

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

By

DZULFARDLY BIN CHE JAAFAR

Thesis Submitted to

Othman Yeop Abdullah Graduate School of Business

Universiti Utara Malaysia

in Partial Fulfillment of the Requirement for the Master of Science (Banking)

PERMISSION TO USE

In presenting this dissertation/project paper in partial fulfillment of the requirements for a Post Graduate degree from the Universiti Utara Malaysia (UUM), I agree that the Library of this university may make it freely available for inspection. I further agree that permission for copying this dissertation/project paper in any manner, in whole or in part, for scholarly purposes may be granted by my supervisor(s) or in their absence, by the Dean of Othman Yeop Abdullah Graduate School of Business where I did my dissertation/project paper. It is understood that any copying or publication or use of this dissertation/project paper parts of it for financial gain shall not be allowed without my written permission. It is also understood that due recognition shall be given to me and to the UUM in any scholarly use which may be made of any material in my dissertation/project paper.

Request for permission to copy or to make other use of materials in this dissertation/project paper in whole or in part should be addressed to:

Dean of Othman Yeop Abdullah Graduate School of Business
Universiti Utara Malaysia
06010 UUM Sintok
Kedah Darul Aman

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.

ACKNOWLEDGEMENTS

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

All praise be to Allah, for guiding us to His law and His way. May Allah's blessing be upon our Prophet Muhammad (p.b.u.h.) through whom Allah has laid the solid foundation for reform. My intention to write upon this topic is due to my keen interest to acquire in-depth knowledge on Islamic banking, and as my commitment to support my organization's aspiration in attaining full Islamic bank status in year 2015.

Firstly, I would like to express my deepest gratitude to all my lecturers and friends who had shared their knowledge and expertise throughout my studies in UUM. Secondly, my sincere appreciation goes to my supervisor in Agrobank and Regional Manager of Agrobank Penang/Kedah/Perlis for their kind assistance in facilitating me to conduct the survey for this study. Also my heartfelt thank to my research supervisor, Dr Logasvathi A/P Murugiah who had guided and helped me tirelessly to improve this research.

Last but not least, to my beloved wife Nurtasnim; my sweet daughters Nurdania and Nursafia, and my 'cheeky' son Muhammad Dzarif. For the past three years, they have been patient with my routine of reading, writing, and attending weekend classes. Not to be forgotten, a special dedication to my *al-marhumah* mother Dzaharin and my *al-marhum* father Che Jaafar; who inspired me to pursue my studies (*Al-Fatihah to them*). I owe my biggest thanks to them. Indeed, Allah has facilitated me in so many ways throughout the journey to complete this study.

Allah knows best.

TABLE OF CONTENTS

PERMISSION TO USE	ii
ABSTRACT	iii
ABSTRAK	iv
ACKNOWLEDGEMENTS	v
TABLE OF CONTENT	vi
LIST OF TABLES	x
LIST OF FIGURES	xii
LIST OF ABBREVIATIONS	xiii

CHAPTER 1: INTRODUCTION

1.1	Background of the Study	1
1.2	Problem Statement	3
1.3	Research Objectives	7
1.4	Research Questions	8
1.5	Significance of the Study	9
1.5.1	Industry Importance	9
1.5.2	Organizational Importance	9
1.5.3	Scientific Importance	9
1.6	Organization of the Research	10

CHAPTER 2: LITERATURE REVIEW

2.1	Introduction	11
2.2	Employees Understanding on BBA Financing Contract	15
2.3	<i>Bai' Bithaman Ajil</i> as Financing Contract	16
2.4	Keen Interest in Islamic Banking Financing Contract of BBA	21
2.5	Commitment in Islamic Banking Financing Contract of BBA	22
2.6	Knowledge in Islamic Banking Financing Contract of BBA	24
2.7	Ability to Practice Islamic Banking Financing Contract of BBA	26
2.7.1	Summary of Literature Review	28

CHAPTER 3: METHODOLOGY

3.1	Introduction	32
3.2	Data Collection	32
3.3	Sampling	34
3.4	Timeframe	38
3.5	Data Analysis Technique	38
3.6	Theoretical Framework	39
3.7	Definition of Terms for Each Variable	40
3.7.1	Dependent Variable: Understanding on BBA Financing Contract	40
3.7.2	Independent Variable One: Keen Interest	41
3.7.3	Independent Variable 2: Commitment	41
3.7.4	Independent Variable 3: Knowledge	41
3.7.5	Independent Variable 4: Ability to Practice	42

