

**UNDERSTANDING ON BAI' BITHAMAN AJIL FINANCING CONTRACT AMONG
EMPLOYEES AT AGROBANK NORTHERN REGION BRANCHES**

By

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ABSTRACT

The purpose of this study is to assess the understanding on *Bai' Bithaman Ajil* (BBA) financing contract among Agrobank employees attached at branches and business centre (regional office) in the northern states of Peninsular Malaysia before its transformation process to become a full-fledged Islamic bank (FFIB) in year 2015. A discussion of factors affecting employees' understanding on BBA financing contract is also included. The research presents primary data collected by self-administered questionnaires involving a sample of 40 respondents who represents executives from lower-management group with direct involvement in commercial financing-related functions. The respondents were identified from 19 different branches and one business centre within the states of Pulau Pinang, Kedah and Perlis, in which two respondents were selected to represent each branch/business centre. Respondents' demographic profiles were analysed using descriptive analysis. To further examine factors affecting employees' understanding on BBA financing contract, a multiple regression analysis had been employed. This study reveals that employees possess necessary knowledge on general principles of BBA in term of its applicability as main financing agreement within the spectrum of business banking segments in Agrobank. The results also indicate that knowledge and commitment are the two significant factors which could affect employees' understanding on BBA financing contract. On the other hand, employees' keen-interest and their ability to practice Shariah-compliant aspects show insignificant relationship with understanding on BBA financing contract. The empirical evidence of this study highlights the importance of Agrobank to groom a knowledgeable workforce with true commitment in Islamic banking aspects in order to ensure its transformation process would chart another remarkable milestone in spurring the growth of Islamic banking industry in Malaysia. The gist of these study reports findings from the first region-wide survey carried out in Agrobank on the niche aspects of Islamic banking operations with BBA financing contract as its key essence.

Keywords: employees, understanding, *bai' bithaman ajil*, full-fledged Islamic bank, Islamic banking.

ABSTRAK

Tujuan penyelidikan ini adalah untuk menilai pemahaman ke atas kontrak pembiayaan Bai' Bithaman Ajil di kalangan kakitangan Agrobank yang bertugas di cawangan-cawangan dan pusat perniagaan (pejabat wilayah) di negeri-negeri wilayah utara Semenanjung Malaysia, sebelum proses transformasi untuk beralih kepada bank Islam berstatus penuh (FFIB) menjelang tahun 2015. Perbincangan untuk faktor-faktor yang memberi kesan kepada tahap pemahaman kakitangan terhadap kontrak pembiayaan BBA juga turut dimuatkan. Kajian ini membentangkan data-data primer yang diperolehi melalui borang soalselidik yang dilengkapkan sendiri oleh 40 orang responden yang mewakili eksekutif daripada kumpulan pengurusan bawahan yang terlibat secara langsung di dalam fungsian tugas berkaitan pembiayaan komersial. Responden-responden telah dikenalpasti daripada 19 buah cawangan dan sebuah pusat perniagaan di seluruh negeri Pulau Pinang, Kedah dan Perlis, di mana dua orang responden telah dipilih untuk mewakili setiap cawangan/pusat perniagaan. Profil demografik responden dianalisa menggunakan kaedah analisis deskriptif. Analisis *multiple regression* telah digunapakai bagi mengkaji lebih lanjut faktor-faktor yang memberi kesan kepada pemahaman kakitangan terhadap kontrak pembiayaan BBA. Hasil kajian ini menunjukkan kakitangan mempunyai pengetahuan yang diperlukan terhadap prinsip-prinsip asas BBA dalam konteks penggunaannya sebagai kontrak pembiayaan utama meliputi spektrum perbankan perniagaan di Agrobank. Hasil kajian ini turut menunjukkan bahawa pengetahuan dan komitmen merupakan dua faktor yang signifikan dan boleh memberi kesan kepada pemahaman kakitangan terhadap kontrak pembiayaan BBA. Sebaliknya, minat sendiri kakitangan dan kemampuan mereka untuk mengamalkan aspek-aspek kepatuhan Syariah menunjukkan perkaitan yang tidak signifikan dengan tahap pemahaman mereka. Bukti empirikal daripada kajian ini memberi penegasan kepada kepentingan Agrobank untuk mempersiapkan tenaga kerja yang berpengetahuan dengan disertai oleh komitmen yang tidak berbelah bahagi terhadap aspek-aspek perbankan Islam bagi memastikan proses transformasi ke arah menjadi sebuah bank Islam berstatus penuh dapat melakar satu lagi pencapaian yang bermakna dalam usaha untuk merangsang pertumbuhan industri perbankan Islam di Malaysia. Teras kajian ini melaporkan penemuan untuk penyelidikan yang pertama kali dilakukan di Agrobank pada peringkat wilayah melibatkan aspek khusus operasi perbankan Islam dengan kontrak pembiayaan BBA sebagai intipati utama kajian.

Kata kunci: kakitangan, pemahaman, *bai' bithaman ajil*, bank Islam berstatus penuh, perbankan Islam.

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(In the name of Allah, the Most Gracious, the Ever Merciful)

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LIST OF ABBREVIATIONS

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institution
AITAB	Al-Ijarah Thumm Al-Bai'
BBA	Bai' Bithaman Ajil
BIMB	Bank Islam Malaysia Berhad
BKRM	Bank Kerjasama Rakyat Malaysia
BMMB	Bank Muamalat Malaysia Berhad
BNM	Bank Negara Malaysia
CIMB	Commerce International Merchant Bankers
DFI	Development Financial Institution
FFIB	Full-Fledged Islamic Bank
GLC	Government-Linked Company
HRM	Human Resource Management
HSBC	Hongkong & Shanghai Banking Corporation
IB	Islamic Banking
IBF	Interest-Free Banking
IFI	Islamic Financial Institution
IT	Information Technology

LIST OF ABBREVIATIONS

MIFC	Malaysian Islamic Financial Centre
MM	Musharakah Mutanaqisah
MOF INC.	Ministry of Finance Incorporated
OCBC	Overseas Chinese Banking Corporation
P/CEO	President/Chief Executive Officer
PhD	Doctor of Philosophy
PPA	Property Purchase Agreement
PSA	Property Sale Agreement
RHB	Rashid Hussain Bank
ROA	Return On Assets
SME	Small & Medium Enterprise
SPM	Sijil Pelajaran Malaysia
SPSS	Statistical Package for Social Sciences
STPM	Sijil Tinggi Persekolahan Malaysia
TQM	Total Quality Management
VIF	Variance Inflation Factor

CHAPTER 1

INTRODUCTION AND BACKGROUND OF THE STUDY

1.3 Background of the Study

Islamic banking (IB)¹ sector in Malaysia has experienced positive growth and tremendous progress over the past three decades since the establishment of Bank Islam Malaysia Berhad (BIMB) as a pioneer full-fledged Islamic bank (FFIB)¹ in 1983. The emergence of IB has changed Malaysian banking landscape from sole-dominance of long established and deep-rooted conventional banking system to a dual-banking system where Islamic banks operates in parallel with their conventional counterparts. Ismail (2010) emphasized that Islamic banking had played vital role by mobilizing funds from *rab-al-mal* (surplus units) to *mudharib* (deficit units), as well as prohibit *riba*-based activities in its operations.

The launching of Malaysian International Islamic Financial Centre (MIFC) initiative in 2006 was an utmost commitment by Malaysia's financial market regulators to develop and strengthen Malaysia's position as Islamic financial hub (BNM, 2013). As of February 2014, Islamic banking assets accounted for RM423.3 billion or 20.5 percent of the total banking assets (BNM, 2014), a fivefold increase from RM94.6 billion as of end 2004 (Abdullah & Abdul Rahman, 2007). The initial aim by Government is to capture one-fifth market share by 2010 but the target was only fulfilled in the first quarter of 2013.

¹ The word Islamic banks and full-fledged Islamic banks will be interchangeably used with their respective abbreviations of IB and FFIB throughout this text.

As far as Islamic financial institution (IFI)^{II} is concerned, there are two types of Islamic banks segregated either as a full-fledged Islamic bank (FFIB) or Islamic bank operates as a subsidiary under their respective banking groups. Examples of locally-licensed FFIB are BIMB and Bank Muamalat Malaysia Berhad (BMMB), whereas foreign-licensed FFIB are Kuwait Finance House, Al-Rajhi Banking & Investment Corporation (M) Berhad, Asian Finance Bank and Alkhair International Islamic Bank Malaysia Berhad.

On the other hand, Islamic banks that operates under their respective banking groups are Maybank Islamic, CIMB Islamic, Public Islamic, RHB Islamic, Hong Leong Islamic, Affin Islamic, Alliance Islamic, AmIslamic, HSBC Amanah, OCBC Al-Amin and Standard Chartered Saadiq.

Of late, several development financial institutions (DFIs) have also shifted their operations from conventional banking system to a banking system fully based on Shariah principles. Bank Kerjasama Rakyat Malaysia Berhad (BKRM) led the way in 2002, followed by Bank Perusahaan Kecil & Sederhana Malaysia Berhad (SME Bank) in 2010 and to be follow suit by Bank Pertanian Malaysia Berhad (Agrobank) in 2015.

^{II} The word Islamic financial institutions will be interchangeably used with its respective abbreviation of IFI or IFIs throughout this text.

1.4 Problem Statement

Agrobank aspiration to become a FFIB was dated back to year 2011 when the-then Managing Director announced that the Executive Management Team has decided to discontinue the offering of conventional banking products as the first step to patronize Shariah-compliant products^{III}. A new division named Transformation Management & Islamic Banking had been established to expedite and coordinate the transformation process. Full-Fledged Islamic Banking Portal had also been develop as one of communication channel to disseminate pertinent information on IB such as basic concepts of *Muamalat*, issuance of *Shariah* operation manuals, make known of resolution passed by *Shariah* Council, as well as conducting series of *tafahum* online test to gauge the awareness and knowledge on Islamic banking aspects among employees. *Tafahum* refers to the habit of mutual understanding on or about something that originates from unity of thoughts (al-Banna, 1980), as quoted by Ahmad (2012).

For brief information, Agrobank is a Government-Linked Company (GLC) under the Ministry of Finance Incorporated (MoF Inc.). It has been mandated with a role to provide holistic banking facilities to agriculture and agro-based community, as well as to cater the financial needs of private individuals. Agrobank is a continuity of the former Bank Pertanian Malaysia upon its corporatization in April 2008 with 40 years of presence in Malaysia, and have

^{III} Excerpts from announcement made by the-then Agrobank's Managing Director on the issue of Full-Fledged Islamic Banking (FFIB) – Penawaran Produk Perbankan Islam Berbanding Produk Perbankan Konvensional (Pekeliling Managing Director Bil. 16/11 dated 16 February 2011).

wide array of branches nationwide. Agrobank's organization structure was modelled by Rabobank Holland before its corporatization process came into force on 1 April 2008. Under the new business model, each branch had been streamlined into two main functions, namely Banking Operations Department and Business Banking Department. While the former supervise daily banking activities such as over-the-counter transaction, e-banking, remittances (including Western Union services) and financial management tasks, the latter is responsible to solicit businesses for the bank.

Business Banking Department is further divided into three sub-units, each responsible in the areas of consumer business, commercial business and commercial administration duties. Employees assigned to consumer business unit are responsible to bring in retail customers who are keen to secure either personal financing or micro financing facilities, as well as those who wish to obtain cash advances from Ar-Rahnu transactions. Commercial business unit deals with SMEs agropreneurs, up to corporate customers who are eager to start or expand their agribusiness or agro-based related project.

It is important to note that most of commercial financing transactions were approved under *Bai' Bithaman Ajil (BBA)* contract, while applications for consumer financing were granted under *Bai' Al-Inah* contract. Only small portion of financing portfolios in Agrobank comprised of *Bai' Murabahah* and *Al-Wakalah* contracts, both offered under the recently-launched Islamic Trade Finance facilities^{IV}. Commercial administration, as the name suggests, is

^{IV} Agrobank's Unaudited Financial Statements for 9-Month Period Ended 30 September 2013.

accountable to ensure post-approval activities for commercial financing such as perfection of legal documentation, completion of conditions precedent prior to disbursement of proceeds, as well as annual review and renewal of facilities, are carried-out and be in place. However, this study only identifies commercial business officers and commercial administration officers as unit of analysis.

The notion or initial idea of this study was brainchild from the New Year Keynote Address by the incumbent President/Chief Executive Officer (P/CEO) of Agrobank who had expressed his disappointment towards the slow progress of transformation process, lack of understanding and low appreciation in Islamic banking system among employees. He further emphasized that number of training or courses attended by staff would not ensure the successful of migration process if employees have no keen interest and in-depth appreciation in Islamic banking itself; since what matter most to him is in-depth interest and commitment amongst employees^V.

The above statement by Agrobank P/CEO is supported by Dahlawi (2005). He asserted in his study that a customer service staff at Al-Ahli Al-Saudi Bank branch was not able to sufficiently explain to customers about various Islamic forms of financing. He further stated that many IFIs encountered the same problems as their employees training programmes were either falls below expectations or ineffective. The programmes participants were found to only pay little attention to the topics on values and ethics, since they regarded both topics

^V Excerpts from Perutusan Tahun Baru Presiden/Ketua Pegawai Eksekutif Agrobank (Internal circulation memo disseminated via intranet channel dated 31 December 2013).

as no more than general sermons and irrelevant to their practical job. As a result, the amount of benefit gained by employees from training programmes had limited their interest in adhering to the training contents.

Therefore, this research attempts to address the importance to inculcate basic understanding of Islamic banking knowledge among Agrobank's employees who currently practice dual-banking approach in their daily works; especially before the Bank's transformation to become a FFIB come into effect in 2015.

Numerous past research conducted by Metawa and al-Mossawi (1998), Abdul Hamid and Mohd Nordin (2001), Dusuki and Abdullah (2007), and Dusuki (2008) among others, were mainly focused on the Islamic banking awareness, perception and knowledge among IFI customers, and less emphasized on the importance of Islamic banking understanding among IFI employees itself, particularly those who directly involved in financing-related matters. It is opined that IFI employees need to acquire good understanding and possess basic concept of Islamic banking aspects first, before gauging the same on customers. In addition, previous study by Abdullah and Abdul Rahman (2007) only measured factors influencing Islamic banking knowledge among middle management groups (i.e. branch managers) at Malaysian banks, and therefore not targeted to lower management groups (i.e. junior to senior executive positions). According to Metawa and al-Mossawi (1998), frontline service employees such as customer service officers "are the organization in customer's eyes". Hence, this study attempts to bridge and complement the aforementioned gap by providing a clear

insights about the understanding on Islamic banking aspects among employees at lower management groups who actually represent the largest pool of ‘frontliners’.

The key problem of this study is to examine the importance of having basic understanding on Islamic banking aspects among Agrobank’s employees as to ensure smooth transition during and after the transformation process. Therefore, it is the onus of this study to proof whether the employees have keen interest on IB, possess true commitment to support and promote IB to customers, acquire minimum standard of knowledge in common IB products, and able to practice *Shariah*-compliant principles beginning from pre-approval stage of receiving financing applications from customers, up to the post approval stage of perfecting legal and financing documentation. The underlying importance of this study is also associated with complexities in today’s banking transaction, as customers have become more educated and demand for detailed information and explanation on IB products, terminologies and its process flow. The researcher is of the opinion that there is an urgency to find timely solutions for the following research questions because Agrobank has to be at full readiness stage prior to be acknowledged as a full-fledged Islamic bank in less than a year time.

1.3 Research Objectives

This study attempts to describe the traits and qualities of Agrobank’s employees, with special focus to personnel who directly involve in marketing, processing and managing customers’ financing applications/accounts. The broad understanding in Islamic banking aspects has been narrowed down and to only focus on BBA

financing contract since it had been widely used and applied in commercial financing activities in Agrobank. The following are research objectives which have been established to describe the factors that could hinder the Bank's scheduled plan to become a FFIB in 2015:

- (i) To assess the understanding on Islamic banking financing contract of BBA among Agrobank's employees in northern region areas.
- (ii) To examine the key factors affecting employees' understanding on Islamic banking financing contract of BBA.
- (iii) To measure the relationship between keen interest, commitment, knowledge and ability to practice proper Islamic banking aspects with employees' understanding on Islamic banking financing contract of BBA.

1.4 Research Questions

Based on the above research objectives, this study aims to answer the following research questions:

- (i) What is the degree of understanding on Islamic banking financing contract of BBA among Agrobank's employees at northern region areas?
- (ii) Which are the key factor(s) affecting the understanding on Islamic banking financing contract of BBA?
- (iii) How does the relationship between employees' keen interest, commitment, knowledge and ability to practice proper Islamic banking aspects with the understanding on Islamic banking financing contract of BBA?

