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MANAGEMENT CHALLENGES FACED BY BANK ISLAM BRUNEI
DARUSSALAM (BIBD)

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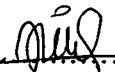
DECLARATION

I hereby declare that this thesis is the result of my own apart from the references that I used in my writings.

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ABSTRACT

Bank Islam Brunei Darussalam (BIBD) is currently functioning as the biggest bank in Brunei Darussalam and adding to that it is an Islamic bank competing with other conventional banks in the country. It has been operating since 1993 and within that period of time; BIBD has faced different challenges in order to make it stand at where it is now. The purpose of this research is to investigate the challenges faced by BIBD within its establishment period until now, focusing on the management challenges. This study is based on an interview with one of the top management officers in BIBD and the findings were also supported by various resources such as academic journals and theses. The overall findings of the study indicated that, like most of the other Islamic banks, lack of expertise is the major challenge faced by BIBD and in addition to other challenges such as government regulations and policies, product development and innovation, competition and public awareness.

Keywords: Brunei Darussalam, Islamic banking and finance, management challenges

ABSTRAK

BIBD adalah sebuah bank yang terbesar di Negara Brunei Darussalam dan ia adalah satu-satunya bank Islam yang bersaing dengan bank-bank konvensional yang lain di Negara ini. Bank ini telah beroperasi sejak tahun 1993 dan dalam tempoh masa itu BIBD telah menghadapi cabaran-cabaran yang berbeza untuk mencapai tahap statusnya pada masa ini. Tujuan kajian ini adalah untuk mengenalpasti cabaran-cabaran pengurusan yang dihadapi oleh bank ini sejak penubuhannya sehingga sekarang. Satu temubual telah dibuat dengan salah seorang pegawai pengurusan yang berkhidmat di BIBD sejak tertubuhnya bank tersebut. Cabaran-cabaran yang telah disebutkan dalam temubual tersebut seterusnya dianalisa dengan beberapa sokongan dari kajian-kajian yang lain. Penemuan keseluruhan kajian ini menunjukkan bahawa seperti bank-bank Islam yang lain, kekurangan pakar dalam bidang kewangan dan perbankan Islam adalah cabaran utama. Disamping itu cabaran-cabaran yang lain adalah, peraturan dan dasar kerajaan, kemajuan produk dan inovasi, persaingan dan kesedaran awam.

Kata kunci: Brunei Darussalam, perbankan dan kewangan Islam, cabaran pengurusan.

الملخص

يعتبر بنك إسلام بروني دار السلام أكبر المصارف الوطنية في بروني، وينافس المصارف التقليدية في البلاد. بدأ العمل منذ 1993 وواجه في تلك الفترة تحديات مختلفة حتى يحتل موقعه الحالي. الهدف من هذا البحث هو دراسة التحديات التي واجهها بنك إسلام بروني دار السلام منذ نشأته وإلى الآن، وذلك بالتركيز على التحديات الإدارية. هذه الدراسة اعتمدت على المقابلة مع مسؤول كبير في البنك إلى جانب بعض المصادر كالمجلات والرسائل العلمية. أشارت النتائج من هذه الدراسة إلى جملة من التحديات التي يواجهها بنك إسلام كغيره من المصارف الإسلامية مثل: نقص الخبرات، والنظم والسياسات الحكومية، قلة تطوير المنتجات والمخترعات ونقص القدرة التنافسية وعدم وعي الجمهور.

الكلمات الرئيسية: بروني دار السلام، المصارف والتمويل الإسلامي، التحديات الإدارية.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

Islamic finance has entered into the international financial field in a considerably short period of time. It began in 1963, whereby Mit Ghamr Local Savings Bank was introduced in Egypt. Its establishment was seen as a signal to the Muslim community that Islamic principles are viable to contemporary business transactions (Sudin Haron, Shanmugam & Alam, 2007). Another milestone in Islamic banking system was when The Islamic Development Bank (IDB) was established in Jeddah, Saudi Arabia in October 1975 along with 22 Islamic countries as its founding members and the first commercial Islamic bank was set up in Dubai immediately after its establishment. Since then, Islamic financial industry is growing consistently with a rate ranging from 10-15 percent annually. At the moment, there are more than 300 institutions in more than 65 countries venturing into Islamic finance and total assets classified as Islamic was claimed to exceed USD600 billion (Askari, Iqbal & Mirakhor, 2009).

