

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

**RISK MANAGEMENT IN ISLAMIC FINANCIAL INSTITUTIONS
NEGARA BRUNEI DARUSSALAM
AN ANALYSIS CASE STUDY**

**PUTRI RENO KEMALA SARI
13MR506**

Thesis submitted in fulfilment of the requirements
For the degree of
MASTER OF ISLAMIC BANKING AND FINANCE

**Faculty of Business and Management Sciences
Sultan Sharif Ali Islamic University
Brunei Darussalam**

Rabi'al Awal 1437 / December 2015

SUPERVISION

**RISK MANAGEMENT IN ISLAMIC FINANCIAL INSTITUTIONS
NEGARA BRUNEI DARUSSALAM
AN ANALYSIS CASE STUDY**

PUTRI RENO KEMALA SARI
13MR506

Supervisor: _____

Signature : _____ Date: _____

Supervisor: _____

Signature : _____ Date: _____

Faculty Dean: _____

Signature : _____ Date: _____

DECLARATION



I hereby declare that the work in this thesis is my own except for quotations and summaries which have been duly acknowledged.

I also solemnly declare that this work has not been submitted or published earlier and it shall not, in future, be submitted by me for obtaining any other degree from this or any other university or institution.

Signature :

Name : Putri Reno Kemala Sari

Registration Number: 13MR506

Date of submission :

**DECLARATION OF COPYRIGHT AND AFFIRMATION OF
FAIR USE OF UNPUBLISHED RESEARCH**

Copyright © 2015.Putri Reno Kemala Sari. All rights reserved.

**RISK MANAGEMENT IN ISLAMIC FINANCIAL INSTITUTIONS
NEGARA BRUNEI DARUSSALAM
AN ANALYSIS CASE STUDY**

No part of this unpublished research may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without prior written permission of the copyright holder except as provided below:

1. Any material contained in or derived from this unpublished research may only be used by other in their writing with due acknowledgement.
2. UNISSA or its library will have the right to make and transmit copies (print and electronic) for institutional and academic purposes.
3. The UNISSA library will have the right to make, store in retrieval system and supply copies of this unpublished research if requested by other universities and research libraries.

Affirmed by Putri Reno Kemala Sari

.....

.....

Signature:

Date:

ACKNOWLEDGEMENT

In the name of Allah, The Most Gracious, The Most Merciful

First and foremost, I would like to extend my greatest gratitude to Allah (SWT), whose Power and Blessing have been continuously wrapping me throughout my life. My true indebtedness goes to My Creator, Who blessed me with a loving family, supportive and critical supervisors, helpful and knowledgeable academics, practitioners, friends and colleagues.

My deepest gratitude is well directed to Professor Dr. Mahmood M. Sanusi and Dr.Fadzliwati binti Mohidin, who encouraged me to undertake this research and provided me with critical feedback throughout the work.

I would also like to thank the Government of His Majesty the Sultan of Brunei Darussalam, who granted me a scholarship to pursue my master study at Sultan Sharif Ali Islamic University.

My gratitude also extended to the respondents in BIBD and TAIB Brunei Darussalam for their cooperation in answering the questionnaires and interviews for this research. Without their information, this research would not have been possible.

It is a privilege to express my sincere and deep gratitude to every single person who supported me in one or other way to make this thesis successful. Special gratitude goes to Adek Amat, Adek Eca, Adek Aya, Pak Erie Febrian, Hjh. Rose Abdullah, Iqbal, Aji, Selly, Tiara, Didiet, Muhammad Kenya, Kak Salman, Kak Suci, Liyana and Muneerah. I owe you a debt appreciation.

Putri Reno Kemala Sari

2015

DEDICATION

To my amazing Papa, H. Sutan Rusmansyah, your sacrifices and support have helped me complete this accomplishment and I am grateful for all you have done.

To my lovely Mama, Hj. Dra Artalina, for encouraging me always and was strong enough to send her child to the unknown in pursuit of higher education. You have always inspired me to do my best and have supported me in every decision I made.

To all my brothers and sisters in Islam, I hope you will benefit from this research.

سَتُرِيهِمْ آيَاتِنَا فِي الْأَفَاقِ وَفِي أَنْفُسِهِمْ حَتَّىٰ يَتَبَيَّنَ لَهُمْ أَنَّهُ الْحَقُّ أَوَلَمْ يَكْفِ بِرَبِّكَ أَنَّهُ عَلَىٰ

كُلِّ شَيْءٍ شَهِيدٌ ﴿٥٣﴾

“We will show them Our signs in the horizons and within themselves until it becomes clear to them that it is the truth. But is it not sufficient concerning your Lord that He is, over all things, a Witness” The Holy Quran (41, 53)

ABSTRACT

RISK MANAGEMENT IN ISLAMIC FINANCIAL INSTITUTIONS NEGARA BRUNEI DARUSSALAM AN ANALYSIS CASE STUDY

Islamic Financial Institutions is emerging as a rapidly growing part of the financial sector in the Islamic and recently in non-Islamic countries. One of the major aspects that should be taken into consideration in dealing with Islamic finance is risk management. Islamic Financials is a risky business and several risk factors have been identified as critical to ensure that the Islamic Financial Institutions position remain intact amid the intense competition in the industry. The survival and success of a financial organization depends critically on the efficiency of managing these risks. This research aims to identify the types of risk and to know risk management practices in Islamic Financial Institutions in Brunei Darussalam. In order to explore and explain the topic effectively, a mixed-method approach was adopted. As part of the quantitative and qualitative research strategy, a survey questionnaire and in-depth interviews were used with Islamic Financial Institutions in Brunei Darussalam. The findings in this study interestingly reveal that there is shed recommendation on the current risk management in Islamic Financial Institutions Negara Brunei Darussalam Furthermore by assessing their current risk management, the study hopes to contribute in terms of recommendation strategy to strengthen and knowing the risk management of the Islamic Financial Institutions so as to increase the overall competitiveness in the Islamic Financial Industry.