3.8	Summary of Hypotheses	43
3.9	Measurement of Variables: Scaling Techniques Used	45
3.10	Reliability	46
3.11	Regression Equation Model	46

CHAPTER 4: RESULTS AND DISCUSSION

4.1	Introduction	48
4.2	Demographic Profile	48
4.3	Descriptive Analysis	52
4.4	Multiple Regression	58
4.4.1	Reliability Assumption	58
4.4.2	Normality Assumption	59
4.4.3	Multicollinearity Assumption	60
4.4.4	Linearity Assumption	61
4.4.5	Homoscedasticity Assumption	62
4.4.6	Independence of Residuals Assumption	63
4.4.7	Multiple Regression Analysis	64
4.4.8	Coefficients	65
4.5	Summary of Findings and Hypotheses	68

CHAPTER 5: CONCLUSION AND RECOMMENDATION

5.1	Introduction	70
5.2	Summary of Research Objectives	70

5.2.1	Research Objectives One	70
5.2.2	Research Objectives Two	71
5.2.3	Research Objectives Three	73
5.3	Scope and Limitations of the Study	75
5.4	Conclusion	75
5.5	Recommendation	77
REFERENCES		79
APPENDICES		87

LIST OF TABLES

Table 1.1	Types, nature and concept of various Islamic banking products	11
Table 2.1	Essential element of BBA financing contract	19
Table 3.1	Employees involved in financing-related functions	35
Table 3.2	Selected sample size based on job designation criteria	36
Table 3.3	Disproportionate Stratified Random Sampling	37
Table 3.4	Past studies related to variables	44
Table 3.5	The five-point Likert Scale	46
Table 4.1	Gender of respondents	48
Table 4.2	Age of respondents	49
Table 4.3	Marital status of respondents	49
Table 4.4	Years employed in Agrobank	50
Table 4.5	Years of banking experience	50
Table 4.6	Respondents' educational background	51
Table 4.7	Understanding on BBA financing contract	53
Table 4.8	Respondents' feedback for questions on Islamic banking financing contract of BBA	53
Table 4.9	Keen interest in BBA financing contract	53
Table 4.10	Respondents' feedback for questions on keen interest in BBA financing contract	54
Table 4.11	Commitment in BBA financing contract	54

LIST OF TABLES

Table 4.12	Respondents' feedback for questions on commitment in BBA financing contract	55
Table 4.13	Knowledge in BBA financing contract	56
Table 4.14	Respondents' feedback for questions on knowledge in BBA financing contract	56
Table 4.15	Ability to practice proper Shariah principles in BBA financing contract	57
Table 4.16	Respondent' feedback for questions on ability to practice Shariah aspects of BBA financing contract	58
Table 4.17	Reliability statistics	59
Table 4.18	Descriptive statistics (Skewness and Kurtosis)	60
Table 4.19	Descriptive statistics (Pearson Correlation)	61
Table 4.20	Model summary (Durbin-Watson Statistic Value)	63
Table 4.21	Model Summary (Adjusted R Square)	64
Table 4.22	ANOVA	64
Table 4.23	Coefficients	65
Table 4.24	Summary of result for research objectives	68
Table 4.25	Summary of result for hypotheses	69

LIST OF FIGURES

Figure 3.1	Theoretical framework	39
Figure 4.1	Linear assumptions	62
Figure 4.2	Homoscedasticity assumption	63

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.

The contents of
the thesis is for
internal user
only

REFERENCES

- Abdul Hamid, A. H., & Mohd Nordin, N. A. (2001). A Study on Islamic Banking Education and Strategy for the New Millenium - Malaysian Experience. *International Journal for Islamic Financial Services*, 2 (4), np.
- Ahmad, S. (2012). Generic Skills from Qur'anic Perspective. *International Journal for Islamic Thought*, 1, 43-53.
- Ali, H. M., & Ahmad, N. H. (2006). Knowledge Management in Malaysian Banks: A New Paradigm. *Journal Of Knowledge Management Practice*, 7 (3), 1-16.
- Ali, S., & Farrukh, F. (2013). Islamic Banking: Is the Confidence Level of An Islamic Banking Employee Better Than Conventional Banking Employee? An Exploratory Study Regarding Islamic Banking. *Journal of Business Studies Quarterly*, 4 (3).
- Al-Omar, F. A., & Iqbal, M., (1999). Challenges Facing Islamic Banking in the 21st Century. *Proceedings of the Second Harvard University Forum on Islamic Finance: Islamic Finance into the 21st Century*, (pp. 243-253). Cambridge, Massachusetts. Center for Middle Eastern Studies, Harvard University.

