

THE RELATIONSHIP BETWEEN BUSINESS PROCESS RE-ENGINEERING
(BPR) AND PERFORMANCE OF ISLAMIC BANKING BRANCHES IN KEDAH
FROM THE PERSPECTIVE OF MAQASID AL-SHARI'AH

By

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Othman Yeop Abdullah Graduate School of Business,
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In Fulfilment of the Requirement for the Master of Science (Management)

DECLARATION

I declare that the thesis work described in this research paper is my own work (unless otherwise acknowledged in the text) and that there is no previous work which has been previously submitted for any academic Master's program. All sources quoted have been acknowledged by reference.

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ABSTRACT

The purpose of this study is to investigate the relationship between Business Process Re-Engineering (BPR) and performance of Islamic banking branches in Kedah from the perspective of Maqasid Al-Shari'ah. BPR factors are operationalized by strategic alignment, management commitment, change management, customer focus, BPR project management and IT infrastructure. The questionnaires were sent directly to branches and collected by hand. Simple random sampling was used for sample selection. 63 questionnaires were sent to managers' Islamic banking, 59 samples were returned but only 54 samples were used for data analysis. The data was analyzed using '*Statistical Package for Social Science*' SPSS version 21. Collectively, the result shows that the BPR are able to influence the performance of Islamic banking in Kedah branches. The BPR are able to influence overall performance of Islamic banks and others three (3) dimension of performance (educating individual, establish justice and public interest). However, for individually, analysis using multiple regression analysis indicates that only management commitment, customer focus and BPR project management are able to influence overall Islamic banking performance. In term of dimension banks performance, customer focus and BPR project management are influences dimension of educating individual. While, in dimension of establish justice and public interest, only customer focus are able to influence. Therefore, the managerial of Islamic banking in Kedah branches should focus on the management commitment, customer focus and BPR project management in order to enhance the performance of their banks. The outcome of this study provides important insights to both managers and researchers for further understanding about BPR factors and Islamic banks performance.

Keywords: Business Process Reengineering, Islamic Banking Performance, Maqasid Al-Shari'ah

ABSTRAK

Tujuan kajian ini dijalankan adalah untuk mengkaji hubungan diantara faktor-faktor perekayasaan proses perniagaan (BPR) terhadap prestasi perbankan Islam di Kedah berdasarkan perspektif Maqasid al-Syariah. Faktor-faktor BPR dioperasikan melalui strategi penjajaran, pengurusan komitmen, perubahan pengurusan, berfokuskan pelanggan, pengurusan projek BPR dan infrastruktur IT. Soal selidik dihantar terus kepada cawangan dan dipungut dengan tangan. Persampelan rawak mudah telah digunakan dalam pemilihan sampel. Sebanyak 63 soal selidik telah dihantar kepada pengurus-pengurus perbankan Islam, 59 sampel telah dikembalikan, tapi hanya 54 sampel digunakan dalam analisis ini. Data dalam kajian ini dianalisis dengan menggunakan 'Statistical Package for Social Science' SPSS versi 21. Secara kolektif, keputusan kajian menunjukkan bahawa BPR dapat mempengaruhi prestasi cawangan perbankan Islam di Kedah. BPR dapat mempengaruhi prestasi keseluruhan bank-bank Islam dan tiga (3) dimensi prestasi lain (mendidik individu, mewujudkan keadilan dan kepentingan umum). Bagaimanapun, secara individu, analisis yang menggunakan regresi berbilang menyatakan bahawa pengurusan komitmen, berfokuskan pelanggan dan pengurusan projek BPR dapat mempengaruhi prestasi perbankan Islam secara keseluruhan. Dari segi dimensi prestasi bank-bank, berfokuskan pelanggan dan pengurusan projek BPR dapat mempengaruhi dimensi mendidik individu. Manakala, dari segi dimensi mewujudkan keadilan dan kepentingan umum, hanya berfokuskan pelanggan yang dapat mempengaruhi. Oleh itu, pengurusan perbankan Islam di cawangan Kedah perlu memberi fokus kepada pengurusan komitmen, berfokuskan pelanggan dan pengurusan projek BPR untuk meningkatkan prestasi bank-bank mereka. Hasil kajian ini dapat memberikan pandangan penting kepada pengurus dan penyelidik untuk pemahaman lanjut tentang faktor-faktor BPR dan prestasi perbankan Islam.

Kata kunci: Perekayasaan Proses Perniagaan, Prestasi Perbankan Islam, Maqasid Al-Shari'ah.

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LIST OF ABBREVIATIONS

Abbreviation		Meaning
BNM	=	Bank Negara Malaysia
BIMB	=	Bank Islam Malaysia Bhd.
MD	=	Managing Director
GIFF	=	Global Islamic Finance Forum
BPR	=	Business Process Re-engineering
IT	=	Information Technology
RBV	=	Resource-Based View
ROI	=	Return On Investment
EPS	=	Earnings per Share
ROE	=	Return On Equity
DIB	=	Dubai Islamic Bank
IDB	=	Islamic Development Bank
KSA	=	Kingdom of Saudi Arabia
UAE	=	United Arab Emirates
BBMB	=	Bank Bumiputra Malaysia Berhad
BOCB	=	Bank of Commerce (Malaysia) Berhad
SAC	=	Shariah Advisory Council
IBS	=	Islamic Banks Scheme
CEO	=	Chief Executive Officer
ETP	=	Economic Transformation Programs
NKEAs	=	National Key Economic Areas
EPPs	=	Entry Point Projects
GNI	=	Gross National Income
I-facts	=	Islamic finance advisory and consultancy services
KXP	=	Lapangan Terbang Antarabangsa Kulim
SPIKE	=	Sungai Petani-Kedah Inner Expressway

OYA	=	Othman Yeop Abdullah
SPSS	=	Statistical Package for the Social Science
IV	=	Independent variable
DV	=	Dependent variables

CHAPTER 1

INTRODUCTION

1.1 Background of the study

In the 21st century, the globalizations has led financial institution to conduct a changes of their operation process. Most of the companies are trying to implement several approaches to sustain in the business marketplace and gain competitive advantage. To succeed in the global economy, most of organizations must have unique and distinctive structure and process which are fast and can deliver high quality, flexible as well as low cost. As a successful developing country, most of the financial institution in Malaysia are trying to improve performance in term of quality, cost, speed, profitability and organizational performance. Based on Khong and Richardson (2003), Bank Negara Malaysia (BNM) encourages banking sector in Malaysia to respond quickly in term of changes, and for other banking sector that fails to respond quickly will be giving penalties or advice from BNM. To be an effective financial institution, strong performances are important to sustain in the global market. Khong and Richardson (2003) also emphasized that banking industry is needed to improve the quality service, cost and speed to survival in the global market.

However, the performance is not solely focus on financial performance, but financial institutions also need to focus on customer and keep good relationship with other stakeholders. As a result, the performance should be focus on giving education and knowledge for individual as well as public interest in order to enhance customer relationship management.

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