Keyword : Risk Management, Islamic Financial Institution, Brunei Darusssalam

ABSTRAK

PENGURUSAN RISIKO DALAM INSTITUSI INSTITUSI KEWANGAN ISLAM NEGARA BRUNEI DARUSSALAM SATU KAJIAN ANALISIS

Institusi-Institusi kewangan Islam muncul sebagai satu bahagian sektor kewangan yang berkembang pesat dalam Islam dan negara bukan Islam baru-baru ini. Salah satu aspek terbesar yang harus diambil kira dalam berurusan dengan kewangan Islam ialah pengurusan risiko. Institusi Kewangan Islam merupakan perniagaan yang berisiko dan beberapa faktor risiko telah dikenalpasti sebagai kritikal untuk memastikan bahawa kedudukan Institusi-Institusi Kewangan Islam tetap kukuh di tengah-tengah persaingan sengit dalam industri. Kewujudan dan kejayaan sesebuah organisasi kewangan sangat bergantung kepada kecekapan pengurusan risiko. Kajian ini bertujuan untuk mengenalpasti jenis-jenis risiko dan amalan pengurusan risiko dalam Institusi-Institusi Kewangan Islam di Brunei Darussalam. Sebagai strategi penyelidikan kuantitatif dan kualitatif, soalan kaji selidik dan temu bual telah dijalankan di Institusi- Institusi Kewangan Islam di Brunei Darussalam. Penemuan dalam kajian ini mendedahkan bahawa terdapat cadangan mengenai pengurusan risiko masakini dalam Institusi- Institusi Kewangan Islam Brunei Darussalam. Dengan menilai pengurusan risiko mereka yang terkini, kajian ini diharapkan dapat menyumbangkan dari segi cadangan strategi untuk menguatkan dan mengetahui pengurusan risiko Institusi- Institusi Kewangan Islam untuk meningkatkan tahap daya saing menyeluruh dalam Industri Kewangan Islam.

Kata kunci: pengurusan risiko, Institusi Kewangan Islam, Brunei Darussalam.

ملخص البحث

إدارة المخاطر في مؤسسات التمويل الإسلامي في بروناي دار السلام: دراسة تحليلية حالية

ظهرت مؤسسة التمويل الإسلامي على مسرح الوجود ظهورًا متناميًا يمثل جزءًا من القطاع المالي في البلاد الإسلامية وغيرها من البلاد حديثًا. تعتبر إدارة المخاطر من الجوانب الرئيسة التي يجب أن تؤخذ في الاعتبار عند التعامل مع التمويل الإسلامي. إن مؤسسة التمويل الإسلامي عمل ذو مخاطر، ولقد تم تحديد عدد من عوامل المخاطر الضرورية للتأكد من استمرار مؤسسات التمويل الإسلامي في وجه المنافسة المصرفية الشديدة في مجال الصناعة. يعتمد بقاء المؤسسة المالية ونجاحها على فعالية إدارة هذه المخاطر. يهدف هذا البحث إلى معرفة أنواع المخاطر والممارسات الإدارية لدرئها في مؤسسات التمويل الإسلامي في بروناي دار السلام. ولكي يتم الكشف عن هذا الموضوع، وتوضيحه بفعالية اتبعت الباحثة الطرائق المتنوعة لدراسته. لقد استخدمت الباحثة الاستراتيجية النوعية والكمية في البحث وذلك بتقديم إستبانة مسحية ومقابلات شاملة مع مؤسسات التمويل الإسلامية في بروناي دار السلام. أظهرت نتائج هذا البحث أن هناك توصيات لإدارة المخاطر الحالية في مؤسسات التمويل الإسلامي في بروناي دار السلام. بالإضافة إلى ذلك فإننا بتقييمنا لإدارة المخاطر الحالية ومن خلال تقديم التوصيات الاستراتيجية يسعى هذا البحث إلى المساهمة في معرفة هذه المخاطر، وتقوية إدارتها في مؤسسة التمويل الإسلامي من أجل الزيادة الشاملة في المنافسة في صناعة التمويل الإسلامي.

الكلمات الرئيسية: إدارة المخاطر، مؤسسة التمويل الإسلامي، بروناي دار السلام.

TABLE OF CONTENTS

CONTENT PAGE	
SUPERVISION	i
DECLARATION	ii
DECLARATION OF COPYRIGHT AND AFFIRMATION OF	iii
ACKNOWLEDGMENT	ix
DEDICATION	v
ABSTRACT	vi
ABSTRAK	vii
ملخص البحث	viii
TABLE OF CONTENTS	xi
LIST OF TABLES	xiii
TRANSLITERATION	xv
ABBREVIATION	xvi
CHAPTER I: INTRODUCTION	1
1.0 Introduction	1
1.1 An overview of the research background	1
1.2 Background of Islamic financial institutions in Brunei Darussalam	4
1.3 The Research Problem	6
1.4 The Research Question	8
1.5 The Research Objective	8
1.6 Significance of the Study	9
1.7 Scope of the Study	9
1.8 The Overview of the Thesis Structure	10
1.9 Conclusion	11
CHAPTER II: LITERATURE REVIEW	12
2.0 Introduction	12
2.1 Risk Management Overview	12
2.2 Definition of Risk	13
2.3 Nature of Risks in Financial Institution	15
2.3.1 Credit Risk	15
2.3.2 Liquidity Risk	16
2.3.3 Market Risk	16
2.3.4 Operational Risk	16
2.4 Nature of Risks Faced by Islamic financial institutions	17
2.4.1 Credit Risk	22
2.4.2 Market Risk	24
2.4.3 Liquidity Risk	25
2.4.4 Operational Risk	27
2.4.5 Equity Investment Risk	29
2.4.6 Interest Rate Risk	30
2.4.7 Legal Risk	31

2.4.8 <i>Shari'ah</i> Compliance Risk	31
2.5 Management Processes of Specific Risk	32
2.5.1 Credit Risk Management	33
2.5.2 Interest Rate Risk Management	34
2.5.3 Liquidity Risk Management	35
2.5.4 Operational Risk Management	37
2.5.5 Equity Investment Risk	37
2.6 Unique Counterparty Risks of Islamic Modes Financing	37
2.6.1 <i>Murabahah</i> Financing	37
2.6.2 <i>Salam</i> Financing	38
2.6.3 <i>Istisna</i> Financing	39
2.6.4 <i>Musyarakah-Mudharabah</i> (M-M) Financing	40
2.7 Previous Study	41
2.8 Conclusion	45
CHAPTER III: RESEARCH METHODOLOGY	46
3.0 Introduction	46
3.1 Research Setting: An Overview of Brunei	46
3.2 Research Methodology	47
3.3 Quantitative Data Collection Method	48
3.3.1 Questionnaire Design	48
3.3.2 Administration of the Questionnaires	49
3.4 Qualitative Data Collection Method	50
3.4.1 Target Respondents of the Interviews	50
3.4.2 Administration of the Interviews	51
3.5 Data Analysing Methods	52
3.5.1 Quantitative Data Analysis	52
3.5.2 Qualitative Data Analysis	53
3.6 Ethical Considerations	54
3.7 Difficulties and Limitations of the Study	55
3.8 Conclusion	55
CHAPTER IV: PRESENTATION AND DISCUSSION OF FINDINGS	56
4.0 Introduction	56
4.1 Presentation of Findings and Interpretations	56
4.1.1 Demographic Information	56
4.1.2 Findings from questionnaire and interview risk management in Islamic Financial institutions	60
4.2 Conclusion	112
CHAPTER V: CONCLUSION AND RECOMMENDATIONS	113
5.0 Introduction	113
5.1 Conclusions	113
5.2 Recommendations for further Research	116
BIBLIOGRAPHY	118
APPENDIX A: Questionnaire on research	123

