

**PERSIDANGAN AKAUNTAN SEKTOR AWAM KEBANGSAAN KE 30 TAHUN 2022**

***NATIONAL PUBLIC SECTOR ACCOUNTANTS CONFERENCE (NAPSAC)***



**THE NEW DIMENSION OF  
MAQASID SHARIAH IN  
PERSPECTIVE OF NEW  
EMERGING DIGITAL  
TECHNOLOGIES**

**SESSION 7 – 19 MAY 2022**

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# PRESENTATION OUTLINE

Introduction

Overview of Maqasid al-Shariah

Overview of Digitalization and Digital Banking

Islamic Digital Banking

Conclusion

# INTRODUCTION

- Digitalization trends, to a certain extent, shape organizations and individuals in a similar way. The application of digitalization becoming widespread and is a necessity in a business today.



- Organizations that implemented a transformation towards the digital environment through digital technologies (Internet of Things, Cloud Computing, Big Data, Mobile and Social) can enhance business growth and open up new opportunities.
- Digital transformation had present challenges at multiple levels which are global supply chain processes, data governance, leadership, and how to integrate organizational transformation technologies.



# Maqasid al-Shariah

- Maqasid literally means intent, objective and purpose with a desire to create harmony with others; this relates to welfare, interest, or benefit.
- Shariah, literally translated means “the way”. The Shariah is a broad term for Islamic law in the sense of principles and rulings and represents the way to the one God (referred to as Allah by Muslims, the Creator and Sustainer of the Universe) and purity.



## Maqasid al-Shariah is Islamic legal doctrine for Muslim

Imam al-Ghazali  
(1058 – 111 CE)

Maqasid al-Shariah is to promote the well-being of all mankind, which is safeguarding their faith (*deen*), their self (*nafs*), their intellect (*a'qal*), their posterity (*nasl*) and their wealth (*mal*).

Al-Shatibi  
(1884)

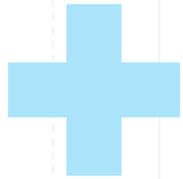
Maqasid al-Shariah is defined as the attainment of good, welfare, advantage, benefits and warding off evil, injury, loss of the creatures. The legal purposes of Islamic law "are the advantages intended by the law."

Shaykh  
Muhammad Al-  
Tahir Ibn Ashur,  
(2006)

Refers to the preservation of order, achievement of benefit and prevention of harm or corruption, establishment of equality among people, causing the law to be revered, obeyed and effective as well as enabling the ummah to become powerful, respected and confident.



Fulfil  
Maqasid  
Shariah



Non  
Shariah-  
Compliant

Possible?  
 $\sqrt{x}$



Not  
Meet/Fulfill  
Maqasid  
Shariah

Shariah-  
Compliant

Possible?

√/x



# Concept of Digital Banking

Generally, the digitization of all banking and finance activities and services that were previously solely available in bank branches is referred to as digital banking. For example, withdrawing funds, saving funds, transferring funds, and so forth.



Digital Banking is the use of technology to ensure seamless end-to-end (STP) processing of banking transactions/operations initiated by the client, ensuring maximum utility; to the client in terms of availability, usefulness, and cost; and to the bank in significant reductions operating costs, zero errors, and enhanced services-Stanley Epstein (2017)



- The adoption of Islamic digital banking is evolving in order to address Muslims' desires for the digitization of Islamic financial institutions' goods and services.



The Islamic financial institutions' goods and services continue to challenge and adapt to the expectations of clients who are accepting of new technology in exploiting market opportunities while preventing market gaps for the underserved and unserved groups. Islamic digital banking growth should be in line with Shariah's objectives- Muhammad Ridhwan Ab.

Aziz and M. Zakirul Izat (2021)



- Digital banking is the digitization (or moving online) of all the traditional banking activities and programs services that available to customers when physically inside of a bank branch.
- Including activities:
  - ✓ Money deposits
  - ✓ Withdrawals and transfers

The changing drastically of information and communication technology in banking lead the banks' performance and no longer solely dependent on branch sales (Mbama & Cajetan, 2018).

Digital banking causes many banks are downsizing their physical operations in which bank customers are relying less on physical locations (K.Loh, 2020)



# Digital banking offers:



- Reduction of cost

- Greater financial inclusion

- Reachable to the customers

(K.Loh, 2020)

Digital banking refers to the use of technology to conduct banking transactions in a smooth manner (Varda Sardana and Shubham Singhania, 2018).

