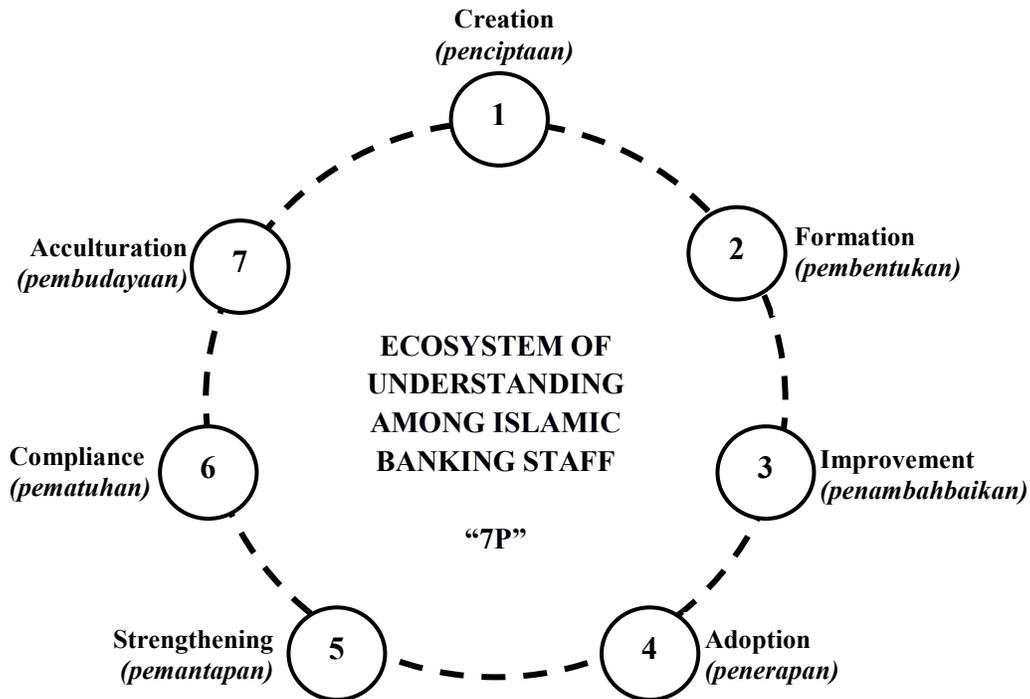


Figure 1: Ecosystem of understanding among Islamic banking staff.

Keys:

- 1: Creation of practice innovation and delivery system
- 2: Formation code of work ethics and practices of Muslim staff
- 3: Improvement of rewards system, benefits and assessment of the work achievement
- 4: Adoption of Islamic values among staff and organization
- 5: Strengthening of network system of information and organization administration
- 6: Compliance towards practices in minimizing risks
- 7: Innovation compliance and holistic social responsibility

CONCLUSION

An “ecosystem of staff understanding” needs to be created in Islamic banking institutions so that harmonization in operations can be obtained. Understanding in tasks execution is not only acting as an added value to the staff productivity but also contributor to the banking implementation which is holistically Syariah compliant. Staff who have great understanding are valuable assets to an institution of Islamic banking in ensuring the realization of the government’s desire in making Malaysia as financial and Islamic banking hub in East Asia. Most importantly, a good understanding among staff is an enabler which can generate material advantages as well as educate people about the values of mercy, blessing and pleasure of Allah SWT.

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