LIST OF TABLES

Table 4.1	:	Frequency Distribution of Age	59
Table 4.2	:	Frequency Distribution of Gender	60
Table 4.3	:	Frequency Distribution of Marital Status	61
Table 4.4	:	Frequency Distribution of Level Education	62
Table 4.5	:	Formal System of Risk Management	63
Table 4.6	:	Section/Committee Responsible for Various Risks	64
Table 4.7	:	Internal Guidelines/ Rules to the Risk Management System	65
Table 4.8	:	Information System for Estimating Risk Management	67
Table 4.9	:	Regular Reporting System Regarding Risk Management	68
Table 4.10	:	Accounting Standard Used by the Institutions	70
Table 4.11	:	The BOD Approve the Credit Risk Strategy	71
Table 4.12	:	The BOD Periodically Review the Credit Risk	73
Table 4.13	:	The Management Clearly Understand the Credit Risk	75
Table 4.14	:	Internal Risk Rating System	76
Table 4.15	:	Clear Policy/Procedure on Restructuring/Rescheduling	78
Table 4.16	:	Support System for Measuring Credit Risk	80
Table 4.17	:	Early Warning System to Alert the Management	82
Table 4.18	:	Policy Approved by the BOD for Liquidity Risk Management	84
Table 4.19	:	Policy Define General Liquidity Strategy	86
Table 4.20	:	On and Off Balance Sheet Positions to Forecast Future Cash Flow	88
Table 4.21	:	Contingency Funding Plan for Liquidity	91
Table 4.22	:	The Contingency Plan Clearly Define the Roles and Responsibilities of Liquidity	94
Table 4.23	:	Roles and Responsibility Performing Liquidity Management.	Risk 96
Table 4.24	:	The BOD Approved the Market Risk Strategy	98
Table 4.25	:	Well Documented Policies an Procedural Guidelines Relating to Market Risk	100
Table 4.26	:	Market Risk Management Committee	101

Table 4.27	:	Support System to Gather Information	102
Table 4.28	:	Operational Risk Management Policy	104
Table 4.29	:	Identify and Asses the Operational Risk	106
Table 4.30	:	Newly Recognized Risk	108
Table 4.31	:	System and Procedures to Effective Operational Risk Management	109
Table 4.32	:	Roles and Responsibilities Regarding Business Operation	111
Table 4.33	:	Consistent Reporting Format	113

TRANSLITERATION

Name of the Letters	Form	Transcription
أ	ا	a
أا	ب	b
أأ	ت	t
أأأ	ث	th
أم	ج	j
أأ	ح	h
أأأ	خ	kh
أأأ	د	d
أأأأ	ذ	dh
أأ	ر	r
أأأ	ز	z
أأأ	س	s
أأأأ	ش	sh
أأأ	ص	sh
أأأ	ض	dh
أأ	ط	th
أأ	ظ	th
أأأ	ع	
أأأأ	ع	h
أأ	ف	f
أأأ	ق	q
أأأ	ك	k
أأأ	ل	l
أأأ	م	m
أأأ	ن	n
أأ	هـ/ة	h
أأأ	و	w
أأ	ي	y
أأأ أأأ	ء	

ABBREVIATION

AAOIFI	Accounting Auditing Organization for Islamic Financial Institutions
ALCO	Asset Liquidity Committee
BBA	<i>Bay Bithaman Ajil</i>
BCBS	Basel Committee Banking Supervision
BIBD	Bank Islam Brunei Darussalam
BOD	Board of Directors
CFP	Contingency Funding Plan
CRA	Credit Risk Analysis
FSRound	Financial Service Round Table
IFIs	Islamic Financial Institutions
IFSB	Islamic Financial Service Board
OIC	Organisation of the Islamic Conference
RAA	Risk Assessment and Analysis
RI	Risk Identification
RMON	Risk Monitoring and Controlling
RMP	Risk Management Practices
SSB	<i>Sharī'ah</i> Supervisory Board
TAIB	<i>Tabung Amanah</i> Islam Brunei
UAE	United Arab Emirates
URRM	Understanding Risk and Risk Management
VAR	Value-At Risk

CHAPTER 1

INTRODUCTION

1.0 Introduction

This Chapter provides an introduction to an overview of the thesis. The first section explains the research background, which emphasizes the importance of risk management as an instrument in Islamic Financial Institutions. The sections that follow state the research problems that encouraged doing this research. More importantly the research questions section focuses on the issue that are main pillars in risk management. This is followed by the objectives of the study that answer the research questions, and an explanation of the significance of the study. In order to draw the boundary of the study, the scope of the study was also stated. Finally, the chapter concludes by providing a brief description of all chapters in the thesis.

1.1 An overview of the research background

Islamic Financial Institutions were established three decades ago as an alternative to conventional financial institutions mainly to provide *Shari'ah* compliant investments, financing, and trading opportunities. The Islamic Financial Institutions school of thought can be investigated from 7th century with the advent of Islam and *teaching of Quran*. But it is gaining global importance and emerging as an alternative to interest based economic system¹. The Islamic Financial Institutions industry has grown impressively during a short period of time. In the early 1960's, Islamic Financial Institutions and finance sector witnessed a steady growth in its different aspects such as size, complexity of the transactions, and internal processes. It has been estimated that the sector is witnessing a 15% annual growth rate (10% of which is in the gulf region)².