By the late 1990s, Islamic finance began to acquire attention at international level and more countries were beginning to adopt the banking systems and concepts of eliminating interest (*riba*). The worldwide confidence on this type of system is due to some reasons, within the history of Islamic banking, there is no major Islamic bank failed whereas Islamic banks are seen to be efficient and as profitable as the conventional practitioners. Apart from that, the advancement of both theory and practical periodically showed that the system without *riba* can be functional and it actually exhibited more stability in a long term regardless Islamic banking

were said to be facing greater challenges than the conventional counterparts (Askari, Iqbal & Mirakhor, 2009).

Apart from that, the rationale of Islamic finance's establishment rooted from the pitfall of the existing economic conditions. Some Islamic scholars indicated that the social defects on conventional banking such as inflation, unemployment, manipulation, monopolistic behaviours due to the lack of moral and ethical codes found in *Qur'an* and *Sunnah* (Siddiqi, 1994). Hence the establishment of Islamic financial institutions was seen as a big hope to terminate the ills one by one. In addition to that, since Muslims are one fifth of the world population, the setting up of Islamic banking institutions were considered to fulfil a collective obligation (*fard kifayah*). With this, the Muslims were able to comply with their *Din (religion)* through the facilitation of business transactions in the course of the modes approved by *shari'ah*.

With the growing pace of development for Islamic financial institutions it would be a good sign for a jumpstart for competition within the financial systems in the world which is currently dominated by non-Islamic institutions. It could also be a recurring event to be anticipated after it has been a very long hiatus of Islamic glory.

Brunei Darussalam is also moving towards in taking active roles in the development of Islamic banking. The establishment of the first Islamic bank in Brunei was in 1993 when a conventional bank converted into an Islamic bank. Several obstacles have to be leaped by the institution in order to reach the level of where the pioneers are standing now.

1.2 Background of the Study

Islam as the official religion in Brunei Darussalam is clearly stated in Article 3 of the Constitution of Brunei Darussalam 1959: “The official religion of Brunei Darussalam shall be Islamic Religion, provided that all other religions may be practised in peace and harmony by the persons professing them”. Having a majority of Muslims in the country, prior to 1991, Islamic bank was non-existence at that time and it was an urge for an Islamic bank to be introduced to cater the Muslim population who wanted to have the benefit to choose on whether to continue the conventional banking services or to adopt to the interest-free banking which is approved by Islam.

His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam has been very involved in encouraging the setting up of Islamic financial institutions on different occasions. It was until 29th September 1991, the Perbadanan Tabung Amanah Islam, Brunei (TAIB) was established and this has marked the first footprint for Islamic financial institutions to lay permanently in Brunei Darussalam. It is a statutory body to enable Muslims to save, invest and perform the pilgrimage to Mecca. Not long after that, a conventional bank by the name of International Bank of Brunei Berhad (IBB) converted into an Islamic bank which was named as Islamic Bank of Brunei (IBB). It was the first Islamic bank to be launched in Brunei Darussalam and it was officially opened with a note by His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam saying that *“the establishment of IBB is one of the ways of applying Islamic practices into the financial administration and management of the country.”* Following IBB’s step, a government owned conventional bank, the Development Bank of Brunei Berhad has also

converted into an Islamic bank by the name of Islamic Development bank of Brunei Berhad (IDBB) and it came second in setting up an Islamic bank in Brunei Darussalam.

After years of operating as two separate Islamic entities, it was announced by Ministry of Finance that in July 2005, His Majesty consented to the suggestion of merging both Islamic banks. The entire equity of two banks was sold to Bank Islam Brunei Darussalam (BIBD) in exchange for shares in BIBD and the businesses, assets and liabilities of the two banks were transferred to and vested in the BIBD (Chiew, 2010). It was seen as an effort to further strengthen the Islamic financial institution and make it more sustainable and competitive. Besides that it also enabled the bank to offer better and competitive services by enhancing cost efficiency and avoiding duplication of products. The merging has resulted BIBD as the biggest financial institution in the country based on capitalisation and reserves of BND724.75 million and BND61.2 million respectively compared to the other banks operating in Brunei ("Gaining Ground," 2009). In terms of total assets BIBD has accumulated BND4.6 billion worth of assets including cash, financing and investments. Deposits from customers are amounting to almost 3 billion, although this is considered as a liability but the figures also shows the amount that can be use in practising fractional-reserve banking. Apart from that balance sheet as at 31 December 2008 shows that BIBD has a net profit of BND71million after considering both *zakat* and tax. Below is the summary of BIBD financial statement for 2008.