It, therefore, includes commonly used terms such as:

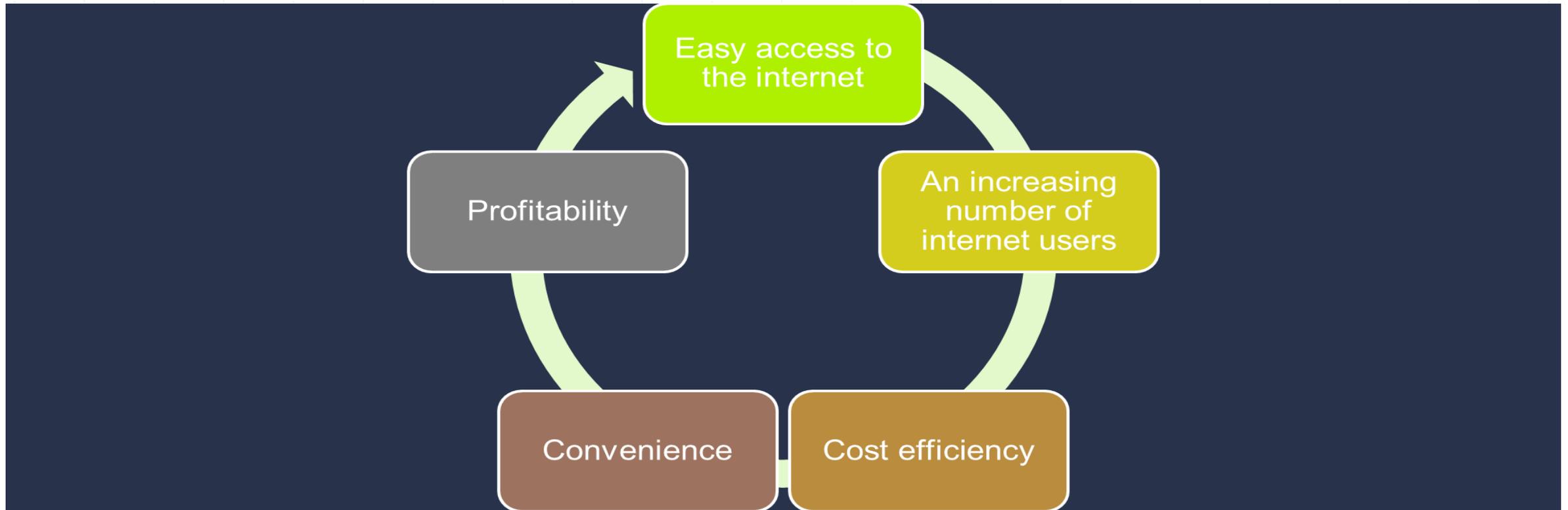
Electronic banking

Internet banking

Online banking



# The factors that encouraged the banks to adopt digital banking



Research FRGS:  
*Developing Shariah-Compliant  
Digital Banking within Maqasid  
al-Shariah Framework for  
Financial Inclusion*