Islamic Financial Institutions now exists in more than 75 countries accounting for more than 250\$ billion in assets³. The Islamic Financial Institutions industry is growing

¹ Satar, Abdul. (2011). *Risk Management in Islamic Financial Institutions*.

² ISRA. (2013). *Islamic Financial System Principles and Operation*.

³ Zawayya business information. <http://www.zawayya.com/>

rapidly and gaining importance in the global financial scenario. Islamic Financial Institutions are control some 40-50 percent of Muslim savings by 2009-2010. Assets of the Islamic Financial Institutions worldwide are currently estimated at US\$750 Billion, registering an unprecedented growth of 20-30 percent in the last ten years⁴.

One of the major aspects that should be taken into consideration in dealing with Islamic finance is risk management and then risk mitigation. With respect to financial institutions, risk management, as defined by finance literature, is the practice of creating economic value in a firm by using financial instruments to manage the exposure to different risks. Being involved in the intermediation process, risk management is as important to the Islamic Financial Institutions as it is to the conventional financial institution⁵. A growing literature suggestion that risk management is even more challenging for the Islamic Financial Institutions compared to the conventional counterpart. Islamic Financial Institutions industry is in general different from conventional Islamic Financial Institutions due to several core features which are mentioned below.

First, in Islamic Financial Institutions, no interest is paid or charged for any transaction or service such a feature according to Islam will ensure justice, welfare and non-exploitation of the other party's weaknesses. Second, investments of an Islamic Financial Institutions must be channeled to the Islamic *Shariah* approved (*Halal*) sectors, by using Islamic structures of finance such إجارة، بيع سلام، بيع مؤجّل، مشاركة، مضاربة. The third feature of Islamic Financial Institutions is that, the financier or investor usually shares in the profits or losses arising out of the enterprise's business where the money is invested. This concept is derived from Islamic *Shari'ah*, where Islamic finance is based on the belief that the provider and the user of capital should equally share the risk of business. The fourth feature is غرار (Uncertainty, Risk or Speculation) which is prohibited under the Islamic *Shari'ah*.

In addition, not only do Islamic Financial Institutions need to apply prudent risk management, but also an integrated risk management is essential to avoid the crisis. In fact, risk management is a dynamic area, where its applications are re-visited in the aftermath of

⁴ Asian bankers. (2008).

⁵ Association of Insurance and Risk Managers. (2002). *A risk management standard*. UK, <http://www.airmic.com>

every crisis. The key to successful enterprise is dependent on the attainment of efficient risk management. The management of risk is often associated with the use of derivatives for the original design of derivatives is to manage risk. However, most of the Islamic scholars are of the opinions that when the derivatives instrument is used to manage risks, gambling activities will begin and the activities of risk management will end (al-Saati 2003); (al-Suwailem 2006). Nevertheless, Obiyathulla (1999), Kamali (2005), Securities Commission (2006), al-Amine (2008), and Saadiah (2008). More importantly, good risk management is highly relevant in providing better return to the stakeholders⁶.

Risk management activities themselves can expose Islamic Financial Institutions to risk⁷. For example, the more new risks that arise from additional products, the more time the risk management department will need to study them and to find ways to mitigate them, leading to a greater risk arising from the opportunity cost of not introducing the product at the desired time.

Financial institutions face number of risks these can be classified in different ways such as business risks, operational risks and financial risks. As far as the business risks are concerned they arise from the nature of business while financial risks arise from the possible loss in financial market due to movement in financial variables⁸. Financial risks include market risk and credit risk, while non-financial risks are operational risk, regulatory risk and legal risk.

Due to the importance of risk management, highly recognized international institutions such as the Basel committee has suggested a set of principles and rules in order to identify and mitigate different financial risks. For example, Basel two, pillar one recommended sets of principles to calculate minimum capital requirements necessary to support the different risks in the business. While pillar two has recommended set of principles to be adopted by the Islamic Financial Institutions supervisory authority in order to have an effective review over the risk management process. Islamic Financial Institutions, being part of the financial sector, aim through risk management to identify

⁶ At-Tamimi and Al-Mazrooei. (2010). *Islamic financial institutions Risk Management A Comparison Study Between UAE national and Foreign Islamic financial institutions.*

⁷ The Financial Services Round Table. (1999)

⁸ Jorion, Khoury. (2006). *Financial Risk Management.*

,control ,and mitigate the different risks they face in order to maximize owner's value and preserve depositors rights.

The importance of the risk management system in the Islamic financial sector has lead international financial authorities that deals with Islamic finance such as the Islamic Financial Services Board (IFSB)⁹ to formulate and recommend set of principles for the best practice of the system. This means that risk management is a crucial element of any Islamic Financial Institutions aiming to sustain its operations for the future since it is considered as an important factor in mitigating the probability of failure due to improper risk handling, thus leading to a direct negative effect on the owners, depositors, and consequently the society.

According to The Financial Services Round Table¹⁰, risk management in Islamic Financial Institutions must ensure that the risk is understood within tolerances established by the board of directors, and that the raking decisions are explicit, clear, and consistent with strategic business objectives. After dealing with risk management and its relation with Islamic Financial Institutions activities (Islamic and/or conventional), a brief distinction between Islamic Financial Institutions and Conventional financial institution will be identified.

1.2 Background of Islamic Financial Institutions in Brunei Darussalam

The Islamic Financial Institutions in Brunei Darussalam are governed by the Islamic Financial Institutions Order Act 2008. From the Supplement to Government Gazette Part II dated Tuesday 30th September 2008, BIL. / No. 59, the Islamic Financial Institutions Order 2008 defines Islamic Financial Institutions Business as a business whose aims and operations are not contrary to *Hukum Syara'* and which consists of receiving of deposits or other repayable funds from the public, paying or collecting cheques drawn by or paid in by customers, the granting of financing facilities to customers, and includes such business as the Authority may authorize for the purpose of this order. By this, *Hukum Syara'* is defined as the Laws of Islam according *Al Quran and Sunnah*¹¹.

⁹ IFSB. (2005). *Guiding Principle of Risk Management for Institutions*. Islamic Financial Service Board.

¹⁰ The Financial Services Round Table. (1999). *Guiding principles in risk management for U.S. commercial Islamic Financial Institutions*. <http://www.fsround.org/>.