Table 1: Summary of BIBD financial statement for 2008

Particulars	Value (BND)
Total Assets	4,605,192,720
Total Deposits from Customers	2,985,514,226
Total Capital	724,749,513
Total Reserve	61,195,972
Net Profit after Zakat and Tax	71,084,033

Source: BIBD Annual General Meeting report

Currently BIBD is the only Islamic bank in Brunei Darussalam. It has more than 14 branches strategically placed in all four districts (Bank Islam Brunei Darussalam, 2007). There are eleven branches in Brunei-Muara district, one branch in Tutong, two branches in Belait district and another one located in Temburong district. In addition to that, in order to provide convenient services and facilities to the public, BIBD has the largest distribution of ATM networks in the country situated at all BIBD branches and offsite locations in all the districts. It also has two subsidiary companies namely Takaful BIBD Sdn Bhd, an insurance company and BIBD at-Tamwil Company which is providing financing for vehicles and consumer products.

1.3 Problem Statement

Management in general definition is the attainment of organizational goals in an effective and efficient manner through planning, organizing, leading and controlling organizational resources (Daft & Marcic, 2004). It involved in formulating corporate policies and interlocked them with the four factors of management. Hence in the context of management challenges of a bank, it is closely related to the personnel, products and services, customers, government and other stakeholders.

In general, there are a number of key elements that can affect the management of financial institutions like banks such as service proliferation, competition, government regulation, technological change, geographic expansion, convergence and globalization (Rose & Hudgins, 2008). However in the context of Islamic banking institutions, the elements are further pointed out in a narrow basis which includes the need of the bank to improve its products with dual responsibilities to sell and at the same time to make sure that what they are selling are complying with *shari'ah*. Besides that, since the development of Islamic banking is still considered as new as to compare to conventional banking, Islamic banking institutions would have to experience challenges that might not presented in the previous banking systems, there would be a chain of trials and errors and above all they have to catch up with the vast-moving of technology development.

In general, Islamic banking and finance is facing a number of management challenges that are uniform amongst the institutions practised in different countries and regions. The management challenges that have been identified are the need for standard documentation to enhance public understanding, disclosure and transparency, product development and innovation, harmonization of *shari'ah* scholars, competent human resource capabilities which directly affecting the efficiency in service delivery and competition.

These matters need to be addressed by any Islamic financial institutions because they are correlated to each other. For instance, appropriate disclosure and transparency is needed in order to produce a standard documentation for better public understanding. In addition to that, transparency can be further achieved provided harmonization of *shari'ah* scholars is in existence

in order to set a good corporate governance to foreseen a balanced disclosure and transparency for the benefit of the institutions and customers. Another example is the availability of competent staff, it is required in any Islamic banking institutions so that product development and innovation can be realised especially in conveying the unique selling point - *shari'ah* compliance, which could not be offered by any traditional banks.

The title of the research, 'Management challenges faced by BIBD' is self-explanatory; it generally indicates the research objectives. Along with the challenges, the study frames the possible issues faced by any Islamic banking institutions that have been mentioned above. Due to the current budding condition of Islamic finance in Brunei, there would be a possibility of irrelevancy in some management factors mentioned because the previous studies were carried out within the context of developed and pioneering Islamic financial institutions in countries like Malaysia. For the countries which are practising Islamic banking and finance way ahead of Brunei, the challenges might be advanced but these matters, in such a way, will help the study in identifying the future challenges that BIBD are yet to discover in the coming years. Thus, it can be assumed that the notions from the previous studies can also be used as a starting point for the research then they are to be considered on whether the implications are applicable to the condition of BIBD and Brunei Darussalam as a whole.

1.4 Objectives of the Study

The general objective of this study is to investigate the challenges associated with one of the Islamic banks in Brunei Darussalam that is, Bank Islam Brunei Darussalam (BIBD) by identifying the issues that could affect the institution specifically on the management areas.