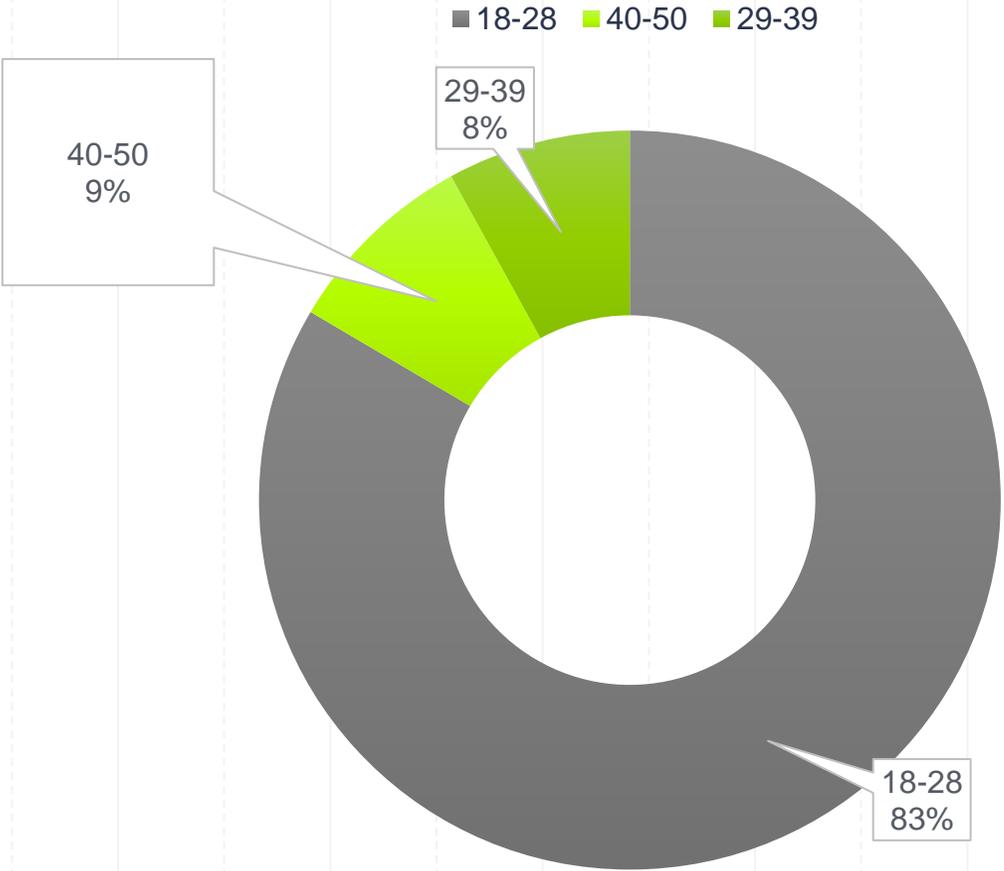
# Demography

1



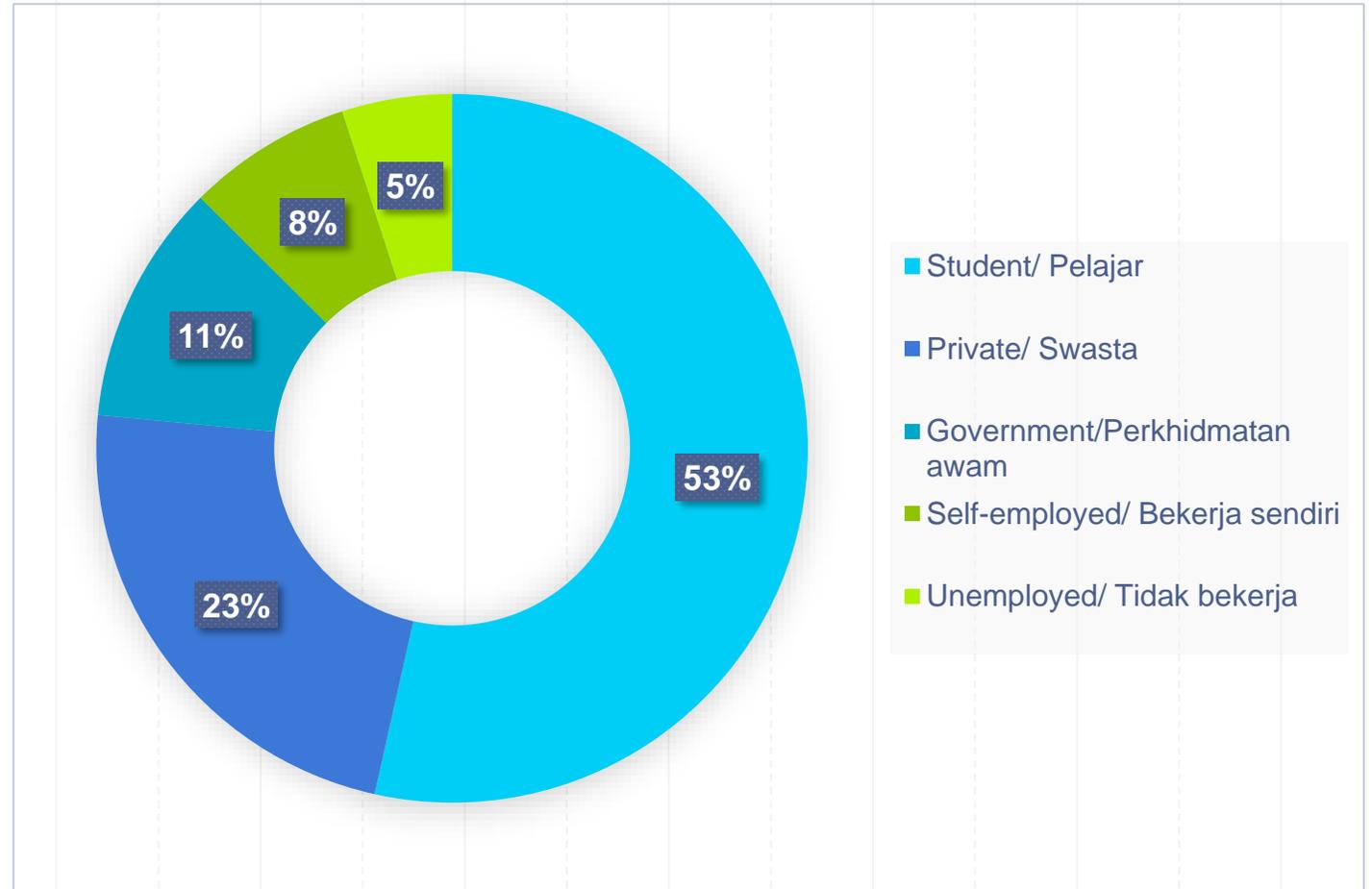
# Age

The majority of the respondent are from the level of age