¹¹ Islamic financial institutions Order.Brunei Darussalam

Islamic Financial Institutions were first introduced in Brunei Darussalam in the early 1990s and have since seen tremendous growth. In 2010, it held a significant role in Brunei Darussalam's Islamic Financial Institutions industry with total assets of B\$6.36 billion and deposits total B\$5.167 billion which accounted for 37% and 34.6% of the total market share. Given the initial start-up condition and some deficiencies in the overall economic-legal-institutional framework, the case on Brunei Darussalam can be regarded in many respects as a success story that deserves attention¹².

Currently, there are two Islamic Financial Institutions in Brunei Darussalam which is the Islamic Financial Institutions of Brunei Darussalam, commonly known as "BIBD", the acronym from its Malay translation which is "Bank Islam Brunei Darussalam". However, "*Perbadanan Tabung Amanah Islam Brunei*"(TAIB) is a Unit Trust which carries out Islamic Financial Institutions activities under the Tabung Amanah Islam Brunei Act. Therefore these two entities will henceforth be referred to as Islamic Financial Institutions in Brunei Darussalam in this thesis.

Islamic Financial Institutions Brunei Darussalam was fully operational on 3rd July 2006 as fully fledged Islamic Financial Institutions with more than 600 employees. It has more than 14 branches located strategically in all four districts of Brunei Darussalam. It has the largest distribution of ATM network in the country situated both at all of its branches and offsite locations¹³.

Tabung Amanah Islam Brunei (Brunei Islamic Trust Fund) was established under "*Perbadanan Tabung Amanah Islam*". It was officially launched on the 29th of September 1991 by His Majesty Sultan Haji Hassanal Bolkhiah Mu'izzaddin Waddaulah Ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan Negara Brunei Darussalam¹⁴. The Launching of Brunei Islamic Trust Fund market a new beginning for Brunei Darussalam as it was the first financial institution which conducted all its activities in accordance to Islamic faith.

¹² Brunei Darussalam Statistic Finance.

¹³ Islamic financial institutions Brunei Darussalam's Official Website

¹⁴ Brunei Islamic Trust Fund's Official Website

1.3 The Research Problem

In its business activities, Islamic Financial Institutions and the managers constantly and inevitably face a growing number of risks, out of which the most common are: credit, liquidity, market, and operational risks. However, there are some differences in terms of kinds and span of certain risk types when it comes to the conventional and Islamic Financial Institutions. Nowadays, there are a large number of new types of risk that all financial institutions face. The basic feature of all their risks is the constant increase in the intensity of the emergence of the existing risks as well as the appearance of new, so far unknown, types of risks. There are several basic factors leading to these processes such as: increased volatility of financial markets, globalization and increased competition in financial markets, financial innovations and “drop” of traditional Islamic Financial Institutions business practice, and regulatory environment of financial institutions, especially Islamic Financial Institutions.

Risk management is a part of business policy of every Islamic Financial Institutions. In order to appropriately implement the active risk management process, it is necessary to observe the process through some of its successive stages that different it comes to the conventional and Islamic Financial Institutions. However, a comprehensive process of risk management in all financial institutions should include the following components: establishment of appropriate environment for risk management, finding appropriate “mitigation” of risk, risk measures, and appropriate internal controls.¹⁵

The broad perspective on the risk and its management are embodied in the overall goals of *Islamic law* or مقاصد الشريعة. The principle of مقاصد would imply taking all the precautions to safeguard present and future wealth. As risk in economics represent the probable loss of wealth, it is not desirable in itself from an Islamic perspective. While risks are not desirable on their own, they must be undertaken to create wealth and value. From an Islamic perspective, economic activities are not judged by their inherent risks, but by whether they add value and or create wealth.¹⁶

¹⁵ Khan and Ahmed, (2001). *Risk Management and Analysis of Issue in Islamic Financial Industry*. Islamic Development Bank. Jeddah ,Saudi Arabia

¹⁶ ISRA. (2013). *Islamic Financial System Principles and Operation*.

The unique nature of Islamic Financial Institutions activities gives rise to more perplexing and ambiguous risk in Islamic Financial Institutions. The high and unique risk exposure Islamic Financial Institutions have always questioning that will Islamic Financial Institutions be stable and their performance is effective in long run? This question needs to be answered in terms of risk management approach of Islamic Financial Institutions.¹⁷

In view of the above, Islamic Financial Institutions operate with many products that do not exist in conventional Islamic Financial Institutions. These Islamic products bring many risks. Therefore, in the present day volatile environment, Islamic Financial Institutions are facing a large number of risks such as credit risk, liquidity risk, foreign-exchange risk, market risk, interest rate risk, etc¹⁸. As a result, risk and risk factors may threaten Islamic Financial Institutions industry's survival and success.

The obvious implication of these arguments is that Islamic Financial Institutions in Brunei need to know their risk management and the impact of the risk to the operational Islamic Financial Institutions. The management can manage after they know about the risk, so they can be as input to management in formulating policy.

Risk Management has been widely investigated over the years. However, little attention has been paid to Islamic Financial Institutions operating in emerging markets and, in particular, Islamic Financial Institutions¹⁹. Since risk management failure has been identified as one of the main causes of the financial crisis, additional study of the subject is warranted. The primary aim of this study is to analysis about risk management practices in Islamic Financial Institutions in Brunei Darussalam. Specifically, the study's objectives are:

- 1) to identify the types of risk facing the Islamic Financial Institutions in Brunei Darussalam;

¹⁷ Sattar, Abdul. (2011). *Risk Management in Islamic Financial Institutions*.

¹⁸ State Islamic financial institutions of Pakistan. (2007).

¹⁹ Al-Tamimi, H.A.H. (2008). *Risk management practices: an empirical analysis of the UAE commercial Islamic financial institutions*. Finance India. Vol. 16 No. 3. pp. 1045-57.

Al-Tamimi, H.A.H. and Al-Mazrooei, F.M. (2008). *Islamic financial institutions' risk management: a Comparison study of UAE national and foreign Islamic Financial Institution*. The Journal of Risk Finance. Vol. 8 No. 4. pp. 394-409

- 2) to manage the risks and know effective risk management practice in dealing with different types of risk

The study extends the work of Al-Tamimi and Al-Mazrooei and Hassan who suggest similar studies in different environments. Although the study is an extension of these studies, in another context it differs in at least two aspects:

- 1) The present study includes to know the type of risks of the practices of Islamic Financial Institutions
- 2) This study discuss about how to manage Islamic Financial Institutions' risk in Brunei Darussalam.

