

Factors of Divergence of Shari'Ah Supervisory Opinions and Its Effects on the Harmonization of Islamic Banking Products and Services

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Abstract : Overall aims of this study are to investigate the effects of differences of opinions among Shari'ah supervisory bodies on standardization and internationalization of Islamic banking products and services. The study has used semi-structured in-depth interview where five respondents from both the Middle East and Malaysia Shari'ah advisors participated in the interview sessions. The data were analyzed by both manual and software techniques. The findings reveal that indeed there are differences of opinions among Shari'ah advisors in different jurisdictions. These differences are due to differences in educational background, schools of thoughts, environment in which they operate, and legal requirements. Moreover, the findings also reveal that these differences in opinions among Shari'ah bodies create confusions among public and bankers, and negatively affect standardization of Islamic banking transactions. In addition, the study has explored the possibility to develop Islamic-based products. However, the finding shows that it is difficult for the industry to have Islamic-based products due to high competition from conventional counterpart, legal constraints and moral hazard. Furthermore, the findings indicate that lack of political will and unity, lack of technology are the main constraints to internationalization of Islamic banking products. Last but not least, the study found that there are possibility of convergence of opinions, standardization of Islamic banking products and services if there are unified international Shari'ah h advisory council, international basic requirements for Islamic Shari'ah h advisors, and increase training and educations of Islamic bankers. This study has several implications to the bankers, policymakers and researchers. The policymakers should be able to resolve their political differences and set up unified international advisory council and international research and development center. The bankers should increase training and educations of the workforce as well improve on their banking infrastructure to facility cross-border transactions.

Keywords : Shari'ah h views, Islamic banking, products & services, standardization.

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