1.5 Significance of the Study

This study would complement the existing research in the areas of Islamic banking and contributes additional source of reference to regulators and policymakers governing the banking industry in Malaysia, be beneficial for Agrobank's management team in taking next course of action in ensuring Islamic banking literacy among its employees, and also meant to develop scientific importance to the world of academia in the following ways:

1.5.1 Industry Importance:

Regulator and policymaker such as Central Bank and *Shariah* Advisory Councils of IFIs could refer to the findings of this study in extending their future advice and guidance to financial institutions that wish to convert their operations into *Shariah*-compliant banking practices.

1.5.2 Organizational Importance:

Agrobank's management team may use the findings of this research to chart immediate action plan, particularly in the IB aspects where employees' found to be less competent.

1.5.3 Scientific Importance:

The findings from this research could fill in the gap in the areas of employees' knowledge in basic Islamic banking concept, particularly those at lower management level. In addition, the findings could also be

useful as future reference either by banking analysts, academicians or students intended to develop new research in the field of Islamic banking.

1.6 Organization of the Research

This research is divided into five chapters, with each chapter explains about different contents according to specific topics outlined at the onset. Chapter One comprises six sub-topics covering the general overview, problem statement, research objectives, research questions, as well as the significance of the study. Chapter Two basically revolves about literature reviews concerning the study. Chapter Three elaborates the methodology applied within the domain of this study. The results and findings of this study are presented and discussed in further details in Chapter Four. Finally, summary of each research objectives, its practical importance to the concerning organization, recommendations for future research, as well as scope and limitations of the study are all summed-up in Chapter Five.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Literature review from past surveys related to this study will be explained according to factors that could affect the understanding on Islamic banking financing contracts of BBA.

It can be noted that the transformation of conventional financial institutions to a fully Shariah-compliant institutions had spurred the development of Islamic banking industry in Malaysia by introduction of various financing contracts in the local market. Among the common Islamic banking financing contracts available in Malaysian market are as follows:

Table 1.1:
Types, nature and concept of various Islamic banking financing contracts

Contract Name	Nature of Product	Concepts/Mechanism
<i>Wadi'ah Yad Amanah</i> (Trustee Safe Custody)	Deposit	A safekeeping agreement based on trust which refers to items (money) deposited by the owner (customer) with a custodian (bank). Bank will protect the money by not mixing, using and charging any fees for monies kept under their custody.
<i>Wadi'ah Yad Dhamanah</i> (Guaranteed Safe Custody)	Deposit	Under this agreement, the depositors allow the bank to utilize their money but limited to halal activities that complies with <i>Shariah</i> . In return, the bank has discretion either to give or not to give a ' <i>hibah</i> ' as a reward for using depositors' savings. Giving out ' <i>hibah</i> ' is subject to bank's financial performance.

Contract Name	Nature of Product	Concepts/Mechanism
<i>Mudharabah Muthalaqah</i>	Term deposit	This is an agreement whereby owner of the funds (i.e. customer or known as <i>rab-al-mal</i>) does not limit the usage of funds by the trustee or agent (i.e. bank or <i>mudharib</i>). Bank is given full authority to manage the funds without limitation such as period of time, types and place of businesses or services to be invested in.
<i>Mudharabah Muqayyadah</i>	Term deposit	Under this agreement, the owner of the funds (i.e. customer or known as <i>rab-al-mal</i>) limits the management of his/her funds by the trustee or agent (i.e. the bank or <i>mudharib</i>). Bank is only allowed to manage the funds with certain limitation as to time, types and place of businesses or services to be invested in.
<i>Bai' Murabahah</i>	Debt financing	This is a trust sale contract that indicates the rate of profit or percentage mark-up. The key feature of this contract is seller will disclose actual cost incurred in acquiring the assets, as well as the profit margin portion. It is referred as 'cost-plus financing' among industry practitioners.
<i>Bai' Bithaman Ajil</i>	Debt financing	<i>Bai' Bithaman Ajil</i> or commonly known as BBA, means sale of assets with deferred payment. BBA is a deferred payment sale and not a spot sale. It is a mode of Islamic financing popularly used to finance the purchase of real property, vehicles, and other consumer goods. Technically, BBA is based on activities of buying and selling of assets. Banks will purchase the assets that wish to be acquired by customers at market selling price, and sell to the customer at an agreed mark-up price after both parties have determined the tenure and the manner of

		installments payment.
Contract Name	Nature of Product	Concepts/Mechanism
<i>Ijarah</i>	Leasing	Ijarah is a sale of *usufruct rights of durable goods/assets (*the benefits of using the goods/assets). The ownership of assets remains with the owner (i.e. the lessor or bank in this context) and not transferred to the hirer (i.e. the lessee or customer). Owner will receive the stream of lease or rental payments as long as lessee enjoys the benefits of usufruct rights. The owner/lessor/bank can sell the leased asset either to the same hirer/lessee/customer or to any interested third party at the end of lease period.
<i>Bai' Istisna</i>	Debt financing	<i>Bai' Istisna</i> is a pre-production sale contract involving an asset which has yet to come into existence. It is a contract of sale of a specified item to be manufactured or constructed by a manufacturer or contractor, and to be delivered to the customer upon completion. Buyer will make progressive payment to the seller based on percentage of work done.
<i>Bai' Al-Inah</i>	Debt financing	This contract involves the sale and buy-back transaction of assets by the seller. Bank's as the seller will first sells its own asset to customer (buyer) at a price comprising financing amount plus profit margin to be paid in deferred term. Subsequently, bank will buy-back its own asset from customer on cash basis and remit the purchase price to customer on cash term. The buy-back transaction is made as a device to enable customer to obtain the financing proceeds in cash.

Contract Name	Nature of Product	Concepts/Mechanism
<i>Bai' Al-Dayn</i>	Debt financing	<i>Bai' Al-Dayn</i> concept is widely use in invoice financing or 'factoring' as well as for bill discounting in trade finance activities. The transaction involves selling of sale invoice by customers to the bank in order to obtain immediate cash advance.
<i>Musharakah</i>	Equity financing	<i>Musharakah</i> is a contract where IFIs and their customers form a partnership contract to venture into a project-based financing. IFI will provide part of capital and the remaining is to be self-financed by customer. IFI delegates the project management aspect to their partners but retain the supervision rights to monitor the progress. Any profit derived is to be divided in accordance to the pre-agreed ratio, while any loss is also to be shared accordingly between partners.
<i>Musharakah Mutanaqisah</i>	Equity financing	Under this principle, IFIs participates either as sole or partial equity financier to venture into a project or business with their customer-cum-partner. Profit-sharing ratio and profit amount are clearly spelt-out in the agreement. IFIs equity in the project or business is progressively diminished upon stream of installments made by customer-partner. Customer-partner's equity will increase and they eventually become the full owner upon final payment made. IFI will then relinquish its claims from the venturing entity formed earlier on.

Source: Khir, Gupta, & Bala, (2008) *Islamic Banking: A Practical Perspective*.

2.2 Employees Understanding in Islamic Banking

The term “Islamic banking” or “IB” has been widely used by banking practitioners and researchers to replace the term “Interest-free Banking” or “IBF” beginning from 1 December 1998 onwards (Mohd Yasin, 2001). However, there were no definitions from past articles on the commonly-used term of “full-fledged Islamic bank” or “FFIB” in short.

Reference to Merriam Webster online dictionary found that the phrase “full-fledged” is defined as “having attained complete status” or “meeting the entire necessary requirement to be something”. Therefore, the term “full-fledged Islamic bank” can be defined as an Islamic financial institution that operates in accordance with the rules of Islamic law principles (known as *Maqasid al-Shariah*). Based on a study by Abdul Hamid and Mohd Nordin (2001), almost 97 percent of respondents picked randomly at commercial and Islamic banks in Kuala Lumpur acknowledged that they do aware about Islamic banking presence in Malaysia, but around 83 percent responded that they do not possess any knowledge about Islamic banking products.

Limited knowledge among customers however can be tolerated to a certain level since they only act as a user group, and mainly due to lack of awareness programmes or campaign by Islamic banks to educate and promote Islamic banking products to mass public. A study presented by Dahlawi (2005) revealed more critical factor, which was on the ignorance among many Islamic banks employees about the true nature of Islamic finance. He included in his

study that banks will not be able to actualize their objectives if employees of that institutions cannot properly uphold the banks' mission, have little interest to act in accordance to *Shariah* principles, lack of confidence in Islamic banking system or lack of knowledge in the operation of Islamic banks.

A study by Hassan and Ahmed (2002) conducted at one of Islamic bank in Dhaka, Bangladesh found that understanding of Islamic banking concept and practices among customers and employees were still vague. Another study by Makiyan (2002) on the factors behind Islamic banking performance revealed that inadequate knowledge among employees was one of the key problems faced by Islamic banks. Both studies mentioned before were applied by Zainol, Shaari, and Ali, (2008) in their research paper about bankers' perception towards Islamic banking products and services. Their own findings further asserted the two previous studies that employees' knowledge on the fundamental aspects of Islamic banking is very limited – particularly on the areas of establishment objectives of Islamic bank which placed greater emphasis on religion rather than the profitability factor as its main feature.

2.3 *Bai' Bithaman Ajil* as Financing Contract

The objectives of BBA financing as outlined in Agrobank's BBA Manual is to provide Islamic based financing for its customers to finance their agricultural related projects^I. Since Agrobank is currently practicing dual banking system in

^I Manual Operasi Al-Bai' Bithaman Ajil (MO – 74)

its day-to-day banking operations, the offering of BBA financing is viewed as an alternative financing solution for customers who opt to use Islamic financing in their banking transactions.

The phrase *Bai' Bithaman Ajil* can be further break up into the following *lafzhiyah* (word-by-word) translation, to be read as: *Bai'* (sale), *Bithaman* (price or method of payment), *Ajil* (deferment). Hence, BBA is actually a “sale with deferred payment” and therefore is not a “spot sale” (Khir, Gupta, & Bala, 2008). Due to its controversial issues, the researcher managed to obtain several opinions from Agrobank’s Islamic banking practitioners with main intention to ‘clear the air’ on that issue.

One of the issue pertaining BBA financing contract in Malaysia is about the majority opinions from Islamic scholars worldwide whom regarded BBA is merely a ‘normal loan’ rather than ‘a mode of Islamic financing’. Former Section Head at Product Research & Development Department in Agrobank supported the above statement by saying that BBA contract is not a financing product, but only a financing mode or concept widely used by Islamic financiers in Malaysia^{II}.

According to explanation by former Section Head at Agrobank’s *Shariah* Research and Transformation Unit, the BBA financing contract widely practiced in Malaysia is actually a BBA using similar concept to *Bai' Al-Inah*. This is due to the “inter-conditional” clause worded in Property Sale Agreement (PSA) which

^{II} Interview session with En. Norazhari Haji Samion, former Section Head of Agrobank Product Research & Development pertaining issues on the legality of BBA as financing contract, held on 19 December 2012 at Agrobank Development Institute, Bangi, Selangor.

mentioned about “reselling of asset by one party and acceptance of that sale transaction by another party for a return in specified consideration value”^{III}. He also concurred that the current banking practice of selling an asset to customer without having owned that asset in first place is against the true mechanism of BBA (especially in the case of property financing whereby bank does not have an absolute legal ownership on that property before resells the said property to customer. Instead, bank only institute a legal interest by way of legal charge perfected at land office prior to disbursement of financing proceeds – which occurs long after buying and selling transaction duly completed between bank and its customer).

However, this study will ignore and not intended to discuss all the controversial issues and criticism surrounding BBA practices in Malaysia because it needs different sets of proposition to be established for intellectual arguments as well as require another ‘fine-tuning’ of mindset in order to discuss regarding the issues. Therefore, as far as BBA in this study is concerned, any profit earned by Islamic banks within this framework is considered to be legitimate from *Shariah* point of view since the transaction is conducted on a sale contract rather than a loan contract.

^{III} Interview session with En. Lodz Shahidan, former Section Head of Agrobank Syariah Research, Research, Islamic Banking Department pertaining the issue of ‘inter-conditional clause’ in BBA Property Sale Agreement (PPA), held on 18 December 2012 at Agrobank Development Institute, Bangi, Selangor.

The below table summarized essential element of BBA financing contract with its necessary conditions to form a valid contract:

Table 2.1:
Essential element of BBA financing contract

Tenet (<i>Rukun</i>)	Mandatory Conditions
Buyer and Seller	<ul style="list-style-type: none"> i. Possess sound mind (aqil) ii. Must attain 18 years old (baligh) iii. Must be intelligent (in capacity) iv. Must not be force to enter into the contract. v. Must not be a bankrupt. vi. Must not be a <i>safih</i> (insane or mental illness person).
The transacted item i.e. Asset/Merchandise	<ul style="list-style-type: none"> i. Exist at the time of transaction ii. Bank is the rightful owner of that merchandise. iii. Must be in pure substance (lawful from Shariah) iv. Must be of some use or some value. v. Must be able to be delivered by seller to buyer. vi. Both parties must know the goods in full details.
Price	<ul style="list-style-type: none"> i. Must be fixed and make known to seller and buyer. ii. To specified the currency used in the transaction.
Contract (Akad) i.e. Offer and Acceptance or (Ijab and Qabul)	<ul style="list-style-type: none"> i. Must be absolute, definite and in decisive language. ii. The acceptance must be in line with the offer. iii. The offer and acceptance must be completed during the same meeting or session.

Source: Khir, Gupta & Bala, (2008) *Islamic Banking: A Practical Perspective*.

Rosly (1999) in his article to measure the impact of using BBA financing on Islamic banking performance concluded that profits margin of an Islamic bank under his reviewed has declined tremendously during the rising interest rates period in year 1996-1997, in contrary to profits margin of conventional banks which moved on the opposite direction. Nevertheless, the outcome was due to the matter of fixed rate financing applied by Islamic banks vis-à-vis floating rate

regime adopted by conventional banks – which is not the central issue to be discussed in this study.

Mohd Azli, Othman, Sahri, Abdul Aris, and Arshad, (2011) addressed in their study regarding the importance of thorough understanding in *Maqasid Al-Shariah* (the objectives of Islamic law) in the context to uphold justice, social welfare and brotherhood. They concluded that the level of understanding of *Maqasid Al-Shariah* among bankers/practitioners who acted as seller in BBA financing contract is also questionable. In addition they commended that the terms and conditions, legal framework and practice of BBA were lack of public interest perseverance, compared to *Musharakah Mutanaqisah* (MM) financing contract used in house financing.

Rosly, Sanusi, and Mohd Yasin, (2003) argued on the widespread use of BBA in Islamic banking business despite the existence of certain elements in its financing documentation that would open up the risk of implicating *riba* from the derived profits. They observed that the usage of Property Purchase Agreement (PPA) and Property Sale Agreement (PSA) in BBA legal documentation were merely as an enabler to legalize the buying and selling transaction which does not exist in the actual situation due to the absence of absolute transfer of ownership involving transacted asset on the seller's (banker's) side. As such, they suggested the usage of newly-designed BBA legal documentation which incorporates bank as a beneficiary owner before making 'resale' transaction to the customer.

2.4 Keen Interest in Islamic Banking Financing Contract of BBA

Black and Flynn (2013) in their research paper described one of ‘keen interest’ characteristics is the development of self-regulatory system. Farwa and Niazi (2013) stated that self-determination should originate from employee’s energy or inner drive which motivates an individual to achieve a particular goal. Therefore, keen interest can be described as an act by a person without influence or interference from another party.

A study by Zainol, *et al.* (2008) to investigate about conventional and Islamic bankers’ perception towards Islamic banking potential in Malaysia concluded that Islamic banks employees had more positive perception than their counterparts in conventional banks. This finding showed that employees’ interest towards IB were dependent to their workplace. In addition, Zainol, *et al.* (2008) had referred to a study by Hassan and Ahmed (2002) who found that their respondents were not interested to perform banking transactions at Islamic banks because they perceived that only the bank’s name had been changed to reflect its Islamic identity and not the banking system as a whole. Abdullah and Abdul Rahman (2007) in their research about factors influencing Islamic banking knowledge among Malaysian bank managers found that knowledge had positive relationship with respondents’ attendance to training programmes.

Zainol, *et al.*, (2008) and, Abdullah and Abdul Rahman (2007) incorporated in their study about an interesting finding by Erol *et al.* (1990) who

pointed out that customers perceived no difference between services offered by conventional and Islamic banks, and the latter was only perceived as merely ‘a conventional banking system in Islamic garb’. All the above researchers also referred to a research by Akermen (2000) who emphasized that monetary sums allocated for training purposes and long-term investment in term of time, energy, individual’s ability and interest were of equal importance in acquiring knowledge in Islamic banking.

On the other hand, findings by Ali and Farrukh (2013) revealed that 21 out of 25 respondents from five different Islamic banks in Pakistan were fully satisfied and have high confidence about Islamic banking operations upon receiving adequate training. The end results of sufficient training prompted that they were able to defined Islamic banking operations and its objectives in a proper and efficient manner.