1.4 The Research Questions

The following questions are proposed to guide the collection, analysis and interpretation of data in line with the research aims and objective. It is expected that the research will, in the end, provide answer to these questions to ensure the research is designed accordingly. Following the research problem, this research seeks answer to the following questions:

- 1) What are the types of risks faced by Islamic Financial Institutions in Brunei Darussalam?
- 2) How risk management practice in Islamic Financial Institutions in Brunei Darussalam?

1.5 The Research Objectives

The main objective of the study is to diagnose the risk management practices of some selected Islamic Financial Institutions operating in Brunei Darussalam. To attain the key objective, the following are listed as the specific objectives:

1. To identify the types of risk facing the Islamic Financial Institutions in Brunei Darussalam
2. To know risk management practice in Islamic Financial Institutions in Brunei Darussalam

1.6 Significance of the Study

This research will be greatly beneficial to the following:

1. Theoretical benefits: The result is expected to be useful for other researchers as reference materials for further study and more in-depth soundness of Islamic Financial Institutions.
2. Practical benefits: The result is expected to be useful for Islamic Financial Institutions as information regarding the extent of corporate financing risk which can be the basis of improved financial performance for the period will come.
3. Public Benefits especially customers, results of this study is expected to provide knowledge about the level of risk so that the Islamic Financial Institutions financing can choose Islamic Financial Institutions benefit , healthy, safe, and reliable.
4. Islamic Financial Institutions: The results can be used as a valuable feedback for improvement of Risk Management in the Islamic Financial Institutions in Brunei Darussalam and will be of value to those people who are interested in the Islamic Financial Institutions system.

1.7 Scope of the Study

The focus of this study is on operational Risk Management in Islamic Financial Institutions in Brunei Darussalam. This will include:

1. The types of risks faced by Islamic Financial Institutions in Brunei Darussalam
2. Islamic Financial Institutions in Brunei Darussalam's risk management practice
- 3.

1.8 The Overview of the Structure of Research

This research can be summarized with a systematic and easy to understand, it takes a systematic discussion. This study is scheduled to be poured into five chapters that each chapter will consist of several sub-topics. The first chapter is for introduction of risk

management in Islamic Financial Institutions. The second chapter covers literature review and previous study related to this study. The third chapter explains the research design and methodology used. In the fourth chapter present and discusses the findings. Finally, fifth chapter covers conclusion and recommendation. The overview of the chapters is described below.

Chapter 1 provides an introduction to overview of the thesis. The first chapter will be briefly explaining the background promoted research on risk management. The section that follows state the research problem that encouraged doing this research. More importantly the research question section focuses on the issues that are the pillar of risk management. This is followed by the objective of the study that answer the research questions, and an explanation of the significance of the study. In order to draw the boundary of the study, the scope of the study was also stated. Finally, the chapter concludes by providing a brief description of all chapters in the thesis.

Chapter 2 discusses the literature review related to Risk Management and Type of Risk. This chapter will be discussed the Risk Management from the view of Islamic Scholar. Then explain the concept of risk in Islam and conventional theory. Next, discussing about the previous study related to this thesis.

Chapter 3 explains the research design that guides each stage of the study. The rationale behind the choice of research design, the methodology and method for this thesis are classified. This chapter will discussed about research design, data collection will be undertaken, variable in research, data processing and sample questions that will be asked for research purposes.

Chapter 4 present and discusses the research finding. This chapter will discuss the analysis of risk management Islamic Financial Institutions in the country of Brunei Darussalam and its inherent risks. In this chapter there is a section that discusses the findings of research conducted.

Chapter 5 provides the conclusion and recommendations. Further in chapter five which is the final part of this study contains conclusions and suggestions. Research is expected to recommend some point as suggestions and recommendations for future research

1.9 Conclusion

This chapter has introduced and presented the rationale for the research. It provides an introduction to an overview of the thesis, an overview of Brunei Darussalam, research problem, research question, research objectives, and significance of the study, scope of the study and an overview of the thesis structure. The next chapter explores the literature in relation to the Risk Management in Islamic Financial Institutions.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The chapter discusses the literature related to risk management and Islamic Financial Institutions and start with definition and limitation of risk management. It also prevents various conceptual and theoretical framework of risk management concerning types of risk and risk management mechanism practice. Furthermore, it explains the sources of risk management scheme, benefits of risk management as well as challenges for providing risk management. In addition, it discusses an overview of selected risk management schemes in Brunei Darussalam. Finally, this chapter explains the previous researches related to this thesis.

2.1 Risk Management Overview

Islamic Financial Institutions is a relatively a new industry, and risks inherited are not yet well comprehended. Islamic Financial Institutions construct risk management to be with accordance to *Shari'ah* regulations and unique Islamic Financial Institutions features. The main difference between Islamic and conventional banks exists in complying with the *Shari'ah* rules and regulation²⁰. Therefore, any definition about Risk Management should in cooperate Islamic principle follow. Risk management refers to “the overall process that a financial institutions follow to define a business strategy, to identify the risks to which it is exposed, to quantify those risks and to understand and control the nature of risks it faces²¹.”

Risk management is the process of measuring or assessing risks and developing strategies to manage it. To manage risks, *Shari'ah* requires Islamic Financial Institutions to share risks with their clients and to encourage investors to be responsibly aware of risk and not just receiving return. Under this Profit-Loss Sharing system, risk will be minimized by distributing it among investors. In order to mitigate risk, human behaviors such as trust are

²⁰ Chapra, Muhammad Umar. (2006). *The Islamic Vision of Development in the Light of the Maqashid al Shari'ah*. IRTI. Jeddah

²¹ Cumming and Hirtle. (2001). *The Challenges of Risk Management in Diversified Financial Companies*.

taken into consideration. Islamic Financial Institutions are structured upon the principle of risk sharing.

Risk management in Islamic Financial Institutions requires extra effort and guidelines because of the differentiating nature of Islamic Financial Institutions activities and involvement of *Shari'ah* compliant mode of financing and Islamic products²². Therefore, in addition to keeping operate under *Shari'ah* regulation, Islamic Financial Institutions also need to be extremely cautious about their exposure to all the risks. This demands that they develop systems that would help in their proper identification, measurement, monitoring and control, and thus help in their effective management. The Board of Directors and Senior Management must be qualified enough to be fully aware of the risks involved in banking business and should make the development of a risk management culture an integral part of their responsibility.