The specific objectives of the study are as follows:

1. To provide a profile and history of the establishment of BIBD, its performance and growth so far.
2. To identify the general management challenges faced by BIBD without having to go deeper into different roles and divisions of the bank.
3. To highlight the management challenges faced by BIBD in parallel to the previous studies and relevant reading materials as supporting arguments.
4. To provide possible solutions that can properly acknowledge the potential ideas as to develop the bank further within the banking industry.

1.5 Importance of the Study

This study is designed to enhance the availability of information concerning BIBD and the challenges faced in the past, present and future. It is hoped that this study can provide a reasonable description of the current management challenges of BIBD as a leading Islamic bank in Brunei and provide a basis for solutions to improve the institution towards its competitiveness and significance to Brunei Darussalam as an Islamic country.

1.6 Scope and Limitations

Generally there are two main areas of challenges in the institution but this study will be focusing in the management issue of the bank operation such as human resources and international standard. As for financial issues, they can be justified strongly with empirical figures unlike management issues, so the discussion for this study may appear to be subjective and

argumentative. Hence there will be a fear of the possibility to appear superficial in explanations and arguments.

Access to information about the organization could be limited, the official website of the organization was not frequently updated and the corporate profile was also limited for instance, they did not cover the time before the merging between two banks and that the retrieval of information during the operations of IBB and IDBB was restricted. Besides that access to resources could also be an issue here because there is not much of reading materials available on this topic especially in the context of BIBD and Brunei Darussalam in general hence references are mainly derived from the researches done by international authors which were focusing on various countries such as the United kingdom and Malaysia.

Since the organization has a big corporate structure, it was very challenging to find the right person to participate along with the meandering procedures of the organization and considering the targeted respondent was among the big players in the institution, time was the main issue. Most managers are filled with tight schedules related to their works hence the collection of data was a real venture. In relation to that, the brevity of answers in the questionnaires was also one of the possible hiccups in the completion of this research but it was particularly solved by employing the method of interview. In addition to that, the respondent was derived from a specific division hence the opinions given would be too specific on her particular line of expertise but all in all the basic ideas did come out into various general point of views which were further elaborated in the findings.

Time management is also ambiguous at some points because there were some uncertainties in confirming as to whether this academic exercise was to be considered. The confirmation of this project only came into realization by the 7th week of the semester and the due date was set to be at the end of 15th week and that gave the research a limited time of eight weeks to be completed. Provided there were sufficient time and resources, an in-depth study could be conducted in order to establish concrete perspectives on some issues.

CHAPTER TWO

LITERATURE REVIEW

2.1 Islamic Banking and Finance in General

Islamic banks faced a multitude of challenges from conventional banks (Ebrahim & Tan, 2001). The challenges faced by any banking systems are pointed to both financial challenges and management challenges. The approach to overcome these challenges will determine the future success or failure of the industry (Askari et al., 2009). The importance of addressing these challenges and the degree of success that is achieved will simultaneously determine the sustainability of the industry regardless the anticipating growth throughout the years. Hence if these challenges are clearly known but there is lack of commitment to address them properly therefore the industry will fail to achieve its full potential and might also fail to fulfil its promise to its surroundings. Thus the discussion on the challenges in this industry is very important because the act of ignoring it would lead to a very risky event that is yet to be striking the industry.

It is undeniable that Islamic finance has its own pride in growing handsomely within a considerably short period of time but the effects on this achievement are becoming suspect. In comparison, conventional banking has gone through many alterations in accordance to new findings based on debates and arguments, thus the foundation of conventional banking has been very super supported by a great number of analytical works from traditional and contemporary scholars and this is what the current Islamic finance systems are lack of. The current Islamic

financial systems are deprived from reliable analytical work especially in the areas of core economics (Askari et al., 2009). The research on Islamic banking and financial system is driven by business needs to establish the system and less on developing a comprehensive analytical framework based on the economic principles of Islam.