2.5 Commitment in Islamic Banking Financing Contract of BBA

Employees’ commitment is vital in every organization because an institution is what its employees make it. The phrase “employee commitment” can be defined as “effort by workers to achieve desired organizational mission and vision” (Holden, 1998), as quoted by Mohsan, Nawaz, Khan, Shaukat, and Aslam (2010). In addition, they cited a research finding by Greenberg and Baron (2000) as this two researchers stated that employee’s commitment is when an employee feels deeply involved with his organization and unwilling to leave it. According to O’Reily and Chatman (1986) in the same study cited by Mohsan, et al., (2010),

employee's commitment is a kind of psychological attachment by an employee towards his organization.

Employees' behavior in performing their job is closely related to the degree of their job involvement. According to a study by Paullay, Alliger, and Stone-Romero (1994) and Lawler (1986), in which both studies were cited by Mohsan, et al., (2010), job involvement measure the degree to which an employee is psychologically preoccupied with, concerned with and engaged in his current job. All of them agreed that employee with high job commitment will contribute towards the organization success.

Nik Ab. Rahman and Shahid (2009) had established four propositions in their research on Islamic HRM practices and employees' commitment at Islamic banks in Bangladesh with one of them measured whether effective training and development program would positively reinforce employees' commitment towards organizations. Upon tested all the four propositions, they found that the presence of effective training and development program gave the highest correlation with organizational commitment.

Al-Omar and Iqbal (1999) delineated that most of Islamic banks workforce do not possess necessary expertise, lack of Islamic banking spirit and job commitment to support the development of Islamic banking industry by virtue of their early career background in conventional banking environment. Dahlawi (2005) highlighted that employees' background in modern economics and conventional law had produced IFI workforce with lack of knowledge about principles of Islamic economics and jurisprudence of Islamic transactions. He

claimed that many of them had conveyed wrong information to their customers by telling that Islamic and conventional banking have no different at all.

2.6 Knowledge in Islamic Banking Financing Contract of BBA

The market needs to produce larger pool of specialists and experts in Islamic banking due to talent shortages within this industry. Apart from producing industry practitioner, competent *Shariah* scholars equipped with sound knowledge and expertise also need to be developed in order to complement the industry practitioner's limited know-how in dealing with innovative Islamic products^{IV}.

Knowledge is "owned" at individual level and differs from one another due to various factors such as educational background, working experience and culture^V (practices, norms and values). Therefore, organizations have to acknowledge this inequality and should be able to integrate knowledge diversity among employees at a group level which can be shared by all (Okhuysen and Eisenhardt, 2002), as quoted by Nurdin and Letch (2009) in their study on knowledge integration. Islamic banks possess this diversity of knowledge due to their employees come from different backgrounds (Karim, 2005).

There are three types of knowledge based on research by De Long and Fahey (2000) namely individual knowledge or known as 'tacit' knowledge, social knowledge and explicit knowledge. Nurdin and Letch (2009) had made further

^{IV} Statement by Dato' Seri Zukri Samat, Managing Director of Bank Islam Malaysia Berhad when commenting about human resource requirement for the present and future progress of Islamic finance industry in Malaysia (Islamic Banker Magazine, Issue 002, February 2014).

^V Statement by Dato' Wan Mohd Fadzmi Bin Wan Othman, President/CEO of Agrobank when commenting about the bank's move into Islamic banking in 2015 (Islamic Banker Magazine, Issue 005, May 2014).

reference from Nonaka (1998) which mentioned that individual knowledge or ‘tacit’ knowledge is hard to define because “it consists of mental models, beliefs, and perspectives”. They also referred to a research by Lee and Yang (2000) pertaining explicit knowledge. Explicit knowledge was said to be embedded within organizations’ system, known as structured knowledge. Therefore, it can be easily communicated because it is codified, artificially captured through manuals and standard procedures, hence, can be transferred and shared between individuals either by self-reading or via training courses.

Ali and Ahmad (2006) addressed the importance of banking institutions to apply knowledge management concept in order to maintain their competitive advantage. Their findings indicated that two leading commercial banks in Malaysia had applied the knowledge management concept, whereby the former adopt the codified method while the latter adopt personalized method.

A study by Dusuki and Abdullah (2007) ranked competent and knowledgeable personnel as the most important factor for Malaysian customers to patronize Islamic banks. The finding implies that customers put high expectation and priority on service quality by competent employees rather than choosing their preferred bank solely based on Islamic brand itself.

According to Vermeulen and Crous (2000), among the prime factors of human capital that need continuous development are commitment, motivation, skills and knowledge. Organizations that tend to sideline this critical element will lose their competitiveness as well as becoming less productive. Another study objectives defined by Abdullah and Abdul Rahman (2007) in their

aforementioned research paper found that Malaysian banks' managers only possessed good understanding about basic concepts and general principles of Islamic banking but relatively poor on the advanced concepts.

2.7 Employees' Ability to Practice Islamic Banking Financing Contract of BBA

Every employee must know from A to Z of Islamic banking aspect, right from origination (marketing and processing stage) till disbursement (credit administration stage), from monitoring (credit control) till supervision (credit recovery) functions. Hands-on approach will allow employees to immerse themselves in the organization and industry^{VI}.

One of the critical issues encircled Islamic banking industry is the matter of purity in its transactions or simply put - how Islamic the transactions are? Dusuki (2012) stated that among the challenges encountered in Islamic banking is to realize *Maqasid al-Shariah*, be it at the general framework stage or at the implementation level. This issue needs to be treated tactfully because it involves the reliance of Muslims *ummah* and other users who patronize Islamic banks and adopted Islamic finance as their preferred economic model. Therefore, it is important to distinguish between Islamic banks and their mainstream counterparts in various aspects. In term of human capital, employees working at IFIs need to be equipped with multifaceted training with emphasis on detailed *Shariah* aspects as to supplement their know-how in mainstream banking technicalities aspects.

^{VI} Statement by Datuk Mohamed Azahari Kamil, CEO of Asian Finance Bank Berhad when commenting about his people and teams that makes the bank a success (Islamic Banker Magazine, Issue 003, March 2014).

Shariah aspects need to covers *Shariah*-compliant contractual forms such as *Bai' Bithaman Ajil* (deferred sale contract), *Bai' Al-Inah* (sale and buy-back contract), *Bai' Al-Salam* (a trust sale contract), *Murabahah* (a sale on mutually agreed profit or known as cost-plus financing) and the newly adopted contract of *Tawarruq* (a reverse *Murabahah* contract which involves a purchase transaction of an item on a deferred payment basis and immediately resell that item to a third party at a discounted price for the purpose of acquiring cash through permitted trade activities). *Shariah*-compliant financing contracts are regarded as key essence for the fulfillment of economic and financial transactions in accordance to Islamic faith.

According to Rosli and Abu Bakar (2003) in their research, Muslims believers were lacking of ethical concern when adhering themselves to the letter of the law provided in Islam, as the same situation was also occurred in Islamic banking. Many of IFI employees observed the letter of the law from rigid perspective and therefore tend to emulate Islamic banking practices with conventional banking practices.

Dahlawi (2005) asserted in his paper that availability of qualified personnel for leadership of Islamic banking operations is a serious challenge faced by Islamic banks despite adoption of all policies and processes to prepare a well-equipped human resources with solid and sound Islamic banking practices.

Kahf (2004) outlined in his research that “correct banking professionalism” is one of the three essential elements in raising the quality of banking services to clients. Correct banking professionalism refers to employees’

ability to improve their knowledge and perfection of their banking job, can offer a brief or accurate explanation of all banking services, and be able to carry out client's needs quickly and accurately.

Findings from research conducted by Butt, Saleem, Ahmed, Altaf, Jaffer and Mahmood (2011) through interviews with two sets of customers, which is the users and non-users of Islamic banking, discovered two factors which had not been considered before by any researchers. The two factors were “ambiguity in products and transactions” faced by non-customers and “complex transaction procedures of Islamic banks” which also pointed out by non-customers group.

Hence, AAOIFI's Standard on Internal *Shariah* Supervision has underlined that IFI is responsible to ensure that all *Shariah*-compliant regulations, policies and procedures are in place. The institution concerned must have clear and precise procedures for conducting Islamic banking activities, and maintain appropriate system of documentary evidence and records, in order to ensure all transactions are recorded and duly certified.

2.7.1 Summary of Literature Review

Author/Year/ Country	Variables	Objectives	Findings	Conclusion/ Hypotheses of Studies
Rosly (1999), Malaysia	Understanding of IB contract	To measure BBA profits margins in a rising interest rates period.	IFI profits margin declined in a rising interest rates period.	Negatively significance
Mohd Azli <i>et al.</i> (2011), Malaysia	Understanding of IB contract	To discuss the implementation of BBA and MM in home financing in Malaysia.	Level of understanding in <i>Maqasid</i> <i>Shariah</i> among banker is questionable.	Positively significance

Author/Year/ Sample Country	Variables	Objectives	Findings	Conclusion/ Hypotheses of Studies
Rosly <i>et al.</i> (2003), Malaysia	Understanding of IB contract	To investigate the legitimacy of BBA legal documentation.	Property Purchase and Property Sale Agreement (PPA and PSA) is merely a legal device (<i>hilah</i>) to legalise buying and selling transactions.	Positively significance
Black and Flynn (2013), USA	Keen interest	To examine unconscious motivating factor.	Keen interest is subjective in its nature.	Positively significance
Farwa and Niazi (2013), Pakistan	Keen interest	To test self-determination and employees commitment in Islamic banks.	Intrinsic value has significant influence with organizational commitment.	Positively significance
Zainol <i>et al.</i> (2008), Malaysia	Keen interest	To examine Islamic bankers perception on potential of IB in Malaysia.	IB has huge potential and bright prospect to grow further in Malaysia.	Positively significance
Abdullah and Abdul Rahim (2007), Malaysia	Keen interest	To explore influencing factor on IB knowledge among bank managers.	Training is most significant factors to improve bank managers knowledge.	Positively significance
Ali and Farrukh (2013), Pakistan	Keen interest	To determine IFI employees' confidence levels on IB.	Most of IFI employees have confidence on IB.	Positively significance
Mohsan et al. (2010), Pakistan	Commitment	To determine employees' commitment and job involvement at Pakistan banks.	Employees' commitment has strong relationship with their job involvement.	Positively significance
Ab. Rahman and Shahid (2009), Bangladesh	Commitment	To examine the relationship of Islamic HRM practices and organizational commitment.	Effective training gave the highest correlation with organizational commitment.	Positively significance

Author/Year/ Sample Country	Variables	Objectives	Findings	Conclusion/ Hypotheses of Studies
Al-Omar and Iqbal (1999), Saudi Arabia	Commitment	To describe challenges facing by IB in the 21 st century.	Skilled and commitment is important to lead IB.	Positively significance
Dahlawi (2005), Bahrain	Commitment	To address the rationale qualifications in <i>Shariah</i> matters.	Ignorance on IB matters is the major obstacles faced by IFIs.	Positively significance
Nurdin and Letch (2009), Indonesia	Knowledge	To focus on knowledge integration at Islamic banks in Indonesia.	Employees with modern education have limited IB knowledge .	Negatively significance
Ali and Ahmad (2006), Malaysia	Knowledge	To highlight knowledge management concept in Malaysian banks	Knowledge management is vital as to ensure competitiveness.	Positively significance
Dusuki and Abdullah (2007), Malaysia	Knowledge	To examine the motivating factors for customers to patronize Islamic banks.	Knowledgeable personnel is the most important factors for customers to patronize IB.	Positively significance
Vermeulen and Crous (2000), South Africa	Knowledge	To discuss the importance of training and education for TQM.	None of the selected banks possess a well-developed TQM training strategy.	Negatively significance
Abdullah and Abdul Rahim (2007), Malaysia	Knowledge	To examine the level of IB knowledge among bank managers.	Bank managers only possessed good knowledge on IB basic principles.	Positively significance
Rosli and Abu Bakar (2003), Malaysia	Ability to practice	To evaluate Islamic banks' ROA ratios.	Religion factor has no significant role to ensure better ROA.	Negatively significance
Dahlawi (2005), Bahrain	Ability to practice	To address the importance of having qualification training to IFI employees.	Employees need multifaceted training that differs from conventional banks' employees.	Positively significance

Author/Year/ Sample Country	Variables	Objectives	Findings	Conclusion/ Hypotheses of Studies
Kahf (2004), Middle East Countries	Ability to practice	To describe the success criteria for Islamic banks.	To improve quality of service by improving staff knowledge	Positively significance
Butt <i>et al.</i> (2011), Pakistan	Ability to practice	To examine the barriers perceived by users and non- users on underlying IB principles.	Non-users faced 'complex IB transactions' and 'ambiguity of IB products'.	Negatively significance

CHAPTER 3

METHODOLOGY

3.8 Introduction

This section discussed on the methodological perspective of this study which covers the topics of data collection method, sampling procedure, timeframe of the study, data analysis technique and research theoretical framework. Detailed data collection method, selection process before arriving at the intended sample size, period of time covered in this study, development of hypotheses, and types of data analysis applied were among the sub-topics outlined under the main topics.

3.9 Data Collection

Data collection was done by distributing self-administered questionnaire to 40 respondents at 19 Agrobank branches and 1 Business Centre representing three different states in the northern territory of Malaysia, namely, Pulau Pinang, Kedah and Perlis. This study presents primary data collected from two identified respondents from each branch while the remaining respondents came from Business Centre. The identified respondents were those who hold the designation as Head of Business at A Branch category and Commercial Business Officer at B and C Branch category, as well as Commercial Administration Officer - notwithstanding to the branch grade category. They were specifically chosen due to their direct involvement in financing related matter.

For information, branches in Agrobank were classified into several categories based on their location and strength of workforce. A-type branch located at every state capital or at major business district. Examples of 'A Branch' category are Kangar, Alor Setar, Butterworth and Bayan Baru. Meanwhile, B-type branch scattered at medium-sized towns, for example, Sungai Petani, Jitra, Kulim and Langkawi in Kedah, and Bukit Mertajam and Kepala Batas in Penang. C-type branch situated at small towns such as Simpang Empat branch in Perlis, Kodiang, Kuala Nerang, Guar Chempedak, Pendang, Sik and Baling in Kedah, as well as Nibong Tebal and Balik Pulau in Penang. The wide array of branch network at strategic location has enabled the Bank to provide extensive coverage to the agricultural community in rural areas and to the agro-based customers at semi-rural to urban areas.

The questionnaire distributed to respondents was prepared in dual-language of Malay and English. The rationale of using dual-language questionnaire is to obtain good quality data, after taking into consideration that some employees were more conversant in Malay language, due to previous organizational culture during the Bank Pertanian Malaysia period, in which Malay language was widely-used among employees as a medium of communication and instruction.

The questionnaire consists 28 questions designed to examine the strength of respondents' agreement or disagreement with the statements on the five-point scale, and divided into three parts. Part A contains 6 questions, basically asked about employees' demographic profile. Part B consists of 2 questions related to

dependent variable, which revolves about BBA as one of Islamic banking financing contract in Malaysia. Part C enlists 20 questions categorized according to each independent variable, with 5 questions delved into employees' keen interest, another 5 questions probing on employees' commitment, subsequent 5 questions enquire into the areas of employees' knowledge and the last 5 questions try to look into employees' ability to practice Islamic banking aspects in properly manner.

3.10 Sampling

Overall, Bank Pertanian Malaysia Berhad (Agrobank) have 187 branches scattered all over Malaysia as at 31 March 2014 with employees' strength of about 3,200-odd plus. Nevertheless, only employees based at northern region branches and Business Centre were selected in order to achieve the research objectives of this study.

In total, there are 19 Agrobank branches and 1 Business Centre in the northern part of Peninsular Malaysia namely Kangar and Simpang Empat Branch in Perlis, Kodiang, Jitra, Alor Setar, Kuala Nerang, Pendang, Guar Chempedak, Sik, Sungai Petani, Baling, Langkawi and Kulim Branch in Kedah, and Kepala Batas, Bukit Mertajam, Butterworth, Nibong Tebal, Bayan Baru and Balik Pulau Branch in Penang as well as Northern Region Business Centre located in Butterworth.

The above branches and Business Centre were chosen due to smaller geographical boundaries which could expedite data collection process and

facilitate the researcher to pay a visit within a short time should the need arises. Despite there were only 20 Agrobank offices, the numbers were deemed sufficient to provide necessary profile representing the whole Agrobank branches in Malaysia.

Table 3.1 lists the number of employees dealing with financing-related functions at each branch and regional office (Business Centre). Out of 127 employees who formed the population size, only 40 were selected as sample size or respondents for this study due to their direct involvement in commercial financing activities. The remaining 87 were involved in consumer financing activities (including Ar-Rahnu or Islamic pawnbroking), with limited or no exposure at all on BBA financing contract. Sekaran (2002) suggested that a minimum of 30 percent sample size is able to generalize the whole population size. Therefore, the total of 40 respondents had represented 31 percent of population size, thus met the criteria set forth. Branch Managers from all 19 branches were excluded in this study, in order to avoid management bias should there be survey questions associated with their position as approving authority. In addition, Table 3.2 on the following page provides job designation for the 40 employees who had been selected as sample size in this study.