Definition of Risk

There can be no progress if there is no risk. Without risk some societies might turn passive in the face of the future²³. Risk can be defined as the “existence of uncertainty about future outcomes”, a distinction can be made between its metaphysical and epistemological concept. The metaphysical property of risk is “a reality that exists in its own right in the world” and the epistemological concept of risk is a “judgment made by a person or by application of some knowledge to uncertainty”²⁴. Risk and uncertainty are central in economic analysis. Risk relates to cases when objective or subjective probabilities can be assigned to potential outcomes allowing quantification. Uncertainty refers to cases of complete ignorance of any potential outcome making quantification and rational decision making. The implication is that in the case of risk, the unknown can be attempted to be controlled by applying available knowledge. In uncertainty, the unknown is random and cannot be predicted or controlled.

²² Sattar, Abdul. (2011). *Risk Management in Islamic Banking*. Lambert.

²³ IMF. (2006). *Kingdom of Bahrain: Financial System Stability Assessment, Including Reports on the Observance of Standards and Codes on the Following Topics ,Islamic financial institutions Supervision, Insurance Supervision, Securities Regulation, and Anti-money Laundering and Combating Financing of Terrorism*, International Monetary Fund. Washington, DC.

²⁴Althaus. (2005). *Risk Analysis*. pp. 568-569

Everything in the business field constantly deals with the risk. Interaction of an institution in its activities will raise the risk of micro and macro-economic factors. Recession economic and business competition, technological superiority, the error suppliers, political intervention, or a natural disaster risks potential to be faced by every business organization. However Thus, the specific role of financial institutions in the process intermediation and payment system will cause face a variety of risks faced by the type of institution other.

To that end, each institution must be able to manage any risks that it faces. This fact requires an implementation of the management risks very well. Every business organization aims to obtain a certain return of business activity. To that end, they will bear a certain risk in accordance with acquisition targets to be achieved. Understanding risk in the general life of ordinary everyday understood intuitively. However, each discipline has its own terms. Understanding risk, thereby according to the context in which the term is used. Understanding the generally presented with the possibility of bad consequences (losses) of unwanted or unexpected. This possibility suggests uncertainty and is condition that causes the growth of risk (Darmawi, 1999: 21)²⁵.

Djojosoedarsono (1999: 1-2)²⁶ noted some sense risk in general as delivered several authors, among other:

1. Risk is a variation of the results that may occur during a certain period (Arthur Williams and Richard MH).
2. Risk is the uncertainty (uncertainty) that may gave birth to a loss event (loos) (Abas Salim).
3. Risk is uncertainty over the occurrence of events (Soekarto).
4. Risk is the spread / deviation of actual results from expected results (Herman Darmawi).

From these definitions, the risks have characteristics as follows:

1. Represents the uncertainty over the occurrence of an event.

²⁵ Darmawi,Herman. (1999). Manajemen Resiko.

²⁶ Soeismo, Djojosoedarso. (1999). Asuransi dan Konsep Manajemen Resiko. Salemba Empat. Jakarta.

BIBLIOGRAPHY

Al-Qur'an al-Kareem.

The Holy Qur'an Translation: Yūsuf Alī, Abdallāh. (n.d.). *The Glorious Kur'an Translation and Commentary.* Beirut: Dar al-Fikr

A Risk Management Standard. (2002). *Association of Insurance and Risk Managers.* UK. <http://www.airmic.com/>.

Accounting and Auditing Organisation for Islamic Financial Institutions.(2005). *Shari'ah Standards.* Manama: AAOIFI.

Althaus, C.E. (2005). *A Disciplinary Perspective on the Epistemological Status of Risk.* *Risk Analysis.* pp. 568-569

Al-Darir. (1997). *Al-Gharar in Contracts and its Effects on Contemporary Transaction,*

Al-Suwailem, Sami. (2006). *Hedging in Islamic Finance.* Occasional Paper No. 10. Jeddah: Islamic Research and Training Institute.

- Al-Tamimi, H.A.H. (2002). *Risk management practices: an empirical analysis of the UAE commercial banks*. Finance India, Vol. 16 No. 3, pp. 1045-57.
- Al-Tamimi, H.A.H. (2008). *Implementing Basel II: an investigation of the UAE banks' Basel II preparations*. Journal of Financial Regulation and Compliance, Vol. 16 No. 2, pp. 173-87.
- Akhtar, Shamsad (2008). *Improving Risk Management in Islamic Banking*. The Banker
OIC Fiqh Academy. (2009). *Resolution in Relation Tawarruq*.
- Asian Banker. (2008). *The Asian Banker: From Trade Journal to Industry Trendsetter*. Knowledge at SMU. 5 August 2008. Retrieved 7 January 2012.
- Archer, S. and Haron, A. (2008). *Operational Risk Exposures of Islamic Banks*, in Archer, S. and Karim, R. A. A. 2007, *Islamic Finance: the Regulatory Challenge*: John Wiley & Son (Asia) Pte Ltd.
- Arsalan Tariq, A. (2004). *Managing Financial Risks of Sukuk Structures*. UK: Southborough University.
- Bank for International Settlements, Financial Stability Board. (2009). *Risk Management Lessons from the Global Banking Crisis of 2008*. Bank for International Settlements, Basel.
- Bashir M. (1999). *Risk and profitability measures in Islamic banks: the case study of two Sudanese banks*. Islamic Economic Studies, Vol. 6 No. 2, pp. 1-26.
- Bahrain Monetary Agency. (2006). *Islamic Banking and Finance In The Kingdom of Bahrain*. Manama: Bahrain. Bahrain Monetary Agency. 22-24.
- Basel Committee on Banking Supervision (BCBS). (1999). *Principle for the Management of Credit Risk*. Consultative Paper, Basel Committee on Banking Supervision, July 1999.
- Beikos, Andrew. (1997). *Capital Intelligence*. Cyprus
- Brunei Darussalam Statistic Finance
- Brunei Islamic Trust Fund's Official Website
- Chapra, Muhammad Umer. (2008). *The Islamic Vision of Development in the Light of Maqasid al-Shari'ah*. Regulation and Supervision of Islamic Banks. Occasional Paper No. 3. Jeddah: Islamic Research and Training Institute, Islamic Development Bank.

