APPLICATION OF HUMAN GOVERNANCE BY SYARIAH COMMITTEE IN DETERMINING THE ISLAMICITY OF BANKING PRODUCTS

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APPLICATION OF HUMAN GOVERNANCE BY SYARIAH COMMITTEE IN DETERMINING THE ISLAMICITY OF BANKING PRODUCTS

By
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Thesis Submitted to the Graduate School of Management
Universiti Putra Malaysia in Fulfillment of the Requirements for the Degree of Master of Science

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of Requirement for the degree of Master of Science

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Chair : Prof. Dr. Arfah Salleh
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The growth of Islamic banking industry in Malaysia is evidenced with the rapid increase in the total assets of the Islamic banking sector that grew to RM434.6 billion. However, there have been strong views questioning the spirit of Islamic banking and finance, driving this study to uncover the essence of the decision making in determining the Islamicity of products embraced by the Syariah Committees. Since this study is new in nature, it adopts an interpretive approach of in-depth interviews. Based on the response from eleven (11) Syariah Committee members, it is found that the Syariah Committee members use the guidelines as prescribed by the Bank Negara Malaysia as the sole criteria for determining the Islamicity of banking products. The study also found that riba does exist in Islamic instruments. The study also reveals that the Islamic instruments are, in essence modified from conventional banking practices. It is based on contractum trinius and do not fully attained the Maqasid. Therefore, this study concludes that there was little room for individuals to move beyond corporate governance in determining the Islamicity of banking products, thus human governance is not yet practiced by the Syariah Committee members.
Abstrak tesis dibentangkan kepada Jawatankuasa Senat Universiti Putra Malaysia bagi memenuhi keperluan Sarjana Sains

AMALAN HUMAN GOVERNANCE OLEH JAWATANKUASA SYARIAH DALAM PENENTUAN KEISLAMAN PRODUK PERBANKAN

Oleh

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korporat, maka *human governance* masih belum diamalkan oleh Ahli Jawatankuasa Syariah.
ACKNOWLEDGEMENTS

This thesis marks the first footprint of my journey to further research in this field of Human Governance in Islamic Banking.

First and foremost, syukur Alhamdulillah that I am able to complete my thesis. Time is everything, and although it took me quite some time to complete my thesis, many new cases or scenarios have incurred which have helped contribute to my research and writing.

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I certify that a Thesis Examination Committee has met on 13 May 2013 to conduct the final examination of Melissa Johannie Yusoh on her thesis entitled “Application of Human Governance by Syariah Committee in Determining the Islamicity of Banking Products” is in accordance with the Universities and University Colleges Act 1971 and the Constitution of the Universiti Putra Malaysia [P.U.( A) 106] 15 March 1988. The Committee recommends that the student be awarded the Doctor of Philosophy degree.

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