2.2 Challenges faced by Islamic Banking and Finance

2.2.1 Standard Documentation

Although Islamic banking and finance is continue to grow at a rapid speed over years, one of the challenges in Islamic banking and finance is a plea for standard documentations. A standard documentation is needed in order to provide a common set of rules for preparing and evaluating documents to enhance public's understanding of types and concepts of the Islamic products. Shanmugam and Alam (2007) stated that Islamic products basically are not standardized as there is so far no place for a total harmonized *shari'ah* interpretation especially between the region of South East Asia and Gulf Cooperation Council countries. In addition to the same statement, Ainley, Mashayekni, Hicks, Arshdur and Ravaliala (2007) has also pointed out that this matter would lead to contract and documentation risk in which the enforceability of terms and conditions depends on the governing law. In the reference to the UK experience, in case of dispute, it is unlikely that an English court will give a verdict based on Shari`ah law. This happened in the case of *Shamil Bank of Bahrain v Beximco Ltd et al*, in 2004, when the Court of Appeal ruled that it was not possible for the case to be considered based on principles of Shari`ah law due to two main reasons. First, there is no provision for the choice or application of a foreign law such as Shari`ah and second, the application of Shari`ah principles in some contracts is a matter of debate even in Muslim countries. Hence, Ainley et al. (2007) suggested on having the

contracts to be written very carefully to minimise potential disputes and to further mitigate or even eliminate this risk is by the standardisation of documentations for all Islamic banks in the world. Besides that, Sarker (2008) added that the development of regulatory standards and standardization of document are crucial to ensure fair market, efficiency and transparency. He also discussed that the unification of products and procedures will further define the market and provides awareness and confidence to stakeholders and by that means leads to sustainable growth of the industry.

2.2.2 Lack of Transparency

Shanmugam and Alam (2007) have also touched on the usual lack of transparency and disclosure in Islamic finance and they stated that one of the possible reasons for this dilemma is that there is no representation in organs of corporate governance such as the Board, of Directors or the Shari`ah Supervisory Board. As an Islamic bank known for its operation of Profit and Loss Sharing (PLS) products which are in line with this principle such as Mudharabah is lack of certainty, hence Mohd Sultan (2008) suggested that for the sake of moral check, it is necessary for the depositors to have more disclosure of information as per their investment. Noraini, Archer and Abdel Karim (2009) has also emphasized that the attractiveness of Islamic banks stems mainly from their ability to follow the Shari`ah principles and one of them is the prohibition of *riba*. This brings to the need of the profit-sharing basis and Muslim's stamped their choice of Islamic banks' products is based on their evaluation of and confidence in the organization's ability to maintain its performance in handling the investment and this is where the essential need for all parties to have full access to information by then risk should be able to be comprehended based on adequate disclosure and transparency. To address this matter, a proper

framework to monitor the appropriate information to be disclosed would help to create a sense of transparency and this would bring harmonious benefits for both the banks and the customers in increasing effort to provide proper understanding of the principles and concepts of Islamic banks which differ from the traditional practice of other banks.

2.2.3 Product Development and Innovation

Iqbal, Ahmad and Khan (1998) examined that in the area of research, Islamic banks, neither individually nor as a group spend enough amount on research and development. Some Islamic banks have small units for research but very little of this research activity designed for product development. Therefore it can be seen that the Islamic banking industry has not been able to produce enough new financial products. In relation to the product existence in the current state of Islamic banks they are developed based on the existing products in conventional banks, and these Islamic banks will look into the possibilities of how the product can be *shari'ah* compliant. The downward of this process is the fact that it has to go through a very tight and tedious procedure of *shari'ah* compliance review and endorsement by the *shari'ah* scholars (Mohd Sultan, 2008). He also added that Shari`ah compliant products would require additional flows of contracts, as compared to a similar corresponding conventional instrument and this would incur higher costs especially in legal documentation costs. The improvement of the process and cost of developing a product to a market would simultaneously improve the credibility of the industry. In addition, Shanmugam and Alam (2007) have also called upon the development of Islamic products that are of international standards because currently Islamic transactions are only confined to domestic boundaries and with insignificant cross-border operations.

