

07/02/2001

Malaysia plans to widen market for Islamic banking products

Hamisah Hamid

MALAYSIA hopes to expand the market for its Islamic banking products internationally through mutual understanding of the syariah, Bank Negara Malaysia's Islamic Banking and Takaful Department director Bakarudin Ishak said.

With common understanding of the syariah among Muslim nations, he said, locally-developed Islamic banking products will be accepted internationally.

"The key thing here is we need a coordinated effort to bring Islamic banking on par with the conventional system," Bakarudin told a news conference yesterday to announce the Kuala Lumpur International Summit on Islamic Banking and Finance.

The summit, to be held on February 19 to 21, is organised by BIMB Institute of Research and Training Sdn Bhd, under the auspices of Bank Negara. The event will be officiated by Prime Minister Datuk Seri Dr Mahathir Mohamad.

Bakarudin said harmonisation of Islamic banking will be the focus of the summit.

Among the issues that will be deliberated during the conference are strategic alliance and information communication technology, syariah interpretation, Islamic bond market and risk management.

Bank Islam Malaysia Bhd (BIMB) managing director Datuk Ahmad Tajudin Abdul Rahman, who was also at the press conference, said markets that have developed Islamic banking products have to explain syariah interpretation behind the products to newer markets.

"You have to convince the other markets. That involves syariah scholars.

"It is not that we cannot resolve (different syariah interpretations) but we have to bridge these differences," he said.

According to him, after the scholars have studied the mechanics behind an Islamic banking product, they will normally unanimously accept it.

Ahmad Tajudin stressed that differences in syariah interpretation among Muslim nations are not the main obstacle in marketing Islamic banking products worldwide.

"The interpretation is just one of the branches and not the basic (of Islamic banking)," he said.

Locally, Islamic banking, money market and capital market are doing well.

Bank Negara's Bakarudin said Islamic banking now garners about 5 per cent market share of the country's banking sector. The Islamic sector's total assets amount to more than 6 per cent and deposits above 5 per cent of total assets and deposits, respectively.

Currently, the country's Islamic banking experiences growth of 20 per cent in total deposits and 18 per cent in total assets.

As at May 1999, Islamic banking assets rose to RM29.9 billion from RM2.3 billion in 1993 while financing stood at RM11.7 billion, up from RM1 billion in 1993.

Total deposits amounted to RM22.9 billion, accounting for 5.2 per cent of total deposits in the banking sector.

Meanwhile, the country's Islamic interbank money market recorded a sharp increase from RM2.1 billion in 1994 to RM18.3 billion in 1999.

Islamic bonds as at December 31 last year totalled RM17.65 billion compared to RM74.57 billion worth of conventional bonds.

Bakaruddin said the central bank wants to push more products in Islamic banking so that the sector will capture a bigger market share in the banking industry.

"The conference will generate ideas on Islamic banking products and capital markets," he said. Topics for the summit will be suitable for participants ranging from industry regulators, practitioners and academicians, he added.

Between 300 and 500 participants are expected to attend the summit, of which half will be foreigners.

(END)