Table 3.1
Employees involved in financing-related functions

No.	Branch	No. of Employee
1.	Kangar	8
2.	Simpang Empat	5
3.	Kodiang	5
4.	Jitra	7
5.	Alor Setar	8

6.	Kuala Nerang	5
7.	Pendang	5
8.	Guar Chempedak	5
9.	Sik	5
10.	Sungai Petani	7
11.	Baling	5
12.	Langkawi	7
13.	Kulim	7
14.	Kepala Batas	7
15.	Bukit Mertajam	7
16.	Butterworth	8
17.	Nibong Tebal	6
18.	Bayan Baru	7
19.	Balik Pulau	5
20.	Business Centre	8
	Total	127

Table 3.2
Selected sample size based on job designation criteria

State	Branch	No. of Sample	Designation
Perlis	Kangar	2 employees	<ul style="list-style-type: none"> Head of Business Commercial Administration Officer
	Simpang Empat	2 employees	<ul style="list-style-type: none"> Head of Business Commercial Administration Officer
Kedah	Kodiang	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Jitra	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Alor Setar	2 employees	<ul style="list-style-type: none"> Head of Business Commercial Administration Officer
	Kuala Nerang	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Pendang	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Guar Chempedak	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Sik	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Sungai Petani	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Baling	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Langkawi	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer
	Kulim	2 employees	<ul style="list-style-type: none"> Commercial Business Officer Commercial Administration Officer

Penang	Kepala Batas	2 employees	<ul style="list-style-type: none"> ▪ Head of Business ▪ Commercial Administration Officer
	Bukit Mertajam	2 employees	<ul style="list-style-type: none"> ▪ Commercial Business Officer ▪ Commercial Administration Officer
	Butterworth	2 employees	<ul style="list-style-type: none"> ▪ Head of Business ▪ Commercial Administration Officer
	Nibong Tebal	2 employees	<ul style="list-style-type: none"> ▪ Commercial Business Officer ▪ Commercial Administration Officer
	Bayan Baru	2 employees	<ul style="list-style-type: none"> ▪ Commercial Business Officer ▪ Commercial Administration Officer
	Balik Pulau	2 employees	<ul style="list-style-type: none"> ▪ Commercial Business Officer ▪ Commercial Administration Officer
	Business Centre	2 employees	<ul style="list-style-type: none"> ▪ Commercial Business Officer ▪ Commercial Business Officer
	Total	40	

Table 3.3
Disproportionate stratified random sampling

No.	Branch	No. of Elements (Employees with financing- related functions)	Disproportionate Sampling (Employees with commercial financing functions)
1.	Kangar	8	2
2.	Simpang Empat	5	2
3.	Kodiang	5	2
4.	Jitra	7	2
5.	Alor Setar	8	2
6.	Kuala Nerang	5	2
7.	Pendang	5	2
8.	Guar Chempedak	5	2
9.	Sik	5	2
10.	Sungai Petani	7	2
11.	Baling	5	2
12.	Langkawi	7	2
13.	Kulim	7	2
14.	Kepala Batas	7	2
15.	Bukit Mertajam	7	2
16.	Butterworth	8	2
17.	Nibong Tebal	6	2
18.	Bayan Baru	7	2
19.	Balik Pulau	5	2
20.	Business Centre	8	2
	Total	127	40

Table 3.3 in the previous page shows the sampling method used in this study. Stratified random sampling was chosen because the subgroups of elements within the population (who are expected to provide the desired information) have been duly identified. The identification was due to their designation as frontline officers with direct involvement in commercial financing functions as being determined for this study.

The subjects drawn from each branch was disproportionate to the number of elements because there are only two officers who directly involved in commercial financing duties at each branch. The advantages of using stratified random sampling is when each important segment of the population could be better represented (Sekaran & Bougie, 2009), thus enable the researcher to obtain valuable information from the respondents.

3.11 Timeframe

The timeframe corresponded to this research is within the year 2014.

3.12 Data Analysis Technique

The collected data were analyzed using Statistical Package for Social Sciences (SPSS). SPSS is chosen since it is widely used in social science research to perform descriptive data analysis. Several data analysis techniques have been employed in this study namely, descriptive and multiple regression analysis.

Descriptive analysis was conducted to determine respondents' demographic frequency of gender, age, marital status, years employed, years of banking experience, as well as level of qualification. This type of analysis has enabled the researcher to gauge the respondents' understanding on Islamic banking aspects with regard to their keen interest, commitment, knowledge and

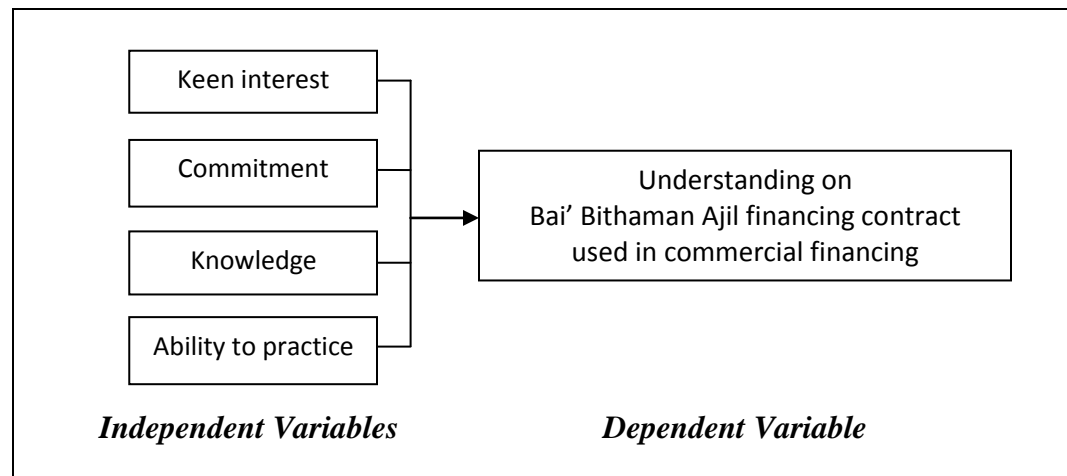
ability to practice *Shariah* aspects. Descriptive analysis was applied in this study to answer the first research objective.

Multiple regression analysis had been used to determine whether independent variables have significant relationship with dependent variable. This type of analysis is suitable for research with more than one independent variable (Sekaran & Bougie, 2009). Multiple regression analysis was employed to answer the second and third research objectives.

3.13 Theoretical Framework

The schematic diagram below is developed to illustrate the relationship between-, to identify, and to label the dependent and independent variables. Any variances in dependent variable, that caused by the four independent variables namely, keen interest, commitment, knowledge, and ability to practice *Shariah*-compliant aspects of BBA financing contract will be explain in the later section.

Figure 3.1:
Theoretical framework



3.7 Definition of Terms for Each Variable

From the above diagram, the understanding on BBA financing contract has been identified as dependent variable. This dependant or outcome variable is to be explained by the four independent variables.

All the independent variables were operationalised by reducing their abstract concept into a certain behaviors, characteristics, trends or attributes that can be measured in a tangible way (Sekaran & Bougie, 2009).

3.7.1 Dependent Variable: Understanding on BBA financing contract

BBA financing contract is in preference to be used as dependent variable in view of 44.5 percent from Agrobank's total financing was granted in this type of contract¹. The highly usage of BBA as financing contract in Agrobank could facilitate respondents to complete the survey questionnaire to a certain extent.

Ab. Rahman and Shahid (2009) emphasized in their study that organization should put primary importance to Islamic understanding among IFI employees rather than to capabilities and efficiency criteria. They proposed that commitment would increase if employees have better organizational understanding on Islamic Human Resource Management principles. Therefore, the above proposition supported the dependent variable for this study which attempt to assess the understanding in BBA financing contract among Agrobank's employees.

¹ Agrobank's Unaudited Financial Statements for 9-Month Period Ended 30 September 2013.

3.7.2 Independent Variable One: Keen interest

Farwa and Niazi (2013) concluded in their study about the positive impact of intrinsic motivation (keen interest) on organizational commitment. They summed up that Islamic banks' employees should perform better by showing creativity and taking initiatives, and able to demonstrate positive attitudes in their work. Hence, the following hypothesis is developed for Variable One:

H1 : Keen interest is significantly related to employees' understanding on BBA financing contract.

3.7.3 Independent Variable Two: Commitment

Mohsan *et al.* (2010) established a hypothesis in their study to investigate on a positive correlation between employee commitment and job involvement. They found out that employee's commitment and job involvement depicted the strongest relationship among two other hypotheses in the same study. Therefore, below is the hypothesis developed for Variable Two:

H2 : Commitment is significantly related to employees' understanding on BBA financing contract.

3.7.4 Independent Variable Three: Knowledge

Dewa and Zakaria (2012) divided their survey into three sections with the third section sets out to identify the type of training required by Islamic

banking practitioners that could enhance their performance. The result showed that related training in *Shariah* knowledge was significance to improve practitioners' work performance. Thus, hypothesis for Variable Three is formulated as follows:

H3 : Knowledge is significantly related to employees' understanding on BBA financing contract.

3.7.5 Independent Variable Four: Ability to practice

Within the second section of questionnaire designed by Dewa and Zakaria (2012), they sought to determine the main issues faced by Islamic banking practitioners that need further training and development courses. Result for this section indicated that practitioners working in Islamic banks encountered difficulties to explain technical aspect of Islamic banking contracts, as well as *Shariah* concepts to potential customers. As such, the following hypothesis is established for Variable Four:

H4 : Ability to practice Shariah-compliant aspects is significantly related to employees' understanding on BBA financing contract.

3.8 Summary of Hypotheses

From the theoretical framework in Figure 3.1 and definition of terms for each variable in the previous section, all the four hypotheses developed for the purpose of this study have been grouped together and to be read as follows:

H1: Keen interest is significantly related to employees' understanding on BBA financing contract.

H2: Commitment is significantly related to employees' understanding on BBA financing contract.

H3: Knowledge is significantly related to employees' understanding on BBA financing contract.

H4: Ability to practice Shariah-compliant aspects is significantly related to employees' understanding on BBA financing contract.

In addition, measurement on variables from past studies in relation to variables adopted in this study is summarized in Table 3.4.

Table 3.4:
Past studies related to variables

Variables	Past studies	Measurement
Understanding of BBA financing contract	Rosly (1999), Malaysia	BBA profit margins in different interest rates scenario.
	Mohd Azli <i>et al.</i> (2011), Malaysia	Understanding of <i>Maqasid Shariah</i> among banker.
	Rosly <i>et al.</i> (2003), Malaysia	Legitimacy of BBA contracts.
Keen interest	Black and Flynn (2013), USA	Individual's unconscious motivating factor.
	Farwa and Niazi (2013), Pakistan	Employees' self-determination in Islamic banks.
	Zainol <i>et al.</i> (2008), Malaysia	Bankers' perception on Islamic banking potential in Malaysia.
	Abdullah and Abdul Rahman (2007), Malaysia	Islamic banking knowledge among bank managers.
	Ali and Farrukh (2013), Pakistan	Confidence levels of Islamic banks employees.
Commitment	Mohsan <i>et al.</i> (2010), Pakistan	Employees' commitment and job involvement.
	Ab. Rahman and Shahid (2009), Bangladesh	Islamic HRM practices and organizational commitment.
	Al-Omar and Iqbal (1999), Saudi Arabia	Challenges factors for Islamic banks in 21 st century.
	Dahlawi (2005), Bahrain	Comprehensive qualifications training in <i>Shariah</i> .

Variables	Past studies	Measurement
Knowledge	Nurdin and Letch (2009), Indonesia	Knowledge integration in Islamic banks.
	Ali and Ahmad (2006), Malaysia	Knowledge management concept in Malaysian banks.
	Dusuki and Abdullah (2006), Malaysia	Factors for customers to patronize Islamic banks.
	Vermeulen and Crous (2000), South Africa	Total Quality Management training programme in banks.
	Abdullah and Abdul Rahman (2007), Malaysia	Islamic banking knowledge among bank managers.
Ability to practice	Rosli and Abu Bakar (2003), Malaysia	Islamic banks' ROA ratio.
	Dahlawi (2005), Bahrain	Comprehensive qualifications training in <i>Shariah</i> .
	Kahf (2004), Middle East Countries	Islamic banks' success criteria.
	Butt <i>et al.</i> (2011), Pakistan	Barriers perceived by users and non-users of Islamic banking.

3.9 Measurement of Variables: Scaling techniques used

Interval scale was used to measure the magnitude of difference on the variables, in view of the required information can be obtained in greater details.

The instrument used to measure the variables is Likert Scale. It is a five-point scale developed by Rensis Likert (1932) illustrated in Table 3.5. The scale is able to examine how strong respondents will “strongly agree” to “strongly disagree” with a set of given statements.

Table 3.5:
The five-point Likert Scale

Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
1	2	3	4	5

Respondents were asked to indicate the most suitable item that best described them, either by circling on the hardcopy version of questionnaire or bold on the softcopy version. According to Suib (2011) while citing from Keegan (2009), the advantages of using Likert Scale is because it is simple to construct, easy to administer and able to provide appropriate score for further analysis.

3.10 Reliability

Consistent results obtained from the same repeated trial will reflect the reliability of an experiment or test conducted. Reliability of measures is examined using the parallel-form reliability by either changing the wording or sequence of the similar type of question (Sekaran & Bougie, 2009). Cronbach's Alpha Test was used as a tool to examine the reliability of this research.

3.11 Regression Equation Model

The Regression Equation Model was applied to analyze the collected data from respondents. The purpose of this equation is to identify significant factors in determining the dependent variable in the study. The below equation has been established thereon:

$$BBA_{it} = \beta_0 + \beta_1 KI_{it} + \beta_2 C_{it} + \beta_3 K_{it} + \beta_4 AP_{it} + \epsilon_{it} \dots\dots\dots (1)$$

Where:

BBA = Understanding on BBA financing contract

KI = Keen interest

C = Commitment

K = Knowledge

AP = Ability to practice

CHAPTER 4

RESULTS AND DISCUSSION

4.1 Introduction

A total of 40 questionnaires were distributed to respondents. Out of the 40 questionnaires, 36 were circulated during FFIB Conversion Training Session at Agrobank Business Centre on 22 April 2014 while the remaining 4 were transmitted by email to respondents who are unable to attend the training.

All questionnaires were duly completed and returned, thus giving a 100 percent response rate. High response rate was achieved due to the efforts by the Regional Manager of Agrobank Pulau Pinang/Kedah/Perlis who personally encourage all respondents to support this study and give full co-operation to the researcher by completing the survey form before the training session commenced.

4.2 Demographic Profile

Table 4.1 shows that male respondents outnumbered female respondents in a slim margin. A total of 21 male officers represent 52.5 percent from the total respondents, while the remaining 47.5 percent comprised of 19 female officers.

Table 4.1:
Gender of respondents

		Frequency	Percentage
Valid	Male	21	52.5
	Female	19	47.5
	Total	40	100.0

Table 4.2 depicts that nearly half (45 percent) of respondents were falls within the age of 26 – 35 year-old, and subsequently followed by 36 – 45 year-old cluster as the second largest group at 30 percent. The most senior age group of 46 – 55 year-old represents 22.5 percent and only 2.5 percent represent the most junior age of below 25 year-old. Age distribution table also indicates that 75 percent of respondents were at mid-career age – the age group who formed the largest pool of executive to senior executive positions in Agrobank.

Table 4.2:
Age of respondents

		Frequency	Percentage
Valid	≤ 25	1	2.5
	26-35	18	45.0
	36-45	12	30.0
	46-55	9	22.5
	Total	40	100.0

In term of marital status, majority of respondents (92.5 percent) were duly married with only 7.5 percent remained single. Respondents’ marital status is prescribed in Table 4.3 below.

Table 4.3:
Marital status of respondents

		Frequency	Percentage
Valid	Single	3	7.5
	Married	37	92.5
	Total	40	100.0

Table 4.4:
Years employed in Agrobank

		Frequency	Percentage
Valid	≤ 1	1	2.5
	2-5	10	25.0
	6-10	8	20.0
	>10	21	52.5
	Total	40	100.0

Table 4.5:
Years of banking experience

		Frequency	Percentage
Valid	≤ 1	1	2.5
	2-5	8	20.0
	6-10	10	25.0
	>10	21	52.5
	Total	40	100.0

Table 4.4 segregates respondents' according to their year of service with Agrobank. It was found that 21 respondents had been working with the Bank for more than ten years. 18 respondents possessed between two to ten years of service length and only one respondent joined the Bank in less than a year. Interestingly, the result shows that majority of respondents (52.5 percent) remained loyal to the Bank despite their designation as executive to senior executive ranks. The loyalty factor was attributable to the remuneration scheme during Bank Pertanian Malaysia period, whereby permanent employees were accorded under the Government's pension scheme. This factor had driven the employees to stay with the Bank even though they were not promoted to assumed higher position which commensurate with their age and length of service.