- Cumming, C. M., and Hirtle, B. J. (2001). *The challenge of risk management in diversified financial companies*. Federal Reserve Bank of New York Economic Policy Review
- First Caribbean international Bank (2010). <http://www.firstcaribbeanbank.com>
- Fisher, I. (1993). *The Debt-deflation Theory of Great Depressions*. Econometrica
- Euromoney. (2006). *Islamic Financial Product of the Year: CIMB Islamic for Islamic Profit Rate Swap*. Euromoney Books
- Greuning, H. V. and Iqbal, Z. (2008). *Risk Analysis for Islamic Banks*. Washington, DC : The World Bank Group
- Hassan, A. (2009). *Risk management practices of Islamic banks of Brunei Darussalam*. The Journal of Risk Finance, Vol. 10 No. 1, pp. 23-37.
- Hassan, M. K., and Zaher, T. S. (2001). *A Comparative Literature Survey of Islamic Finance and Banking*. Blackwell
- Hassan. (2009). *Basic Sharia Principles Governing Risk Management*. Paper submitted for Harvard LSE Workshop on Risk Management, London School of Economics.
- Heffernan, S. A. (1995). *An Econometric Model of Bank Failure*. Economic and Financial Modelling, Summer, 49-83.
- Ibn Taymiyyah. (1998). *Majmu' al-Fatawa*. Al-Mansurah: Dar al-Wafa'.
- Institute of Banking and Insurance. (2009). *Guiding Principles in Risk Management for US Commercial Banks*. The Financial Services Round Table, <http://www.fsround.org/>
- IFSB. (2005). *Guiding Principle of Risk Management for Institution (Other Than Insurance Institutions) Offering Only Islamic Financial Services*. Islamic Financial Board.
- IMF. (2006). *Kingdom of Bahrain: Financial System Stability Assessment, Including Reports on the Observance of Standards and Codes on the Following Topics, Banking Supervision, Insurance Supervision, Securities Regulation, and Anti-money Laundering and Combating the Financing of Terrorism, International Monetary Fund*. Washington, DC.
- Iqbal, Zamir and Mirakhor, Abbas. (2007). *An Introduction to Islamic Finance: Theory and Practice*. Chichester: John Wiley & Sons, Inc. Islamic Financial Services Board. (2005a). *Guiding Principles of Risk Management for Institutions (Other*

than Insurance Institutions) Offering Only Islamic Financial Services.
Available at <<http://www.ifsb.org>>

Iqbal, M and Khan,T. (2008). *Financial Engineering and Islamic Contracts*. New York: Palgrave Macmillan.

Islamic Banking Order. (2008). Brunei Darussalam

ISRA. (2011). *Islamic Financial System Principles and Operation*. Malaysia: Pearson.

Islamic Bank Brunei Darussalam's Official Website.

Kahf, M. (1999). *Islamic Banks at the Threes hold of the Third Millenniums*. Thunder bird International Review volume 41, numbers 4 and 5.

Kahef, Monzer. (2006). *Innovation Risk Management in Islamic Finance*. Harvard International Forum.

Khaldun,Ibn. (2004). *The Muqaddimah*. Princeton University Press.

Khaliq,Ahmad. (2007). *Management from Islamic Perspective*. International Islamic University Malaysia.

Khan, Tariqullah. (2004). *Risk Management in Islamic Banking: A Conceptual Framework*. Paper presented at Distance Learning Lecture, organised by Islamic Research and Training Institute, Islamic Development Bank.

Khan, Tariqullah and Ahmed, Habib. (2010). *Risk Management: An Analysis of Issues in Islamic Financial Industry*. Occasional Paper No. 5. Jeddah: Islamic Research and Training Institute, Islamic Development Bank.

Liquidity Management Centre. <http://www.lmcbahrain.com>.

Majallat-al Ahkam. (2001). *The Majelle (1876): Being an English Translation of Majallah al-Ahkam al-Adliyyahand a Complete Code on Islamic Civil Law*. Translated by C.R.Tyer, D.G. Dementriades & Ismail Haqqi Efendi. Kuala Lumpur

Maroun,Y. (2002). *Liquidity Management and Trade Financing*. London and Bahrain: Euromoney Books.

Muljawan, Dadang. (2008). *Risk Management In Islamic Finance Issues, Challenging and Strategies to Mitigate Risk*. CERT. Paper presented at the 6th International Conference at Islamic Economics, Banking and Finance, organised by Islamic Research and Training Institute-Islamic Development Bank, Bank Indonesia, and Ministry of Finance Republic of Indonesia.

- Morrison M. (2004). *International Risk Management* [Online] Available from: <http://www.grmn.com>
- Pagano, M. (2004), “Using an Alternative Estimation Method to Perform Comprehensive Empirical Test: An Application to Interest Rate Risk Management”, *Review of Quantitative Finance and Accounting*, Vol. 23, pp. 377- 406.
- Rahim,Abdul. (1995). *Islamic Insurance*. University of Leeds.
- Raghavan, R. (2003). *Risk Management in Bank*. Chartered Accountant, pp. 1.
- Samdani,Ijaz A. (2007). *Islamic Banking and Finance*. Karchi,Idara.
- Sanusi,Mahmood. (2013). *Islamic Banking and Finance Shari'ah & Legal : Issue and Challenge*. Aslita SDN. BHD
- Santomero, A. (1997). *Commercial Bank Risk Management: An Analysis of the Process*. *Journal of Financial Services Research*, Vol.12.2/3, pp. 83-115.
- Saunders, A. and Cornett, M. (2006). *Financial Institutions Management: A Risk Management Approach*. McGraw-Hill, Irwin.
- Sattar, Abdul. (2010). *Risk Management in Islamic Banking*. USA: Lambert Academic Publishing
- Shafiq, A. and Nasr, M. (2009). *Risk Management Practices Followed by Commercial Banks in Pakistan*. pp. 395-409.
- Soeisno, Djojosoedarso. (1999). *Asuransi dan Konsep Manajemen Resiko*. Salemba Empat. Jakarta.
- State Bank of Pakistan. (2003). *Draft Instruction and Guidelines for Shari'ah Compliance in Islamic Banking Institution*.
- Sundarajan,V. (2007). *Risk Characteristics of Islamic Product: Implication for Risk Measurement and Supervision*. Singapore: Wiley Asia
- The European Financial Review. (2014). www.europeanfinancialreview.com²
- Wood, A. (1994). *Bank Lending to Firms and the Nature of Credit rationing in Barbados*. *Money Affairs*, Vol.7, No.2, July – Dec, pp.109-136.
- Zawya Business Information. <http://www.zawya.com/>