- Butt, I., Saleem, H., Ahmed, H., Altaf, M., Jaffer, K., & Mahmood, J. (2011). Barriers to Adoption of Islamic Banking in Pakistan. *Journal of Islamic Marketing*, 2 (3), 259-273.
- Coakes, S. J., & Steed, L. G. (2003). *SPSS Analysis Without Anguish: Version 11.0 for Windows*. Queensland: John Wiley & Sons Ltd.
- Dahlawi, Y. S. (2005, November 19 & 20). *Tools for Comprehensively Qualifying the Employees of Islamic Financial Institutions, and the Role of Shariah Boards and Relevant Institutions in Shariah Training*. Paper presented at the 5th conference of the Shariah Boards of Islamic Financial Institutions, the Kingdom of Bahrain.
- De Long, D. W., & Fahey, L. (2000). Diagnosing Cultural Barriers to Knowledge Management. *Journal of the Academy of Management Executive*, 14 (4), 113-127.
- Dewa, N., & Zakaria, S. (2012). Training and Development of Human Capital in Islamic Banking Industry. *Journal of Islamic Economics, Banking & Finance*, 8 (1), 96-107.
- Dusuki, A. W., & Abdullah, N. I. (2007). Why do Malaysian Customers Patronise Islamic Banks? *International Journal of Bank Marketing*, 25 (3), 142-160

- Dusuki, A. W. (2008). Understanding the Objectives of Islamic Banking: A Survey of Stakeholders' Perspectives. *International Journal of Islamic and Middle Eastern Finance and Management*, 1 (2), 132-148.
- Dusuki, A. W. (2012). *Islamic Financial System: Principles & Operations*. Kuala Lumpur: International Shari'ah Research Academy for Islamic Finance.
- Farwa, U. & Niazi, G.S.K. (2013). Impact of Intrinsic Motivation on Organizational Commitment: An Islamic Banking Perspective. *Journal of Asian Development Studies*, 2 (2), 85-94.
- Firdaus Seah Abdullah, R., & Abd Rahman, A. R. (2007). Factors Influencing Knowledge of Islamic Banking Services: The Case of Malaysian Bank Managers. *International Association for Islamic Economics: Review of Islamic Economics*, 11 (2), 31-54.
- Flynn, S. V., & Black, L. L. (2013). Altruism–Keen interest Archetypes: A Paradigmatic Narrative of Counseling Professionals. *The Professional Counselor*, 3 (2), 54-66.
- Humar, U. K. (2014, February). Banks Islam: 3 Decades and Growing Stronger. *Islamic Banker Asia*, 002, 8-18.

- Humar, U. K. (2014, March). Taking Ethical Banking to the Next Level. *Islamic Banker Asia*, 003, 8-18.
- Ismail, A. G. (2010). *Money, Islamic Banks and the Real Economy*. Singapore: Cengage Learning Asia Pte Ltd.
- Kahf, M. (2004). *Success Factors of Islamic Banks*. Paper prepared for the Brunei Symposium on Islamic Banking and Finance 2004, Brunei Darussalam.
- Kamso, N. (2013). Investing in Islamic Funds: A Practitioner's Perspective. Singapore: John Wiley & Sons Pte Ltd. Retrieved from <http://books.google.com.my>.
- Karim, A. A. (2005). Konsultasi Binis Dunia & Akhirat. (Online). Available at <http://www.tazkiaonline.com/artikel.php3?sid=530>.
- Khir, K., Gupta, L., & Shanmugam, B. (2008). *Islamic Banking: A Practical Perspective*. Petaling Jaya: Pearson Malaysia Sdn Bhd.
- Likert, R. (1932). A Technique for the Measurement of Attitudes. *Archives of Psychology*, 140, 1-55. Retrieved from http://en.wikipedia.org/wiki/Likert_scale#cite_ref-2

