

An empirical analysis of islamic online banking in malaysia(with empirical eviden...

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MALAYSIA ISLAMIC BANKING PRODUCTS BY COLLEGE PRESENTED TO

Malaysia Islamic Banking Products Islamic banking is a financial activity that is in accordance with Sharia or Islamic law, which has become an active part of the global financial industry and has been expanding in both size and stature over time (Amin et al., 2013). Malaysia is one of the countries where Islamic banking has experienced growth, and the country controls about 8% of total Islamic banking assets globally. This percentage makes Malaysia the fourth largest country in percentage of Islamic banking facilities after Iran, which controls about 55%, republic of Saudi Arabia 13% and UAE 9% (Garbois et al., 2012). In addition, Malaysian Islamic banking assets are valued at U. S \$ 65. 5 billion and a growth rate of 18-20% per annum (Mckinsey, 2008). This suggests Malaysia has elaborate mechanisms that facilitate Muslim-specific financial needs. Consequently, as a result of its development, Islamic banking in Malaysia offers a myriad of sharia compliant online products to its customers.

Islamic banking in Malaysia had its activities launched in 1983 after the establishment of the Bank Islam Malaysia Berhadad (BIMB) (Khir et al. 2008). Since its establishment, the banking system has developed to include a wide range of products, with Malaysian Islamic financial system considered as the most progressive system in offering different products in the Islamic economic world (Haron & Ahmed, 2011). Retail banking is one of the major products in Malaysian Islamic banking system. Retail banking targets a wide range of customer segment that include the awqaf employees, religious conservatives, miftis and any employee of the ministry of Muslim affairs (Garbois et al., 2012). Online products offered under this product include sms

banking, credit card-i online application, all which account holders can operate online. Moreover, other services such as e-sadaqah, e-zakat. Payment of bills, reloading accounts, inter and intra bank transfers, which retail account holders can effect online through internet banking (Bank Islam Malaysia, 2009). Garbois et al. (2012) noted the Islamic banking sector in Malaysia has extended corporate banking products that target leading investors in the country. Through online banking services, corporate account holders in Malaysia may view the status of their accounts, loan balances, the status of any payments, view and download statements, effect intra and interbank transfers, pay bills, facilitate foreign funds transfers and make automatic payment to pay rolls through Autopay. Khir et al. (2008) further noted that a major product that Islamic banks offer is trading contracts. Trading of murabaha contracts in Islamic banks between a client and a bank can be facilitated online in a concept known as personal financing -i in most Islamic banks; the Alliance Islamic bank leads in offering this service (Khir et al. 2008).

The Takaful or Islamic insurance is another product that Islamic banks do offer online in Malaysia. The service requires that a group of members guarantee each other against losses or damages on a mutual basis.

Malaysian Takaful industry was approximated at U. S \$ 2. 8 billion by 2007 with a market penetration of 7. 2% (Mckinsey, 2008). Through online portals, members can have a follow up of their accounts and the status of their insurance as well as communicating with the company offering the service online. The Affin Bank Berhad Malaysia leads in offering this service.

However, in Malaysia, a kafil or a third party, in most cases the insurance

company has to act as a manager (Hosen & Nahrawi, 2012).

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