



**UNIVERSITI PUTRA MALAYSIA**

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

**MELISSA JOHANNIE YUSOH**

**GSM 2013 9**



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**MASTER OF SCIENCE  
UNIVERSITI PUTRA MALAYSIA**

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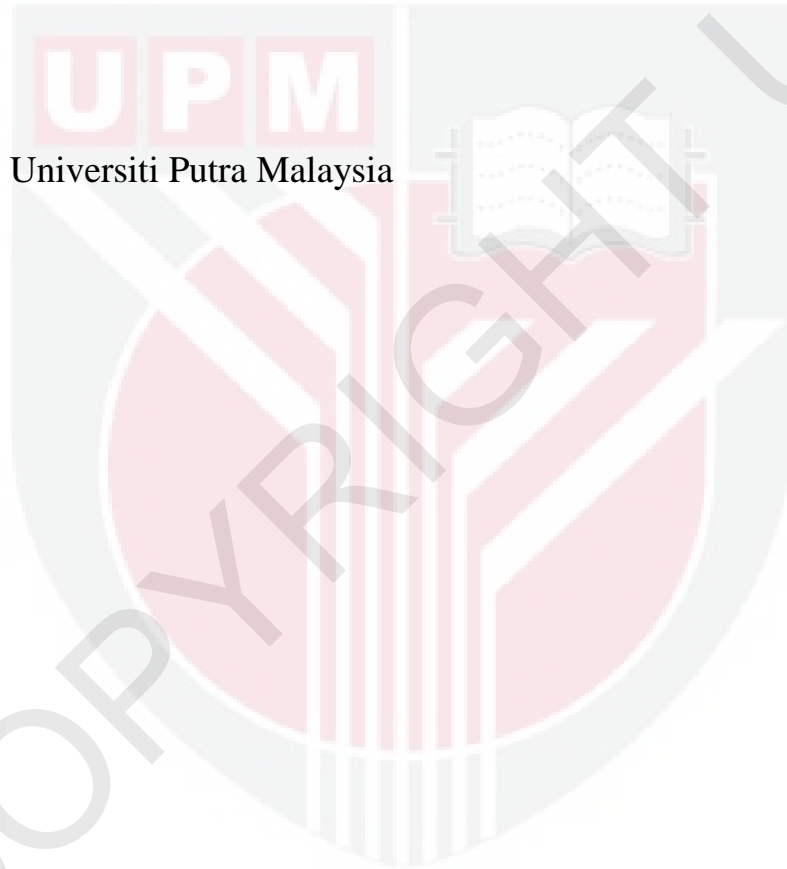
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Degree of Master of Science

May 2013

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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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**MELISSA JOHANNIE YUSOH**

**May 2013**

**Chair : Prof. Dr. Arfah Salleh**

**Faculty : Graduate School of Management, UPM**

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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**Mei 2013**

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Pengukuhan industri perbankan Islam di Malaysia telah dibuktikan dengan pertumbuhan pesat dalam aset perbankan Islam yang mencecah RM434.6 bilion. Namun yang demikian, terdapat hujahan kukuh yang mempersoalkan roh perbankan dan kewangan Islam, justeru mendorong kajian ini untuk mengenalpasti garis panduan penentuan keislaman dan proses pembuatan keputusan yang diamalkan oleh Jawatankuasa Syariah. Memandangkan kajian ini menyelidik bidang yang belum pernah diterokai sebelum ini, maka ia mengambil pendekatan kualitatif tafsiran (interpretive) melalui kaedah temuduga. Hasil maklumbalas oleh sebelas (11) Ahli Jawatankuasa Syariah mendapati bahawa Ahli Jawatankuasa Syariah mematuhi garis panduan yang ditetapkan oleh Bank Negara Malaysia sebagai kriteria utama dalam menentukan keislaman produk perbankan tersebut. Hasil kajian ini juga mendapati bahawa *riba* wujud dalam instrumen produk Islam. Kajian ini juga mendapati bahawa instrumen Islam secara asasnya diubahsuai daripada produk perbankan konvensional – yang berdasarkan *contractum trinius* dan tidak mencapai *Maqasid* sepenuhnya. Kesimpulannya, kajian ini mendapati bahawa disebabkan oleh ruang yang terhad bagi individu untuk menentukan keislaman produk perbankan berdasarkan urustadbir

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.

My sincerest gratitude to my advisor and supervisor Prof. Dr. Arfah Salleh and Prof. Dato' Dr. Aziuddin Ahmad for the spark that ignite my interest in this field. Their endless support, patience, motivation, and immense knowledge has helped me in all the time for the research and writing of this thesis.

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Last but not least, my parents, Dr Yusoh Salleh and Dr Rohani Ibrahim: thank you for being the candle in my life, your endless prayers, love, support and encouragement; my son, Faris Mirza, for you are my strength, my pillars and the main reason why I am doing this for the future; and my sibblings and Al-Ahmadi family, for your love, support and encouragement.



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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