Respondents' banking experience is tabulated in Table 4.5 on the previous page. It can be seen that those respondents with more than ten years of service with Agrobank also possessed the same years of experience in banking profession. The only different between frequencies in Table 4.4 and Table 4.5 was noted among respondents with two to ten years of employment and those with six to ten years of banking experience. There were two respondents who had clocked between two to five years experience in Agrobank, had previous banking experience elsewhere before joining the Bank, thus accumulate their banking experience to be between six to ten years in total.

Table 4.6:
Respondents' educational background

	Frequency	Percentage
SPM	11	27.5
STPM	1	2.5
Diploma	9	22.5
Bachelor	19	47.5
Master	0	0.0
PhD	0	0.0
Total	40	100.0

Table 4.6 sorted out respondents according to their educational background. Almost half of them (47.5 percent) holds Bachelor's degree. SPM holders, who represent the rank-to-file executives, constitute the second largest group with 27.5 percent. Diploma holders came third with 22.5 percent, and only one respondent possess STPM certificate.

The above results indicate that respondents originate from different generation, accumulate different years of working and banking experience, as well as possess various educational backgrounds. All these diversity suggested that they can be regarded as credible and reliable respondents to answer the questionnaire.

4.3 Descriptive Analysis

Descriptive analysis was carried out to further explore the collected data and to describe the observations (Coakes & Steed, 2003). The frequency distributions of occurrence for each score value were presented in tabular form for better clarity.

The degree of understanding, keen interest, commitment, knowledge and ability to practice proper aspects of BBA financing contract were measured using the five-point anchors of: strongly disagree, disagree, neither agree nor disagree, agree and strongly agree. Despite the measurement scale employed was merely indicative, it could however, serves the research purpose to assess the understanding among Agrobank's employees on Islamic banking financing contract of BBA by referring to the mean score obtained from the survey.

The mean value for some independent variables could vary, depending to the types of questions asked. Some questions need respondents to indicate either 'strongly agree' or 'agree' to show that they fully understand the subject matter, whereas the other some might require respondents to indicate either 'strongly disagree' or 'disagree' to show their in-depth understanding on the structured statements in the questionnaire.

Table 4.7 and Table 4.8 revealed that all respondents were aware about the existence-, and understand the objectives of BBA, with mean score of 4.75.

Table 4.7:
Understanding on BBA financing contract

		Frequency	Percent	Mean
Valid	Strongly Disagree	0	0.0	4.75
	Disagree	0	0.0	
	Neither Agree Nor Disagree	0	0.0	
	Agree	10	25.0	
	Strongly Agree	30	75.0	
	Total	40	100.0	

Table 4.8:
Respondents' feedback for questions on BBA financing contract

Q	Statement	Average Scale	Rating Likeliness
1	I am aware about the existence of BBA contract	4.75	Strongly Agree
2	I understand the objectives of BBA contract.	4.28	Agree
	Mean	4.75	

Table 4.9 below and Table 4.10 on the following page present the findings on respondents' keen interest. The mean score of 3.40 indicate that respondents were 'unsure' about their keenness to understand the BBA financing contract.

Table 4.9:
Keen interest in BBA financing contract

		Frequency	Percent	Mean
Valid	Strongly Disagree	0	0.0	3.40
	Disagree	0	0.0	
	Neither Agree Nor Disagree	25	62.5	
	Agree	14	35.0	
	Strongly Agree	1	2.5	
	Total	40	100.0	

Table 4.10:
Respondents' feedback for questions on keen interest in BBA financing contract

Q	Statement	Average Scale	Rating Likeliness
1	I only heard about the term BBA after joining Agrobank/BPM.	2.98	Neither Agree Nor Disagree
2	I am not hesitating to continue the offering of BBA financing to customer despite much criticism about the contract.	4.35	Agree
3	I realize that BBA financing contract has undergone several improvisation processes as to ensure its adherence to <i>Shariah</i> principles.	4.28	Agree
4	I notice that some Islamic banks have discontinued using BBA as financing contract.	3.23	Neither Agree Nor Disagree
5	I am not eager to learn about BBA because it is a replication from conventional banking loan contract.	1.95	Disagree
	Mean	3.40	

Table 4.11 below summarized the findings on respondents' commitment towards BBA with mean score of 3.15. The score shows that majority of respondents were 'unsure' about their commitment on BBA financing contract. However, it is important to note that two out of five questions regarding this independent variable require the respondents to choose either 'strongly disagree' or 'disagree' scales as to show their thorough understanding on the subject matter.

Table 4.11:
Commitment in BBA financing contract

		Frequency	Percent	Mean
Valid	Strongly Disagree	0	0.0	3.15
	Disagree	3	7.5	
	Neither Agree Nor Disagree	28	70.0	
	Agree	9	22.5	
	Strongly Agree	0	0.0	
	Total	40	100.0	

Detailed score for employees ‘commitment’ is elaborated in Table 4.12.

Table 4.12:

Respondents’ feedback for questions on commitment in BBA financing contract

Q	Statement	Average Scale	Rating Likeliness
1	I am confident to explain about BBA financing contract if being asked by customers.	4.08	Agree
2	I would still promote BBA financing contract despite knowing that customer runs non- <i>Shariah</i> compliant activities on the land to be offered as collateral to Agrobank.	2.23	Disagree
3	Know-how in BBA financing contract is only vital for frontliners dealing with financing-related matter.	2.33	Disagree
4	I find that Arabic terminology in BBA financing contract is hard to understand and to be explained to customer.	3.28	Neither Agree Nor Disagree
5	I may have to forego business opportunity with customer if the project to be financed is against <i>Shariah</i> principles, which is not eligible to be financed using BBA contract.	3.80	Agree
	Mean	3.15	

Based on justification given in the above table, it can be deduce that despite overall mean for this variable was only stood at 3.15, the respondents were seen as having the required commitment pertaining to their understanding on BBA financing contract. Moderate mean score was due to majority of respondents’ had chosen the ‘disagree’ scale for question two and question three respectively, by virtue of that scale represents one of the desired scale for both questions (another desired scale is ‘strongly disagree’). By choosing a lower-scale point, had in turn, pushes down the overall mean score for this variable to be just slightly above the ‘unsure’ scale point.

In term of knowledge, most respondents were also ‘unsure’ about their knowledge on BBA financing contract with mean score of only 3.33. Respondents’ knowledge factor is delineated in Table 4.13. Again, moderate mean score had been registered in this study, due to the same reasons mentioned for independent variable of ‘commitment’.

Table 4.13:
Knowledge in BBA financing contract

		Frequency	Percent	Mean
Valid	Strongly Disagree	0	0.0	3.33
	Disagree	0	0.0	
	Neither Agree Nor Disagree	27	67.5	
	Agree	13	32.5	
	Strongly Agree	0	0.0	
	Total	40	100.0	

The following table is prepared to justify that respondents’ actually acquire the desired knowledge despite moderate mean score.

Table 4.14:
Respondents’ feedback for questions on knowledge in BBA financing contract

Q	Statement	Average Scale	Likeliness Rating
1	BBA means sale with cash.	2.28	Disagree
2	BBA is only suitable to finance short-term financing.	2.28	Disagree
3	BBA is sale contract with deferred payment.	4.00	Agree
4	BBA is the most popular financing contract to finance commercial business at Agrobank.	4.18	Agree
5	BBA buying price stated in letter of offer represents amount of financing approved to customer.	4.30	Agree
	Mean	3.33	

As far as statements and likeliness rating in Table 4.14 are concerned, respondents were noticed as having the required knowledge on BBA financing contract, based on the given answers. Unfortunately, the mean score was moderated downward due to majority of respondents had stated their preferred answer on the ‘disagree’ scale, which is one of the desired scale for question one and question two.

Table 4.15 below depicted respondents’ mean score of 3.45 with regard to their ability to practice *Shariah* aspects in BBA financing contract. The score implies that respondents were ‘unsure’ whether they are able to practice *Shariah* principles governing BBA contract in orderly manner. Table 4.16 on the following page summarized respondents feedback in further details.

Table 4.15:
Ability to practice proper Shariah aspects in BBA financing contract

		Frequency	Percent	Mean
Valid	Strongly Disagree	0	0.0	3.45
	Disagree	1	2.5	
	Neither Agree Nor Disagree	20	50.0	
	Agree	19	47.5	
	Strongly Agree	0	0.0	
	Total	40	100.0	

Table 4.16:

Respondent' feedback for questions on ability to practice BBA financing contract

Q	Statement	Average Scale	Likeliness Rating
1	The two main documents in BBA contract agreement are Property Purchase Agreement (PPA) and Property Sale Agreement (PSA).	4.33	Agree
2	Akad ceremony to solemnize the offer and acceptance between buyer (customer) and seller (Bank) in BBA financing contract can be done at separate occasion.	3.35	Disagree
3	In the rescheduling case of BBA facility, it is sufficient to use original akad during financing approval, as there is no requirement to solemnize new akad.	3.10	Neither Agree Nor Disagree
4	There must be an underlying asset in every BBA financing contract.	4.35	Agree
5	BBA selling price (ceiling price) can be adjusted in the event of rising interest rates in Malaysia.	2.20	Disagree
	Mean	3.45	

4.4 Multiple Regressions

There are several assumptions that need to be met prior conducting Multiple Regression Analysis. Those assumptions are: reliability (Cronbach's Alpha Test), normality, multicollinearity, linearity, homoscedasticity and independence of residuals.

4.4.1 Reliability Assumption

Cronbach's Alpha Test is commonly used to determine the average correlation or internal consistency among the survey items measuring the intended concept. It can be interpreted as a correlation coefficient, and ranges in value from 0 to 1.

Any tested data is considered reliable if the score gets closer to 1. While citing Nunnaly (1978), Santos (1999) indicated in his study that the score of 0.7 is deemed as an acceptable threshold for reliability coefficient. With reference to Table 4.17, Cronbach's Alpha Test for this study shows the value ranges from 0.758 to 0.859 for all variables, thus indicate that the designed questionnaire and the collected data were highly reliable and consistent. Hence, reliability assumption is duly met.

Table 4.17:
Reliability statistics

Item	Cronbach's Alpha	N of Items
BBA	.758	40
Keen interest	.806	40
Commitment	.766	40
Knowledge	.859	40
Ability to practice	.790	40

4.4.2 Normality Assumption

Shariff, Setyawati and Anandita (2012) had quoted Ghozali (2008) on the evaluation of normality assumption using the critical ratio skewness value of ± 2.58 in their research. According to the latter, the data can be resolved as normally distributed if the critical ratio skewness value is smaller than 2.58. In addition, Sekaran (2002) stated that any skewness and kurtosis values fall in the region of ± 2 can be considered as normally distributed. As for this study, all the skewness and kurtosis values for dependent and independent variables in Table 4.18 were found to be distributed within

the range of -1.473 to 0.155. Therefore, normality assumption is taken into account as fully met.

Table 4.18:
Descriptive statistics (Skewness and Kurtosis)

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
BBA	-1.200	.374	-.592	.733
Keen interest	.918	.374	-.200	.733
Commitment	.155	.374	-.432	.733
Knowledge	.777	.374	-1.473	.733
Ability to Practice	-.274	.374	-1.003	.733

4.4.3 Multicollinearity Assumption

Multicollinearity is a phenomenon occurred in Multiple Regression Analysis whereby two or more independent variables are highly correlated (i.e. closely linked in some way) to one another (Sekaran, 2010). Any correlations of 0.70 and above are considered high, in view that it could make the regression coefficients to become unreliable.

It can be clearly seen from the Pearson Correlation matrix in Table 4.19 on the following page that all the four independent variables within the purview of this study did not encounter any sign of multicollinearity problems. The highest correlation found was merely at 0.476, which were between knowledge and keen interest variables. As such, the multicollinearity has fulfilled the set forth assumptions.

Table 4.19:
Descriptive statistics (Pearson Correlation)

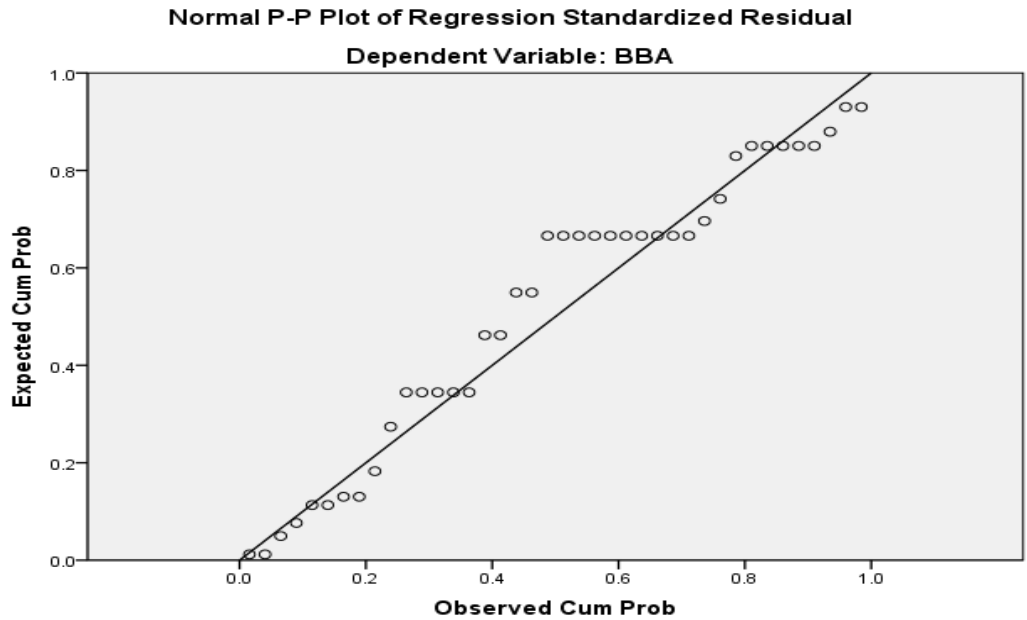
		Keen interest	Commitment	Knowledge	Ability to Practice
Pearson Correlation	Keen interest	1.000	.317	.476	.153
	Commitment	.317	1.000	.208	.374
	Knowledge	.476	.208	1.000	.113
	Ability to Practice	.153	.374	.113	1.000

4.4.4 Linearity Assumption

The purpose of linearity assumption is to examine whether the differences between actual scores obtained from respondents and the predicted scores for dependent variable were normally distributed or otherwise (Cokes & Steed, 2003). An upward-sloped regression line was fitted between X-axis and Y-axis to express the predicted values for the dependent variable. Any particular point that deviates from regression line (predicted value) is to be treated as residual value.

Based from respondents' feedback on their understanding in BBA financing contract, the result in Figure 4.1 on the following page shows that the Normal P-Plot of Regression Standardized Residual for the dependent variable were scattered near to the regression line in a normal distribution. There were also no outliers found during the test. For this reason, the linearity assumption has been accordingly met.

Figure 4.1:
Linearity assumption

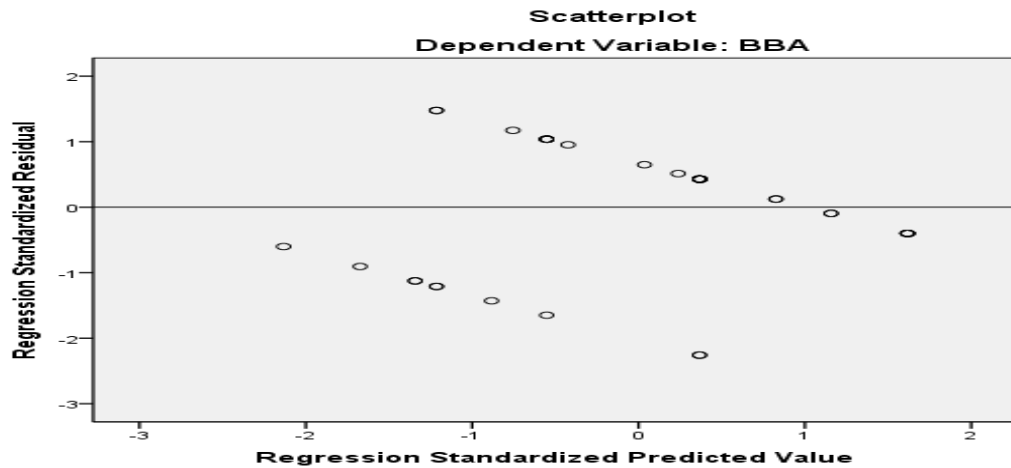


4.4.5 Homoscedasticity Assumption

Homoscedasticity assumed that the variance of obtained scores for dependent variable is the same for all predicted scores (Coakes & Steed, 2003). With regard to this research, it was assumed that all respondents were fully understand all the questions set out in the survey questionnaire. The residual scatterplot had been used as a tool to test this assumption.

Figure 4.2 on the following page shows the differences between residual value scores and the predicted value scores for this study. It can be deduce that both values were scattered in a normal distribution. Hence, the homoscedasticity assumption has been duly met.