- Metawa, S.A., & Al-Mossawi, M. (1998) Banking Behaviour of Islamic Bank Customers: Perspectives and Implications. *International Journal of Banking*, 16 (7), 299-313.
- Mohd Azli, R., Othman, R., Sahri, M., Abdul Aris, N., & Arshad, R., (2011). Implementation Of *Maqasid Shari'ah* In Islamic House Financing: A Study Of The Rights And Responsibilities Of Contracting Parties In *Bai' Bithaman Ajil* And *Musharakah Mutanaqisah*. *The Journal of Applied Business Research*, 27 (5), 85-95.
- Mohd Shariff, M. N., Setyawati, S. M., & Anindita, H. K. (2012). *Brand Loyalty as a Mediator of the Relationship between Brand Trust and Brand Performance*. Paper presented at Knowledge Management International Conference (KMICe) July 4-6, 2012, Johor Bahru, Malaysia.
- Mohd Yasin, N. (2001). Islamic Banking in Malaysia: Legal Hiccups and Remedies. *International Islamic University Malaysia Law Journal*, 9 (1), 1-20.
- Mohsan, F., Nawaz, M. M., Khan, M. S., Shaukat, Z., & Aslam, N. (2010). Are Employee Motivation, Commitment and Job Involvement Inter-related: Evidence from Banking Sector of Pakistan. *International Journal of Business and Social Science*, 2 (17), 226-231.

- Nik Abdul Rahman, N.M, & Shahid, S. (2009). Islamic HRM Practices and Employee Commitment: A Test Among Employees of Islamic Banks in Bangladesh. Paper presented at the Asia Pacific Business Research Conference 2011, Malaysia.
- Nonaka, I. (1998). *The Knowledge-Creating Company*. Harvard Business School (ed). Harvard Business Review on Knowledge Management. Boston: Harvard Business School Press.
- Nuridin, N., & Letch, N. (2009). Knowledge Integration In Support of The Business Process of Islamic Banks in Indonesia. *IQTISAD, International Journal of Islamic Economics*, 10 (1), 77-100.
- Rosly, S. A., & Abu Bakar, M. A. (2003). Performance of Islamic and Mainstream Banks in Malaysia. *International Journal for Social Economics*, 30 (12), 1249-1265.
- Rosly, S. A., (1999). Al-Bay' Bithaman Ajil Financing: Impacts on Islamic Banking Performance. *Thunderbird International Business Review*, 41 (4/5), 461-479.
- Rosly, S. A., Sanusi, M., & Mohd Yasin, N. (2003). The Role of Khiyar Al-'Ayb in Al-Bay' Bithaman Ajil Financing. *International Journal of Islamic Financial Services*, 2 (3), 1249-1265.

Santos, J. R. A. (1999). Cronbach's Alpha: A Tool for Assessing the Reliability of Scales. *Journal of Extension*, 37 (2), np.

Sekaran, U. (2002). *Research Methods for Business: A Skill Building Approach (4th Edition)*. New York: John Wiley & Sons, Inc.

Sekaran, U., & Bougie, R. (2009). *Research Methods for Business - A Skill Building Approach*. West Sussex: John Wiley & Sons.

Suib, R. (2011). *Relationship Between 5S Practices and Organizational Performance at Faber Medi-Serve Sdn. Bhd.* Unpublished masters dissertation, Universiti Utara Malaysia.

Vermeulen, W., & Crous, M.J. (2000). Training and Education for TQM in Thecommercial Banking Industry of South Africa. *Managing Service Quality*, 10 (1), 61-67, in press.

Zainol, Z., Shaari, R., & Ali, H. M., (2008). A Comparative Analysis of Bankers' Perceptions on Islamic Banking. *International Journal for Business & Management*, 3 (4), 157-168.

http://www.ats.ucla.edu/stat/spss/output/reg_spss.htm

http://www.bnm.gov.my/index.php?ch=en_fsd&pg=en_fsd...ac...

http://www.bnm.gov.my/index.php?ch=en_publication_catalogue&pg=en_publication_msb&mth=2&yr=2014&lang=en

<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
berita@kosmo.com.my

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.



