

Konvensyen Kewangan dan Perbankan Islam 2010 (SISMIM '10)

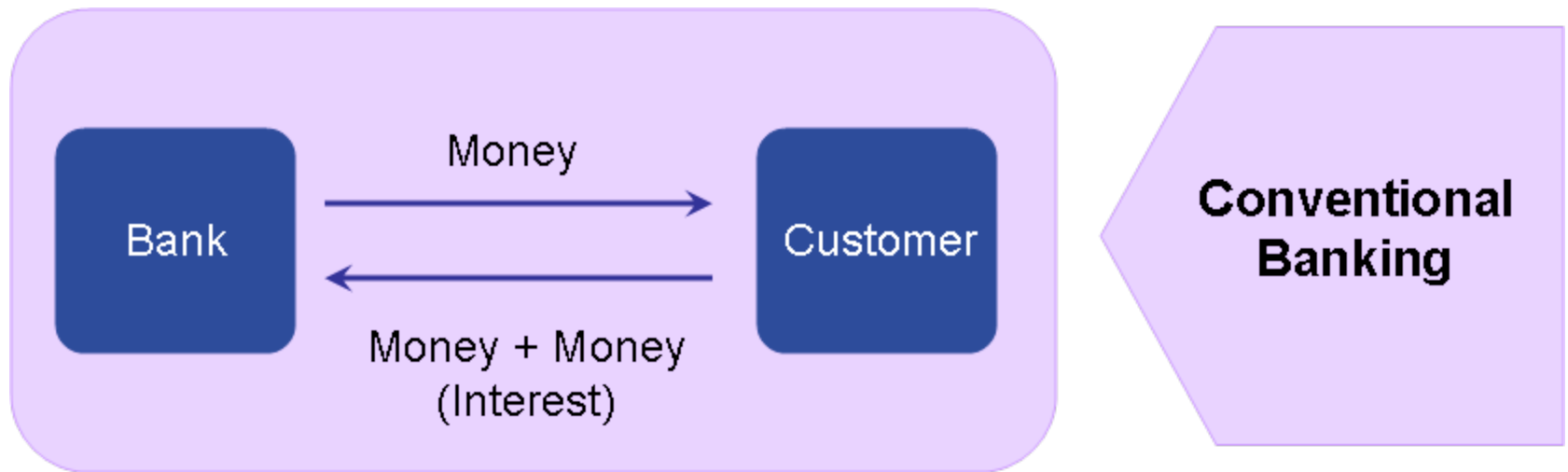
Islamic Financial System: A Research Perception Among Non Muslims in Malaysia

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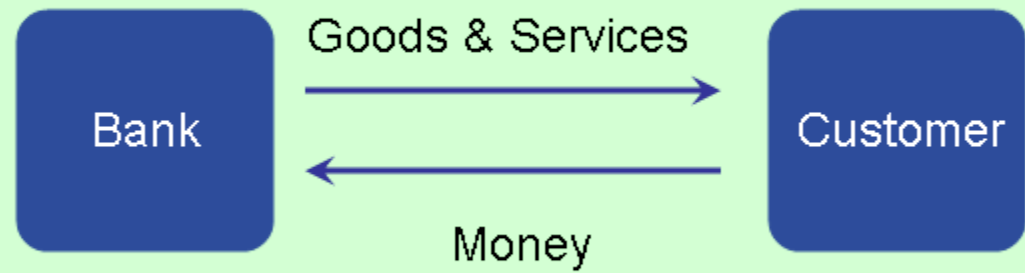
Other Names/ Terms used for Islamic Finance

1. Sharia Finance
2. Interest - free Finance
3. Special Finance Houses
4. Ethical Banking
5. Socially Responsible Banking
6. Capitalism with a 'Big Heart'

Islamic & Conventional Banking Comparison



Islamic Banking



Functions	Islamic Bank	Conventional Bank
Functions & Operations	Based on Shariah Based Principles	Based on Man made profit motivated Principles

Functions	Islamic Bank	Conventional Bank
Risk Ownership	<p>It promotes equity participation & trading .</p> <p>Risk capital is the capital that is rewarded for its participation in a productive process to the extent of the value that its participation creates, whether positive or negative and which was unknown at the time of capital deployment.</p>	<p>Pre-determined returns are assured.</p> <p>On the contrary, loan capital dictates its price of participation in the shape of a pre-determined rate and irrespective of the outcome of its application, to obtain higher return even if market forces work against such increase.</p>

Functions	Islamic Bank	Conventional Bank
Zakat (Religious Tax)	One of the service-oriented functions to be a Zakat Collection Centre	No Zakat Collection

Functions	Islamic Bank	Conventional Bank
Penalty	No provision to charge any extra money	Charge additional money (Penalty + Compound Interest)

Functions	Islamic Bank	Conventional Bank
Social Welfare	More importance to the public interest to ensure growth with equity	More often, Bank's own interest becomes more prominent

Functions	Islamic Bank	Conventional Bank
Economic Development	Greater emphasis on viability of the project related to economic development	Greater emphasis on client's credit worthiness

Functions	Islamic Bank	Conventional Bank
Fixed Repayment	Selling Price is fixed	Varies due to compounding interest element

Functions	Islamic Bank	Conventional Bank
Relationship	Buyer / Seller or Lessor / Lessee or Investor / Entrepreneur	Debtor / Creditor

Functions	Islamic Bank	Conventional Bank
Customers'	Muslims & Non-Muslims	Not permissible for Muslims due to interest element involved

Functions	Islamic Bank	Conventional Bank
Corporate Governance	Shariah Supervisory Board + Bank Negara Malaysia	Bank Negara Malaysia

Utilisation

- Hong Leong Islam Bank, OCBC (Islamic) and even Maybank (Islamic) have reported a 70 percent uptake by Chinese customers.

Monash Survey

- Religiosity is not the most important criteria for financial selection
- Rate of return is most important criteria for both Muslims and non-Muslims
- But religiosity is higher up the scale of priorities when it comes to Muslim investors

Conclusion

- Any venture must be economically viable if it is to sustain
- Islamic Finance has passed this test

Thank You