Figure 4.2:
Homoscedasticity assumption



4.4.6 Independence of Residuals Assumption

This assumption is to detect the presence of serial correlation among residuals, (particularly for data collected in time-series). The residuals are considered as uncorrelated should the value fall approximately at 2.0.

The Durbin-Watson Statistic with value ranges from 0 to 4 had been used to test any existence of such correlation. The result in Table 4.20 shows the Durbin-Watson value of 2.201, which is nearly equal to 2.0, thus indicates no serial correlation among the residuals. Therefore, the independence of residuals assumption in this study has been properly met.

Table 4.20:
Model summary^a (Durbin-Watson Statistic Value)

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.563	.617	.580	.372	2.201

a. Dependent Variable: BBA

4.4.7 Multiple Regression Analysis

Multiple Regression analysis had been conducted after all assumptions were fully met. The Adjusted R Square was used to measure the variance proportion in the dependent variable of BBA that could be possibly explained by variations in the independent variables.

Based on the result at Table 4.21, the Adjusted R Square for this study was at 0.580. The result implies that independent variables are able to explain up to 58 percent of the variances in the understanding on BBA financing contract among respondents. It is found to be highly significant as indicated by the F-value of 8.571 in Table 4.22.

Table 4.21:
Model summary^a (Adjusted R Square)

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.563	.617	.580	.372	2.201

a. Dependent Variable: BBA

Table 4.22:
ANOVA^b

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.375	2	1.187	8.571	.001 ^a
Residual	5.125	37	.139		
Total	7.500	39			

a. Predictors: (Constant), KNOWLEDGE, COMMITMENT

b. Dependent Variable: BBA

4.4.8 Coefficients

Table 4.23 shows the degree of coefficients between the dependent variable of BBA financing contract, and the four independent variables, namely knowledge, commitment, keen interest and ability to practice. It is noted that tolerance values for all independent variables were found to be high (i.e. above 0.9 values) but the highest correlation in Pearson Correlation matrix in Table 4.19 on page 61 was relatively low, which is at 0.476 only. In addition, the lower VIF (Variance Inflation Factor) values for this study which falls within the region of 1.010 to 1.032 further indicate that multicollinearity issue did not occur in this study. Multicollinearity will only become an issue should VIF exceeded the value of 10¹.

Table 4.23:
Coefficients^a

Model	Unstandar- dized Coefficients		Standar- dized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tole- rance	VIF
(Constant)	5.457	.182		29.975	.000		
Knowledge	.195	.061	.439	3.180**	.003	.969	1.032
Commitment	.113	.055	.283	2.050*	.047	.969	1.032
Keen interest	-	-	.007	0.049	.961	.982	1.018
Ability to practice	-	-	-.104	-0.755	.455	.990	1.010

a. Dependent Variable: BBA

b. Note: ** and * denotes 1 percent and 5 percent level of significant respectively.

¹ <http://www.researchconsultation.com/multicollinearity-regression-spss-collinearity-diagnostics-vif.asp>

It is also noted from the above Coefficients table that only two independent variables were having significant relationship with employees' understanding on BBA financing contract, that is, knowledge and commitment; while the other two, namely keen interest and ability to practice *Shariah* aspects were found to be insignificant.

Between the two significant variables, knowledge had higher significant relationship with regard to the understanding on BBA financing contract with $\beta = .439$. This outcome suggests that every 1 percent increase in respondents' knowledge would able to improve their understanding on BBA financing contract by 43.9 percent. Based on Sig. result of $p = .003 < 0.01$, knowledge is proven to be significant at 0.01 or 1 percent significant level. Meanwhile, t-ratio for knowledge was at 3.180. The result indicates that employees' knowledge and their understanding on BBA financing contract have positive relationship. In other word, additional knowledge gained by employees would heighten their know-how in BBA financing contract.

The above result is consistent with past studies by Dusuki and Abdullah (2006) and, Abdullah and Abdul Rahman (2007), in which the former had ranked knowledgeable personnel as the most important factor for Malaysian customers to patronize Islamic banks, whilst the latter addressed the importance of training as key factor to enhance knowledge among bank managers in Malaysia. As such, the developed hypothesis on knowledge within the context of this study is accepted at 1 percent significant levels or equates to 99 percent confidence limit.

Commitment also reveals positive relationship with employees' understanding on BBA financing contract but at a least significant level than the knowledge factor, denoted by t-ratio of only at 2.050. With $\beta = .283$, the result indicates that every 1 percent increase in respondents' commitment would only contribute 28.3 percent towards their understanding on BBA financing contract. The result shows $p = .047 < 0.05$, thus implies that commitment is only significant at 0.05 or 5 percent significant level. The above finding on commitment suggests that understanding on BBA financing contract will increase in proportion with employees' commitment but at a slower pace than employees' knowledge.

The result on employees' commitment is also in line with past findings by Mohsin (2010), Abdul Rahman *et al.* (2013), and Al-Omar and Iqbal (1999). The first two researchers and their counterparts had associated employees' commitment with job involvement and effective training programme, while the last-mentioned researchers highlighted on the importance of having skilled and commitment people to lead Islamic banks. Based on the abovementioned premise, the hypothesis on commitment within the purview of this study is accepted at 5 percent significant level which equivalent to 95 percent confidence interval.

On the other hand, the result of Coefficients reveals that employees' keen interest and ability to practice *Shariah* aspects were found to have insignificant relationship with respect to their understanding on BBA financing contract.

Therefore, keen interest and ability to practice *Shariah* aspects in orderly manner may not be a good predictor to gauge employees' understanding on BBA financing contract, as well as in generalizing their appreciation towards the

implementation of Islamic banking system by the Bank. Due to that, hypotheses related to both variables are rejected.

The gist that could be observed from the result of standardized coefficients is that: the higher betas are associated with the higher t-values and lower p-values.

4.5 Summary of Findings and Hypotheses

The findings of this study in relation to its research objectives and hypotheses are summarized in Table 4.24 and Table 4.25 respectively as to provide more clarity.

The result churned-out from the analyzed data is recapitulated in both tables.

Table 4.24:
Summary of result for Research Objectives

No.	Research Objectives	Findings
1.	To assess the understanding on Islamic banking financing contract of BBA among Agrobank's employees in northern region areas.	<ul style="list-style-type: none"> ▪ All respondents have demonstrated their awareness about the existence of BBA financing contract in banking industry. ▪ They also possessed the required understanding on the objectives of the said contract based on high mean score obtained from the survey.
2.	To examine the key factors affecting employees' understanding on Islamic banking financing contract of BBA.	<ul style="list-style-type: none"> ▪ Knowledge and commitment were identified as the two main factors that could influence or contribute beneficial impact to employees' understanding on BBA financing contract.
3.	To measure the relationship between keen interest, commitment, knowledge and ability to practice proper Islamic banking aspects with employees' understanding on Islamic banking financing contract of BBA.	<ul style="list-style-type: none"> ▪ Knowledge and commitment were the only two independent variables that found to have significant relationship with employees' understanding on BBA financing contract. ▪ Knowledge was found to be positively significant with employees' understanding on BBA financing contract at a higher confidence level than commitment. ▪ Keen interest and ability to practice <i>Shariah</i> principles in proper manner were found to be insignificant with this study.

Table 4.25:
Summary of result for Hypotheses

No.	Hypotheses	Findings	Accept / Reject
1.	H1: Keen interest is significantly related to employees' understanding on BBA financing contract.	<ul style="list-style-type: none"> There is no significant relationship between keen interest and employees' understanding on BBA financing contract. 	<ul style="list-style-type: none"> The study fails to accept the null hypothesis.
2.	H2: Commitment is significantly related to employees' understanding on BBA financing contract.	<ul style="list-style-type: none"> There is a significant relationship between commitment and employees' understanding on BBA financing contract. 	<ul style="list-style-type: none"> The study accepts the null hypothesis.
3.	H3: Knowledge is significantly related to employees' understanding on BBA financing contract.	<ul style="list-style-type: none"> There is a significant relationship between knowledge and employees' understanding on BBA financing contract. 	<ul style="list-style-type: none"> The study accepts the null hypothesis.
4.	H4: Ability to practice <i>Shariah</i> -compliant aspects is significantly related to employees' understanding on BBA financing contract.	<ul style="list-style-type: none"> There is no significant relationship between ability to practice proper Islamic banking aspects and employees' understanding on BBA financing contract. 	<ul style="list-style-type: none"> The study fails to accept the null hypothesis.

CHAPTER 5

CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes all the key findings according to each research objectives. The level of significance for the findings with respect to their theoretical and practical importance is also highlighted. Recommendations and suggestions for future research summed-up the end part of this chapter.

5.2 Summary of Research Objectives

Each research objectives formulated in Chapter One is to be further elaborates in this section based on the findings obtained from data analysis.

5.2.1 Research Objectives One: To assess the understanding on Islamic banking financing contract of BBA among Agrobank's employees in northern region areas.

The first objectives of this study in assessing employees' understanding in Islamic banking aspect with concentration on BBA financing contract can be considered as having achieved its desired aim, since all respondents had shown the required understanding towards the measured concepts.

Know-how in BBA financing contract among employees at northern region branches and Business Centre is due to the facility had

been widely offered to business customers, as far as Agrobank is concerned within this context.

The preference by Agrobank employees to propose BBA as financing mode to their customers is closely related to the nature of BBA contract itself, in which it is the only contract with deferred payment terms that can be suited to fulfill various financing needs by business customers.

Furthermore, those executives involve in financing-related matter are better exposed to the underlying features of this contract because funding allocation for BBA is largely available within the Bank's coffer¹.

5.2.2 Research Objectives Two: To examine the key factors affecting employees' understanding on Islamic banking financing contract of BBA.

The subsequent objectives of this study is to examine the factors that could influence the understanding on BBA financing contract among Agrobank employees. Based on the result from Multiple Regression analysis in the previous chapter, it shows that knowledge was found to be the paramount factor that could affect the understanding on BBA financing contract among employees, followed by commitment.

The importance of having knowledgeable employees is inevitable for Agrobank in achieving its aspiration to become a fully *Shariah-*

¹ Agrobank's Unaudited Financial Statements for 9-Month Period Ended 30 September 2013.

compliant bank, since it is the only financial institution in Malaysia with mandated role to nurture agricultural customers to greater heights. Thus, failure to prepare and equip its employees with proper skills and know-how in *Shariah* principles before transformation process come into force will jeopardize the Bank's reputation in long run.

The results also indicate that commitment played a measurable but slightly less significant role than knowledge in influencing employees' understanding. It is pertinent to note that the understanding on BBA financing contract will be better improved should employees' gradually developed their job commitment over the course of time.

In addition, commitment is viewed as the second most important factor within the context of this study because it is a mounting task to fine-tune employees' mindset from long-embedded dual-banking approach to only focus their effort on *Shariah*-compliant banking transactions within a short timeframe. This was evidenced from the survey feedback form, whereby 18 percent of respondents had indicated their preferences to accept the project site as collateral despite knowing that customer operates non-*Shariah* compliant activities on that particular site. To make things worse, about 13 percent of respondents stated their unwillingness to forgo either new business opportunity or to phase-out existing banking relationship with their customers should they found that the project to be financed or currently financed were against the *Shariah* principles.

The findings were deemed as alarming by virtue of some respondents were still ambiguous on the concept of asset purification, which is one of the essential elements in *Shariah* principle. Kamso (2013) mentioned that there is a clear guideline on the purification process in Malaysia, one of it is a stringent screening guidelines issued by Securities Commission of Malaysia.

5.2.3 Research Objectives Three: To measure the relationship between keen interest, commitment, knowledge and ability to practice proper Islamic banking aspects with employees' understanding on Islamic banking financing contract of BBA.

Coefficients table in the previous chapter shows that only two independent variables had positive relationship with the dependent variable, namely knowledge and commitment. Both were also examined and found to be the factors that could affect or influence employees' understanding on Islamic banking financing contract of BBA.

Nevertheless, only knowledge shown the most significant relationship with understanding on BBA financing contract ($r=0.439$), whereas commitment indicated least significant relationship with the same dependent variable ($r=0.283$). On the other hand, keen interest and ability to practice *Shariah* aspects were found to be insignificant. Hence, it can be conclude that knowledge and commitment are positively significant with

employees' understanding on BBA as one of financing contract widely used in Agrobank.

Findings for this study managed to explain to a certain extent that knowledge is an essential element which could not be neglected by Agrobank's management team as to ensure that the employees' would acquire necessary understanding on BBA financing contract prior to full transformation process. Thus, any additional knowledge gained by employees would be able to enhance their understanding on BBA financing contract, due to the fact that both are positively related. Therefore, the hypothesis developed on employees' knowledge with respect to this study is accepted at 0.01 or 1 percent significant levels.

In term of commitment, the study points out that those employees' with true commitment would be able to demonstrate the desired understanding on BBA financing contract as they would strictly adhered to the *Shariah* guidelines. For that reason, employees who manage to raise their job commitment to greater levels would have the qualities to exercise better understanding on BBA financing contract while discharging their duties, since both are positively related. Accordingly, the hypothesis established on employees' commitment pertaining to this study is accepted at 0.05 or 5 percent significant levels.

5.3 Scope and Limitations of the Study

This study was conducted at only 20 Agrobank offices in the three different states of Malaysia. Therefore, the sample selection process is a bit limited. It would be interesting should the scope of this study can be expanded to cover responses from Agrobank's employees in other regions or at bankwide level.

However, sample size in this research is deemed sufficient to generalize the views of whole population size. In addition, all respondents were assumed to have adequate understanding on the questions being asked in the questionnaire. It is also pertinent to note that answers obtained from respondents were not influenced by any parties in any ways.

5.4 Conclusion

The study has shown that Agrobank employees' attached to branches and Business Centre in the northern states of Pulau Pinang, Kedah and Perlis possess necessary understanding on BBA financing contract. The most likely reason that contributed to this favourable result was due to the highly usage of BBA contract in commercial and project-based financing in Agrobank.

In term of keen interest, most respondents had expressed their consensus that they have the required interest to familiarize themselves with the upcoming Islamic banking operations – based on answers given in the survey form. As far as commitment is concerned, respondents' in the aforementioned states were found to be 'unsure' whether to delved their commitment in Islamic banking operations or remained 'as it is' in the dual-banking system. The 'unsure factor' is believed

to be closely associated with several survey questions on assets purification issues. With regard to knowledge, respondents were inclined towards indicating that they possessed the required knowledge which could enable them to have understanding on Islamic banking financing contract of BBA. Upon gauging employees' ability to practice *Shariah* aspects in proper manner, it was noted that they had manifested the same accord by indicating their 'ableness' to immerse themselves into the world of Islamic banking.

The study also found that knowledge is the most significant factor in ensuring Agrobank's employees are at full readiness stage to face the new challenges as competent and well-versed Islamic bank personnel come year 2015. Nevertheless, commitment was another factor that could affect employees' understanding on Islamic banking aspect, but slightly less significant than the role of knowledge.

The researcher is of the opinion that knowledge and commitment factors need to be given utmost attention by Agrobank's management team and its board of directors with regard to the on-going transformation process. In addition to the above, this research has managed to prove to a certain extent that lack of interest and low appreciation in Islamic banking system among Agrobank's employees are not the reasons which had contributed to the slow progress of FFIB transformation process. In fact, employees' keen interest was found to be insignificant with their understanding on Islamic banking operational aspects of BBA contract.

Therefore, Agrobank's management team needs to identify another factor(s) which had caused the progress of its FFIB transformation process to be left far behind the schedule. Any drawback and loopholes (such as customers' reluctance to give appropriate consent to convert their conventional loan account into Islamic financing account or the incompatible IT infrastructure to match with Shariah-compliant system requirement) need to be rectify and resolve in a tactful and timely manner.

5.5 Recommendation

The researcher wishes to emphasize that Agrobank's Human Resource Department, *Shariah* Department, Product Research & Development Department and Agrobank Development Institute need to work hand-in-hand, as well as actively organize frequent knowledge-enhancing programme, commitment-tuning session, and advanced *tafahum* session to employees during the remainder months in 2014.

The training session could either be conducted at training centre in Bangi, virtual learning ended with online test via intranet access, working tours by training or *Shariah* personnel to all regions, or arranged for a special session with prominent Islamic banking experts - with main objectives to engage and encourage active participation from employees in every training session.

As Agrobank intends to position itself as a full-fledged Islamic bank in forthcoming year, it is vital to have competent and knowledgeable workforce who are not only conversant in mainstream banking technicalities aspects but also

well-versed and possess strong foundation in Islamic banking practices of *Maqasid al-Shariah* and *Fiqh al-Muamalat* (the rules of transactions in accordance to Islamic law). A strong workforce with sound knowledge and solid commitment in both aspects would able to attract new customers and retain existing customers, thus enhanced profitability and enlarged Agrobank's market share within the Islamic banking fraternity in Malaysia.