Sebarang pertanyaan sila hubungi / Any enquiry please call :

Contact Centre:

1-300-88-2476



www.facebook.com/Agrobank

www.agrobank.com.my





08-May-2014 05:58

Sentiasa di Sisi Anda

Search...

[HOME](#)
[CORPORATE INFO](#)
[MEDIA](#)
[CAREER](#)
[FACILITIES](#)
[CONTACT US](#)
[SITE MAP](#)

CONSUMER BANKING

BUSINESS BANKING

ELECTRONIC BANKING

DEPOSIT & SERVICES

Agrobank Towards Full-Fledged Islamic Banking by 2015



Bahasa Melayu | English



Agrobank Contact Centre :
1 300 88 2476 (AGRO)

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 juruwarung 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

Contact Centre:
1-300-88-2476



www.facebook.com/Agrobank



**AGRO
BANK**

www.agrobank.com.my

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.

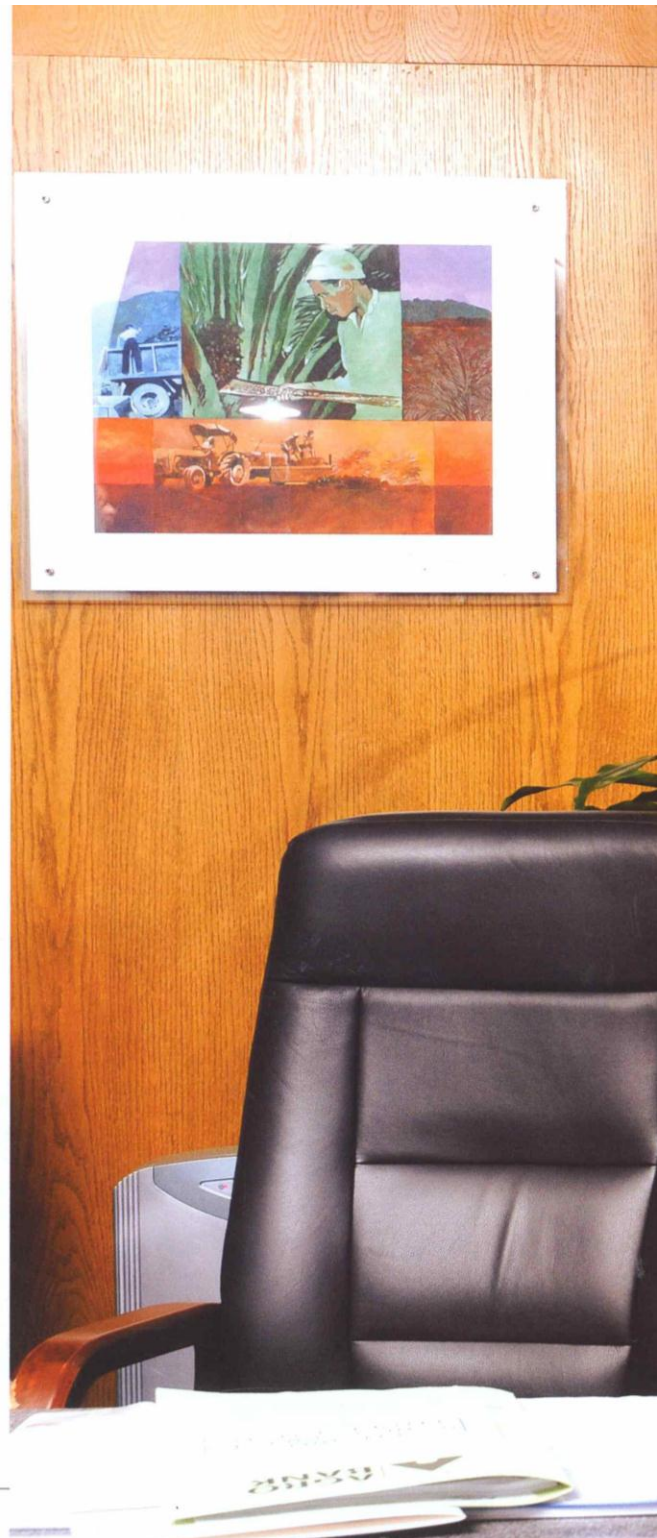
Although it is still 100 % owned by the government, it is highly independent and generates its own income while at the same time applying best practice, proper management, and corporate governance under the supervision of Bank Negara Malaysia.

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.

“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”