2.2.4 Issues on Shari`ah Scholars

Almost all Islamic banks have their own Shari`ah boards or Shari`ah advisers. Based on a survey done by Iqbal et al. (1998) most of the scholars hardly have a formal training in modern finance hence one of the ways to acquire the necessary background information before issuing a *fatwa* is to discuss an issue in meetings attended by both *shari`ah* scholars and financial experts but this situation is far from being ideal. The interaction between these scholars and the experts in modern economics and finance does not always proceed smoothly. They have different backgrounds and speak such different technical languages that the communication between them requires special effort. Apart from that, issues raised when there are differing views on *shari`ah* rules and principles. There are various opinions floating on the current field of Islamic banking and finance for instance, the issue of *Bai' Bithaman 'Ajl* in which the practice of it in South-east Asia in support of argument based on *Shafi'i* school has taken a huge blow because the scholars in the Middle-east believed the contract is not valid because of the motive of the transaction and this is guided by the Maliki and Hanbali jurists. Hence, Shanmugam and Alam (2007) have suggested the setting up a single global authority to harmonise the various *Fiqh* opinions. This opinion was also supported by Mohd Sultan (2008) for the purpose of standardization of the *shari`ah* pronouncements but this suggestion has brought an intense debate on its pros and cons when it was said that the idea could create more rigidity and slow product development initiatives.

2.2.5 Competent Staff

As being mentioned before, there is a serious shortage of scholars who possess a working knowledge of both Islamic *fiqh* and modern economics and finance and similarly, the managers of Islamic banks are not very well trained in the area of Islamic modes of finance. Iqbal et al. (1998) found out that there was very little effort has been made in the area of teaching. Some universities in Muslim countries like Egypt, Saudi Arabia and Pakistan have initiated some teaching programs to produce graduates with dual specialization however their curricula revealed that they were not well designed to achieve the objective hence the reasons on the fact that Islamic banks have not been able to find reasonable number of suitable managers from the graduates of those universities. The authors also pointed out that in the area of training; it has to be more progressive and effective. The study concluded that the managers of Islamic banks may have been attending some short-term courses but there are not many formal training programs meant to prepare the employees of the Islamic banks for the needs of the system. As most of the employees including the managers and financial experts come from traditional practices lacking of necessary expertise in Islamic banking hence it is definitely important for Islamic banks to have the right people to be trained with the right kind of skills and commitment in order to improve the delivery of services. This issue of shortage of expertise was also seen as a global matter. Einley et al. (2007) urged in their study to encourage more education and training not only in the Muslim countries but in Europe particularly in the UK as well and some positive steps have been taken by universities and institutions by offering Islamic finance degrees and professional training courses. On a technical note, Abdul Sultan (2008) has also added that human resources are seen from one aspect as an operational risk and another aspect as a core

competence of the bank. Hence it was stated that a weak and undeveloped workforce will pose a higher operational risk threat and at the same time slowing the potential growth of the bank.

2.2.6 Competition

Previously Islamic banks had a large degree of monopoly over the financial resources of Muslim customers but this situation was seen to be changing over time. Islamic banks are now facing an increasing competition from the existing conventional banks. Conventional banks around the globe practise Islamic banking techniques including some giants of international banking business such as Citibank, Chase Manhattan and Klienwort Benson (Iqbal et al., 1998). In addition to this, in Muslim countries some commercial banks are also offering Islamic banking services for instance, in Malaysia, the permission of commercial banks to operate Islamic banking windows. Although in general, competition shapes up the industry, but this rule should be an exception for Islamic banking industry because conventional banks have a large advantage over Islamic banks over their experience and long standing in the market and this may expose Islamic banks to unequal competition. Mohd Sultan (2008) argued on the previous matter by setting the pro of competition in this industry. It was said to result to several positives, it might bring efficiency, innovate capabilities and sophisticated banking which can lead to the development of new products and provision of better services to customers. However, he pointed out on a matter of pure Islamic banks and Muslim professionals in which the future of these subjects would be at stake. There are some concerns about the entry of giant banks into Islamic market and it was said that their motives are purely commercial. Hence it was also suspected that conventional banks may not be able to follow correctly and faithfully the precepts of Islamic banking for instance, maintaining fully separate accounts for their Islamic banking operations.

The global management challenges may not be excluded in Brunei regardless of the size and age of its Islamic banking industry. During a final seminar of the International Halal Products Expo 2006, at International Convention Centre, Berakas, Haji Mohd Roselan bin Haji Mohd Daud, Acting Director of Financial Institutions, noted that Islamic banking in Brunei is also currently facing challenges on a call for standard documentation to enhance public's understanding of types and concepts of Islamic financial products offered (Kartika Rahman, 2006). In addition to that, there is also a need for more transparency on unique features, risk and return of Islamic finance products, more resources in research and development of new products as well as human and institutional capacity building. Hence, these identified factors would be the testing points as to whether they are challenges that BIBD is currently facing.

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