Finally, the researcher would like to suggest that more future research need to be conducted on the areas of Islamic banking as to complement the past and present research. This is due to vast emergence and rapid growth of Islamic banking industry in Malaysia and also worldwide. The scope of research topics should not be limited on consumer banking issues per se, but to further expand into commercial and corporate banking segments as well.

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<http://www.islamicbanker.com/education/aaiofi-standards>

<http://www.merriam-webster.com/dictionary/full-fledged>

Appendices

**Press/Media Release/Awareness Campaign/
Magazine's Cover Story on Agrobank FFIB by
2015**

Agrobank laksana perbankan Islam 2015

SELARAS dengan matlamat untuk memberi perkhidmatan terbaik kepada semua pelanggannya, Agrobank akan melaksanakan sistem perbankan Islam sepenuhnya menjelang tahun 2015.

Presiden dan Ketua Eksekutif Agrobank, Datuk Wan Mohd. Fadzmi Wan Othman berkata, pelaksanaan sistem itu dibuat menerusi program Transformasi Agrobank yang lebih dinamik membolehkan semua produk pembiayaan dengan deposit sedia ada ditukarkan kepada prinsip urus niaga berasaskan Syariah.

"Produk-produk baharu yang bakal dilancarkan tahun ini pula akan terus dibangunkan atas prinsip Syariah demi menyumbang kepada pertumbuhan perbankan Islam domestik dan pada masa sama menggalakkan amalan perbankan yang beretika," katanya.

Beliau berkata demikian selepas Majlis Penyampaian Sumbangan Zakat Agrobank berjumlah RM30,000 bagi meringankan bebanan golongan asnaf di Kelantan yang diadakan di Agrobank Bachok.

Dalam pada itu, katanya, Agrobank merancang untuk membuka beberapa cawangan baharu di seluruh negara sepanjang tahun ini.

Antara lokasi yang dikenalpasti termasuk Merlimau, Betong, Tampin, Padang Besar, Semenyih, Putrajaya, Tenom dan Kota Samarahan.

Agrobank sebelum ini telah membuka ca-



WAN Mohd. Fadzmi Wan Othman menyampaikan zakat kepada golongan asnaf yang layak selepas majlis perasmian pembukaan cawangan Agrobank di Sungai Buloh, Selangor.

wangan baharunya di Sungai Buloh, Selangor yang mula beroperasi sejak awal tahun ini.

Para pelanggan Agrobank cawangan Sungai Buloh boleh melakukan transaksi perbankan di kaunter-kaunter pada waktu operasi dan melalui mesin ATM dan mesin deposit tunai yang beroperasi dari pukul 6 pagi hingga 12 tengah malam.

Sebagai bank peneraju dalam perbankan pertanian, Agrobank menyediakan pelbagai perkhidmatan perbankan konvensional dan islamik kepada para pelanggan melalui 186 cawangannya di seluruh negara seperti kemudahan perbankan, perkhidmatan deposit, kemudahan pinjaman, perlindungan insurans dan khidmat nasihat kewangan.



ANTARA bantuan peralatan menjahit yang disumbangkan Agrobank bagi meningkatkan sumber pendapatan golongan asnaf.

(18m'n) - 88 -

Sistem perbankan Islam sepenuhnya 2015

Oleh TOREK SULONG
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BACHOK - **Agrobank** akan memperkenalkan produk-produk baharu tahun ini berdasarkan kepada prinsip-prinsip syariah seiring dengan usaha bank melaksanakan sistem perbankan Islam sepenuhnya menjelang tahun 2015.

Presiden
dan Ketua
Eksekutif
Agrobank,
Datuk Wan

**AGRO
BANK**
Sentiasa di sisi Anda

Mohd. Fadzmi Wan Othman berkata, pelaksanaan sistem itu dibuat menerusi program transformasi yang lebih dinamik membabitkan semua produk pembiayaan dan deposit sedia ada.

"Bagi merealisasikan misi berkenaan, kami akan melancarkan produk perbankan berasaskan Islam dan pada masa yang sama menggalakkan amalan perbankan yang beretika," katanya.

Beliau berkata demikian kepada pemberita ketika ditemui selepas Majlis Penyampaian Sumbangan Zakat **Agrobank** cawangan bank berkenaan di sini semalam.

Penyampaian sumbangan itu disempurnakan oleh Timbalan Menteri Kewangan, Datuk Dr. Awang Adek Husin.

Wan Mohd. Fadzmi berkata, sejak penubuhannya lebih 39 tahun lalu, **Agrobank** telah melaksanakan pelbagai program transformasi ekonomi sebagai ejen pembangunan sektor pertanian untuk meningkatkan taraf sosio ekonomi isi rumah keluarga petani,



AWANG ADEK (kiri) menyerahkan sumbangan zakat bagi pihak **Agrobank** kepada golongan miskin di Bachok semalam.

penternak dan nelayan seluruh negara.

Menurutnya, sehingga kini **Agrobank** mempunyai 186 buah rangkaian di seluruh negara termasuk lapan cawangan baharu dan kebanyakan cawangan terletak di kawasan luar bandar bagi memberi perkhidmatan terbaik kepada kumpulan sasaran.

Selain itu, Wan Mohd. Fadzmi menerangkan, dalam usaha pihaknya menggalakkan orang ramai menabung dan menambah nilai deposit masing-masing, **Agrobank** telah melancarkan satu kempen *Simpan dan Raihan* bermula Jumaat lalu.

Menurutnya, kempen tersebut memberi peluang kepada pelanggan yang memiliki baki purata simpanan bulanan sebanyak RM300 untuk memenangi pelbagai hadiah menarik melalui cabutan bertuah yang diadakan.

"Menerusi kempen tersebut, 10 hadiah bulanan berupa lima unit Galaxy Note dan Ipad mini akan ditawarkan kepada para pelanggan sepanjang tempoh kempen tersebut berlangsung selama empat bulan.

"Kempen yang akan berakhir pada 30 Jun ini juga menawarkan dua hadiah utama berupa komputer riba untuk mereka yang bertuah," jelasnya.

Agrobank Ke Arah Perbankan Islam Sepenuhnya Menjelang Tahun 2015

Agrobank Towards Full-Fledged Islamic Banking by 2015

Fasa pertama melibatkan pertukaran Akaun Simpanan Konvensional kepada Akaun Simpanan Islamik secara automatik pada 26 November 2011, tanpa melibatkan sebarang perubahan nombor akaun sedia ada.

The first phase will involve automatic conversion of Conventional Savings Accounts to Islamic Savings Account on 26 November 2011, with no effect on existing account numbers.



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Agrobank Towards Full-Fledged Islamic Banking by 2015



Bahasa Melayu | English



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Email : customer@agrobank.com.my
Fax No: 03-2692 2053

Waktu Urusan
Hari : Isnin hingga Jumaat
Masa : 8.30 pagi - 5.30 petang

Sabtu, Ahad & Cuti Umum - TUTUP

First Phase



Agrobank Ke Arah Perbankan Islam Sepenuhnya Menjelang Tahun 2015 Agrobank Towards Full-Fledged Islamic Banking by 2015

Fasa pertama melibatkan pertukaran Akaun Simpanan Konvensional kepada Akaun Simpanan Islamik secara automatik pada 26 November 2011, tanpa melibatkan sebarang perubahan nombor akaun sedia ada.

The first phase will involve automatic conversion of Conventional Savings Account to Islamic Savings Account on 26 November 2011, with no effect on existing account number.

PERATURAN DAN PENTADBIRAN PENGURUSAN AKAUN AGROSIMPANAN-I

1. Pemegang akaun adalah bersetuju mematuhi Peraturan-Peraturan Akaun AgroSimpanan-I yang berkuatkuasa dari semasa ke semasa berdasarkan prinsip AL-MUDHARABAH (perkongsi untung). Semua permohonan untuk membuka akaun AgroSimpanan-I hendaklah dibuat dengan menggunakan borang yang disediakan oleh Bank.
2. Pelaburan menghasilkan keuntungan atau kerugian. Keuntungan dari pelaburan diagihkan berdasarkan nisbah yang dipersetujui di antara kedua-dua pihak dan **TIDAK** berdasarkan jumlah. Nisbah perkongsian keuntungan ditentukan pada ketika akad. Kerugian, jika ada, ditanggung oleh pemilik modal.
3. Agro Simpanan-I adalah terdiri dari 2 jenis akaun iaitu Agro Muda-I (berumur di bawah 18 tahun) dan Agro Tani-I (berumur 18 tahun dan ke atas). Akaun AgroMuda-I akan dipindahkan ke akaun AgroTani-I secara automatik oleh sistem apabila pelanggan mencapai umur 18 tahun tanpa melibatkan perubahan nombor akaun.
4. Penerimaan permohonan dan penerusan satu-satu akaun AgroSimpanan-I adalah di atas budi bicara Bank.
5. Jumlah deposit minimum semasa pembukaan akaun AgroSimpanan-I adalah tertakluk kepada jenis akaun yang dibuka dan tiada had jumlah untuk deposit seterusnya. Deposit boleh dilakukan sama ada dengan buku atau tanpa buku AgroSimpanan-I. Jumlah tambahan deposit pada satu-satu masa hendaklah tidak kurang daripada **RM1.00**.
6. Pengeluaran wang dibenarkan melalui Buku Akaun atau melalui mesin ATM. Borang pengeluaran hendaklah diisi oleh pemegang akaun apabila membuat pengeluaran melalui buku akaun dengan jumlah minimum tidak kurang daripada **RM1.00**.
7. Pemegang akaun dibenarkan membuat pengeluaran di mana-mana cawangan Bank.
8. Pemegang kad ATM boleh mengeluarkan wang melalui mesin ATM di mana-mana cawangan atau mesin ATM lain-lain Bank yang mempunyai kemudahan tersebut. Pemegang akaun adalah bertanggungjawab untuk mengemaskini buku pada setiap bulan.
9. Baki minimum pada bila-bila masa mestilah tidak kurang dari **RM5.00** bagi akaun AgroMuda-I dan **RM10.00** bagi lain-lain akaun AgroSimpanan-I. Jumlah pengeluaran tunai pada satu-satu masa mestilah tidak kurang daripada **RM1.00** kecuali untuk tujuan penutupan akaun.
10. Pihak Bank tidak akan bertanggungjawab ke atas sebarang jumlah di dalam Buku Akaun AgroSimpanan-I yang dicatatkan tanpa tandatangan Pegawai Bank yang diberi kuasa atau tanpa pengesahan cetakan komputer Bank.
11. Akaun akan ditutup secara automatik apabila ianya berbeki sifar selama 3 bulan berturut-turut.
12. Bank berhak mengenakan bayaran perkhidmatan terhadap akaun yang ditutup dalam tempoh kurang daripada 3 bulan dari tarikh pembukaan akaun.
13. Bank berhak mengenakan bayaran perkhidmatan terhadap akaun yang ditutup atas permintaan pemegang akaun.
14. Bank berhak mengenakan bayaran perkhidmatan terhadap pengurusan dokumen untuk Wang Tak Dituntut atas permintaan pelanggan.
15. Buku Akaun AgroSimpanan-I hendaklah disimpan dengan cermat dan selamat dan Bank tidak akan bertanggungjawab ke atas sebarang kerugian yang dialami atas kehilangan buku.
16. Pemegang akaun dikehendaki memberitahu Bank dengan segera sekiranya Buku Akaun hilang atau musnah. Buku Akaun yang baru akan dikeluarkan setelah Pemegang Akaun mengemukakan bukti yang sewajarnya dan menandatangani Surat Indemniti (*Letter of Indemnity*) dan membayar cukai setem ke atasnya.
17. Buku Akaun AgroSimpanan-I yang hilang atau rosak akan digantikan dan Bank berhak mengenakan bayaran perkhidmatan.
18. Semua jenis simpanan-I kecuali AgroTani-I (*Foreign*) mendapat perlindungan di bawah Skim Perlindungan Takatul tertakluk kepada terma dan syarat Skim Perlindungan Takatul.
19. Pemegang akaun dikehendaki memberitahu secara bertulis segala perubahan alamat tempat tinggal dan lain-lain maklumat yang berkenaan untuk mengemaskini rekod. Segala pemberitahuan yang dipos atau ditinggalkan di alamat terakhir dalam pengetahuan Bank akan dianggap telah sampai ke tangan pemegang akaun dengan selamat.
20. Bank berhak menambah, memansuh, mengubah atau meminda mana-mana peraturan atau syarat pada bila-bila masa dengan kebenaran pemegang akaun.
21. Pelanggan adalah dinasihatkan menyimpan buku simpanan di tempat yang selamat untuk mengelakkan pihak ketiga mempunyai akses terhadap buku simpanan tersebut.
22. Pihak Bank tidak akan bertanggungjawab bagi perkongsian maklumat pelanggan dengan mana-mana pihak ketiga.

NISBAH KEUNTUNGAN PELANGGAN

Akaun Penyimpan yang berbeki layak bayaran keuntungan berdasarkan nisbah seperti berikut:

AgroTani-I dan AgroTani-I (*Foreign*)

Baki Simpanan	Nisbah Keuntungan (Pendeposit: Bank)
Di bawah RM500.00	40 : 60
RM500.00 hingga RM2,500.00	50 : 50
Melebihi RM2,500.00	60 : 40

AgroMuda-I

Baki Simpanan	Nisbah Keuntungan (Pendeposit: Bank)
Di bawah RM3,000.00	40 : 60
RM3,000.00 hingga RM10,000.00	50 : 50
Melebihi RM10,000.00	60 : 40

Pengiraan keuntungan adalah secara harian dan dikreditkan ke akaun simpanan pada akhir bulan. Nisbah keuntungan dan teri ini tertakluk kepada perubahan dari semasa ke semasa Bank.

PERATURAN DAN PENTADBIRAN PENGURUSAN AKAUN AGROPERDANA-I

1. Pemegang akaun adalah tertakluk kepada dan bersetuju mematuhi Peraturan-Peraturan Akaun AgroPerdana-I yang berkuatkuasa dari masa ke masa berdasarkan prinsip AL-MUDHARABAH. Semua permohonan untuk membuka akaun AgroPerdana-I hendaklah dibuat dengan menggunakan borang yang disediakan oleh Bank.
2. Penerimaan permohonan dan penerusan satu-satu Akaun AgroPerdana-I adalah atas budi bicara Bank.
3. Jumlah deposit minima semasa pembukaan akaun AgroPerdana-I adalah **RM20.00** dan tiada had jumlah untuk deposit seterusnya. Deposit boleh dilakukan sama ada dengan buku atau tanpa buku AgroPerdana-I.
4. Pengeluaran wang dibenarkan melalui Buku Akaun atau melalui mesin ATM. Borang pengeluaran hendaklah diisi oleh Pemegang Akaun apabila membuat pengeluaran melalui Buku Akaun dengan jumlah minima tidak kurang daripada **RM1.00**.
5. Pemegang Akaun dibenarkan membuat pengeluaran di mana-mana cawangan Bank dan bayaran perkhidmatan akan dikenakan melalui pengeluaran dengan Buku Akaun.
6. Pemegang kad ATM boleh mengeluarkan wang melalui mesin ATM di mana-mana cawangan yang mempunyai kemudahan tersebut. Pemegang Akaun adalah bertanggungjawab untuk mengemaskini buku pada setiap bulan.
7. Baki minima pada bila-bila masa adalah tertakluk kepada kategori akaun dan jumlah pengeluaran tunai pada satu-satu masa mestilah tidak kurang dari **RM1.00** kecuali untuk tujuan penutupan akaun.
8. Pendebitan akaun akan dilakukan tanpa Buku Akaun AgroPerdana-I dan apa jua maklumat pendebitan akan diketahui oleh Pemegang Akaun setelah buku dikemaskini. Akaun akan didebit oleh Bank dalam keadaan-keadaan berikut :-
 - Bayaran perkhidmatan yang dikenakan ke atas Pemegang Akaun pada setiap akhir bulan Jun dan Disember.
 - Pelunasan arahan Giro Perdana oleh penerima yang dibenarkan oleh Pemegang Akaun.
 - Apabila berlakunya Arahan Giro Perdana Lambung Bank berhak mendebit sehingga akaun AgroPerdana-I berbeki sifar.
9. Akaun akan ditutup secara automatik apabila ianya berbeki sifar selama 6 bulan berturut-turut.
10. Pihak Bank tidak akan bertanggungjawab ke atas sebarang jumlah di dalam Buku Akaun AgroPerdana-I yang dicatatkan tanpa Pegawai Bank yang berkuasa atau tanpa pengesahan komputer juruway Bank.
11. Bank berhak mengenakan bayaran perkhidmatan terhadap akaun yang ditutup dalam tempoh 3 bulan dari tarikh pembukaannya.
12. Buku Akaun AgroPerdana-I hendaklah disimpan dengan cermat dan selamat. Bank tidak akan bertanggungjawab ke atas sebarang kerugian yang dialami.
13. Pemegang Akaun dikehendaki memberitahu Bank dengan segera sekiranya Buku Akaun hilang atau musnah. Buku Akaun yang baru akan dikeluarkan setelah Pemegang Akaun mengemukakan bukti yang sewajarnya dan menandatangani Surat Lepas Tanggungan (*Letter of Indemnity*) dan membayar cukai setem ke atasnya.
14. Buku Akaun AgroPerdana-I yang hilang atau rosak akan digantikan dan Bank berhak mengenakan bayaran perkhidmatan.
15. Pemegang Akaun dikehendaki memberitahu secara bertulis segala perubahan alamat tempat tinggal dan lain-lain maklumat yang berkenaan untuk mengemaskini rekod. Segala pemberitahuan yang dipos atau ditinggalkan di alamat terakhir yang didaftarkan dengan Bank akan dianggap telah sampai ke tangan Pemegang Akaun dengan selamat.
16. Bank berhak untuk menambah, memansuh, mengubah atau meminda mana-mana peraturan atau syarat pada bila-bila masa dengan kebenaran Pemegang Akaun.

Baki Akaun	Kakitangan (Nisbah)	Bukan Kakitangan (Nisbah)
RM10.00 hingga RM99.99	Pelanggan : Bank 10 : 90	Pelanggan : Bank 10 : 90
RM100.00 dan ke atas	30 : 70	20 : 80
RM1,000.00 dan ke atas	40 : 60	30 : 70
RM5,000.00 dan ke atas	50 : 50	40 : 60
RM5,000.00 dan ke atas	50 : 50	40 : 60
RM25,000.00 dan ke atas	50 : 50	40 : 60

Kadar nisbah keuntungan adalah tertakluk kepada polisi semasa Bank. Cukai pengiraan dari bayaran keuntungan di mana kadar yang ditetapkan oleh kerajaan akan ditanggung oleh Bank.

* Tertakluk kepada terma & syarat. Semua maklumat tepat pada masa percetakan. Untuk maklumat lanjut layari www.agrobank.com.my

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BANK PERTANIAN MALAYSIA BERHAD (811810-U)

News by Topics

Agrobank Set To Fully Implement Islamic Banking By 2015

Agrobank formally known as Bank Pertanian Malaysia is set to fully implement Islamic banking by 2015 as it currently offers both conventional and Islamic services to cater for the demand of clients.

The bank has been offering Shariah compliant products and services since 2008 and has acknowledged the demand for the growing sector of Islamic finance which is set to soar to over \$1.5 trillion US dollars by 2012.

Managing Director of Agro Bank, Datuk Ahmad Said said in a statement that, ""They are popular among non Muslims with the ratio presently 60:40 in favour of Islamic banking. We have actually targeted to go fully Islamic this year, but we felt we have to continue with conventional banking for some more years as we are not that stable. So, we are doing it slowly by reducing conventional banking products. It will also be costly if we change abruptly as we have to cancel all previous agreements and sign new ones".

Agrobank currently boasts 167 branches across Malaysia and are set to offer the Shariah compliant modes of financing and expand their number of branches around the country. Ahmad further added that, "New branches are set up annually depending on our planning. Our target this year is 10 including Kubang Kerian, Kota Baru, Pahang, Johor and Sabah. However, the Finance Ministry has requested us to open in districts which presently have no banks, especially in Sabah and Sarawak. So, the number (of new openings) this year will be more than 10".

With the industry thriving and attention from global investors turning towards Islamic financial modes of transactions there is no better time to implement fully fledged Islamic services. The effective implementation of specialised Islamic financial institutions will further help Malaysia to enhance their profile as being the hub of Islamic finance. It will also help to stabilise the Islamic financial economy and give it an individual identity within the financial sector.

Revitalised and Moving Forward

**Dato' Wan Mohd Fadzmi bin
Wan Othman President/ Chief
Executive Officer of Agrobank**

Agrobank, formerly known as Bank Pertanian Malaysia Berhad, is a Government-Owned Company under the Minister of Finance Incorporated (MFI) with a total of 187 outlets in all 14 states of Malaysia as at March 2014. The bank's main function as the sole agricultural bank is to provide financial and advisory services. The bank also offers regular banking services including savings, loan facilities and insurance coverage in line with what is provided by other commercial banks.

In this cover story, Islamic Banker Asia talks to Dato' Wan Mohd Fadzmi, President/ Chief Executive Officer of the bank regarding a number of things, including the bank's move into Islamic banking.

Islamic Banker Asia (IBA): Please share with us your background in the banking sector and how you embarked on your career in Agrobank.

Dato' Wan Mohd Fadzmi (WMF): It has been 25 years since I started my first job in 1989 with Maybank as a Graduate Trainee. I spent 15 years abroad serving Maybank as an International Banker, which in my opinion were my formative years. I was at their London branch for seven years, first as Head of Business and later as General Manager. Then, Maybank sent me to its New York branch to handle the operations there. I spent four years there before relocating to Hong Kong in 2008. In 2011, I obtained employment with RHB Bank before I was approached by Agrobank which had just been corporatized. Initially, I was reluctant to move as it meant moving from commercial banking to agriculture banking but I finally decided to go in full swing with Agrobank in July 2011.

IBA: Please take us through Agrobank's history.

WMF: Agrobank is still legally known as Bank Pertanian Malaysia Berhad (Bank Pertanian) to some. In 1969, Bank Pertanian was established as a means to aid paddy farmers up in the north of Peninsular Malaysia. The bank was tied closely with MUDA Agriculture Development Authority of Kedah to develop the rice planting industry. The establishment of Bank Pertanian was linked to a loan from the World Bank which specifically requested the Malaysian Government to set up an agriculture bank. It was a very successful venture with sufficient capital for growth and progress.

Bank Pertanian evolved beyond the paddy industry and into upstream production of crops such as rubber and palm oil as well as food crops in the 1970s. The bank also serves as the medium for the government to channel aid and grants to rural and poor folk, hence our rapidly growing branches and network as micro and small entrepreneurs are mostly rural-based.

Cover Story

In 2008, the bank was corporatized and it now functions with a commercial twist with features similar to commercial banks such as offering the regular products offered by those banks.

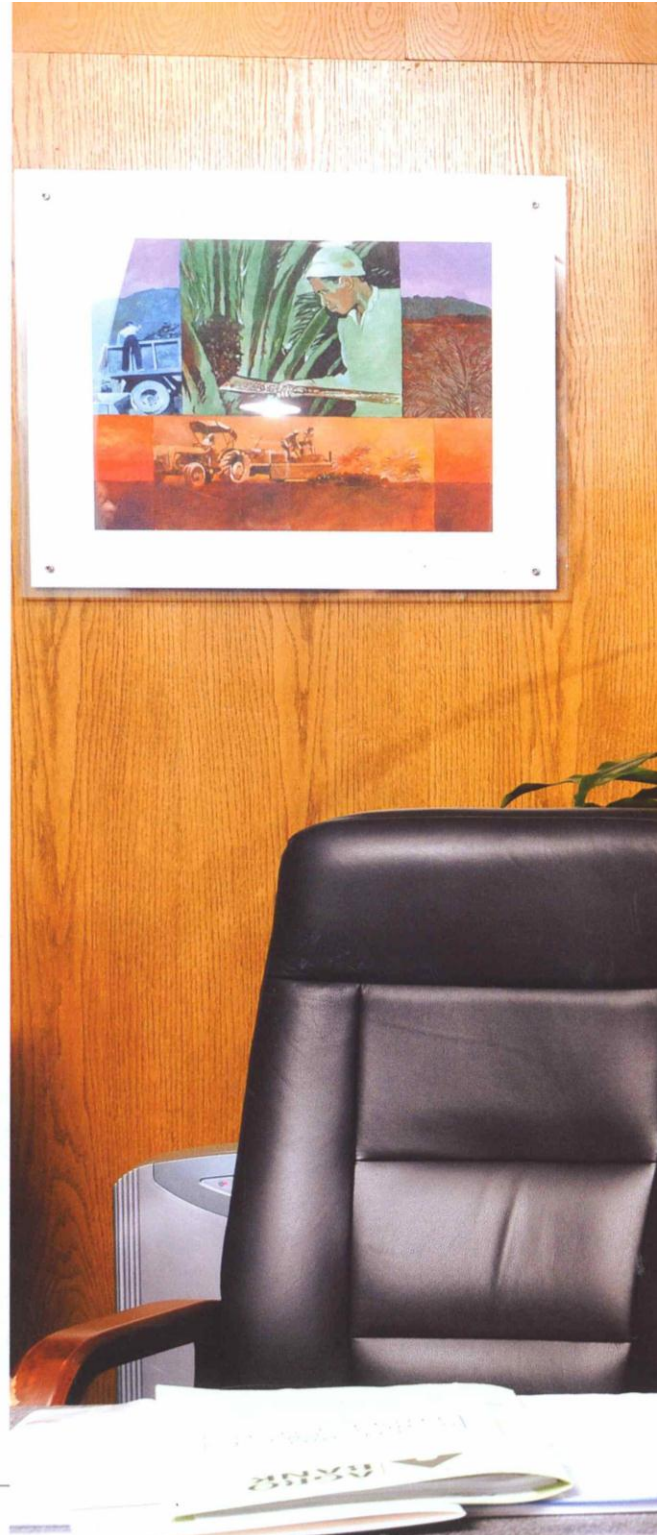
Although it is still 100 % owned by the government, it is highly independent and generates its own income while at the same time applying best practice, proper management, and corporate governance under the supervision of Bank Negara Malaysia.

IBA: How does Islamic banking weave into Agrobank?

WMF: : It started in 2009 and 2010 when the bank decided to move towards fully Shari'ah-compliant banking. Agrobank started with Shari'ah-compliant deposits in 2004, gradually transforming loan facilities into Islamic financing. The efforts to enforce Shari'ah-compliant financing picked up in 2010 and 2012. It is noteworthy that Agrobank's financial products fit perfectly with Shari'ah-compliant finances as the business is about food and tangible products. Much of our products are already 90 % Shari'ah-compliant and only 10 % more are awaiting conversion.

IBA: Agrobank has been given the mandate to develop the agriculture sector and to become the third engine of growth under the 9th Malaysia Plan. What are some of Agrobank's initiatives that have fuelled this agenda?

WMF: We are guided by the National Agriculture Policies that have been in place since 1994 up to the most recent policy in 2010. In addition, we are also under the influence of the National Agro Food Policy which is a policy that concerns food production. Malaysia is a self-sufficient country in terms of food production; nevertheless, our production has not come to the level that it can fully satisfy the country's demands. Therefore, the focus of Agrobank is to channel the funds required for the progress of the agriculture industry in order to realize those objectives.



Cover Story

IBA: What about the bank's other specific strategies or campaigns towards realizing the 9th Malaysian Plan?

WMF: We basically benchmark our services to the best out there such as term financing loans, trade finance and working capital. We have already achieved 50 % of our target to create a level playing field. This is considered a breakthrough when compared to our previous status. The agriculture industry continues to support the economy with only 2.8% annual growth (on the other hand, agrofood has an annual growth of 6.4%) although it is behind the manufacturing and service industries as a percentage of the country's GDP. The minimal growth attained is due to many factors including price risks such as exchange rates, supply and imports as well as other factors such as weather change, plant diseases and more.

We chart our strategic plans by being actively involved in industrial crops/commodities. The general public is unaware that agriculture is actually divided into two commodities i.e. industrial crops i.e. rubber and palm oil, and food crops i.e. paddy, fish, meat, milk, vegetables. Palm oil and rubber commodities are more stable as the trees are hardy and resistant to most climate change and diseases whereas food commodities are sensitive to the environment.

IBA: 2008 was the year of the rebranding of Bank Pertanian Malaysia to become what it is today. What had geared this rebranding exercise and why?

WMF: As mentioned previously, the bank was faced with high NPLs in addition to weak capital ratio and weak capital structure. The structure of the organisation needed to be restructured in order to become a sustainable banking institution. It was a simple business decision; we needed to corporatize.

"It is noteworthy that Agrobank's financial products fit perfectly with Shari'ah-compliant finances as the business is about food and tangible products"

IBA: Did you take any additional loans? How long did the exercise take?

WMF: No, we did not aggressively build up our lending book prior to corporatisation. We sorted out our "house" and undertook steps to strengthen our balance sheet. The exercise ended in 2008 but the background work started as early as in 1997 after the recession. In setting our financial concentration, it was pertinent that we realized the position we wanted the bank to be in the next 50 years. We had to unlearn our old ways of doing things and instead strive to be competitive enough in order to generate profit and be transparent in order to gain the confidence of the public.

IBA: Are you looking into expanding Agrobank into the region in any way?

WMF: At the moment, we have no intention of expanding abroad. Being a government-owned entity, our main priority should be to take care of our own "backyard", which means we have to strengthen our business locally and support the government's initiatives to be self sufficient within the agricultural sector. Nevertheless, we do collaborate with others in the Asean region but mainly for technical purposes such as sharing expertise and common issues.

The expansion of Agrobank locally is not a walk in the park. For example, setting a branch in the rural areas is 20-30 % more costly than opening a branch in the urban areas. We are a rural-based banking institution and we focus more on Sabah and Sarawak for instance. Furthermore, Agrobank has a social duty to help Micro and SMEs grow and contribute to the agriculture economy.

IBA: In line with Agrobank's aspiration to fully implement Islamic banking by 2015, what are the challenges you face the moment? How do you plan to mitigate the challenges?

WMF: Staff awareness is our biggest challenge at the moment. We have had a training programme called 'Taffahum' since 2013. This was only a partial success at first. Agrobank has about 3500 staff and we need to tackle the high level staff first so that they will initiate a chain

changer among their teams. Nevertheless, the plan has been only 50 % successful as the level of internalisation varies from person to person. At present, we are targeting our frontliners, customer service representatives and tellers. We also blast pre-tests and post-tests to our staff.

Another challenge for us is our customers' receptiveness to our conversion to Islamic finance. The younger generation is more receptive though unfortunately, the older generations' acceptance level seems lamentable.

Furthermore, we also have issues with traceability of customers who live deep in the rural areas. Overall, there is no short cut and we must be persistent in solving these issues.

IBA: You mentioned earlier that Agrobank aims to achieve a balance between prudent banking and maintaining the bank's agenda of growing the country's agriculture industry. Has the bank been successful in achieving that balance?

WMF: The main concern for us is the projection in our balance sheet. An indicator of our performance is the non-performing asset quality which used to be high but we have managed to bring it down through the enhancements of debt collection processes and clean-up of our balance sheet.

When I started with Agrobank, the lending for mandated financing was well below 60 % although it is supposed to be in the range of 70 %. We have managed to bring up the mandated lending to over 70 % by expanding and redefining our mandate to include upstream and downstream production, which ultimately has expanded our customer base. Our current mandate includes more than just the growing of crops or crop plantations; it also includes distribution, retail, and other businesses that deal with agriculture.

IBA: Could you elaborate on your range of products?

WMF: Most significant is that we are improving our suite of products and with the support of our board and regulators, obtaining the necessary regulatory

“In setting our financial concentration, it was pertinent that we realized the position we wanted the bank to be in the next 50 years.”

approvals for instance, of trade financing products launched at the end of 2013. Another significant product is our overdraft facility or ‘cashline’ which was created to suit the needs of our customers who require short-term working capital and to conduct trading businesses; which we have first obtained approval to launch.

Bank Negara has encouraged all banks to move towards paperless technology. In this sense, we are moving towards electronic banking, even in the rural areas. Currently, we have electronic banking services for our retail banking accounts but we are working towards obtaining the approval to do the same for our business accounts. Together with our electronic banking services, we are also launching our Visa debit card and re-launching our remittance service.

Another future facility to be offered by our bank is Agent banking whereby the customers can enjoy our basic banking facilities in other banks which will act as agents of Agrobank. Customers will be able to carry out transactions such as withdrawals, deposits, bill payment and even make prepaid top-ups with agents approved by Agrobank and our focus will be to serve in the rural underserved/unserved community.

IBA: What is the future direction of the bank, particularly with regard to the Islamic banking sector?





WMF: In the future, after we have managed to emplace and strengthen our banking processes and systems, we would like to invite back all of our customers who migrated to commercial banks to come back to our fold. We also will be focusing on new agriculture entrepreneurs who will be bringing a new culture and new farming techniques, through our machinery financing facilities.

We are looking into electronic banking platform (e-banking for business) which means less manual work and alternative channels, no longer bricks and mortar which attract higher cost.

IBA: Dato' Wan, can you share with us a bit about your educational background, interests and hobbies.

WMF: I have a degree in construction economics from RMIT University, Australia and I stayed in Australia for four and half years.

My work is my hobby.

I believe in just doing my best and being a professional. I strongly believe in learning continuity and this I try to inculcate in my staff.

My overseas assignments have helped me a lot in my endeavours. The level of transparency is excellent in countries such as the United States. They are very hardworking and always pushing themselves to do better.

As for our local heroes, I salute our Bank Negara Malaysia's Governor Tan Sri Dato' Dr Zeti Akhtar who is a strong proponent of Islamic banking.

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