between 18-28 which is 83 %.



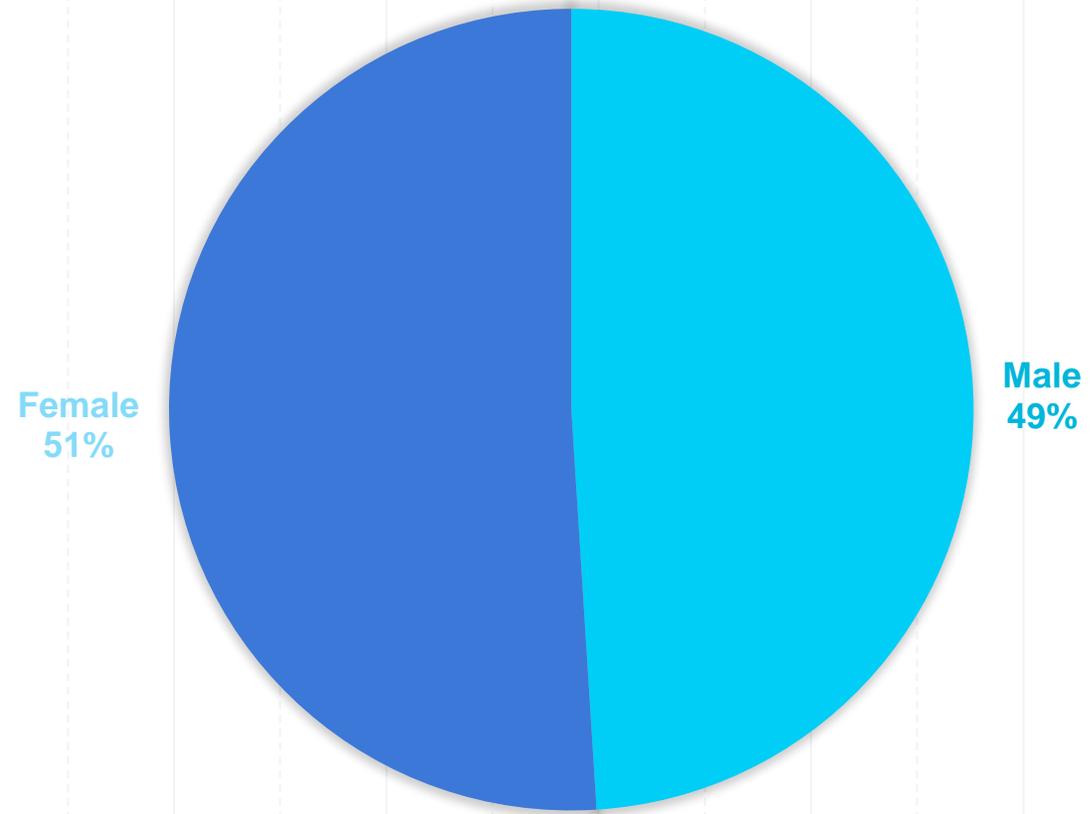
# Occupation

There are more than half of the respondents among the students 53%.



# Gender

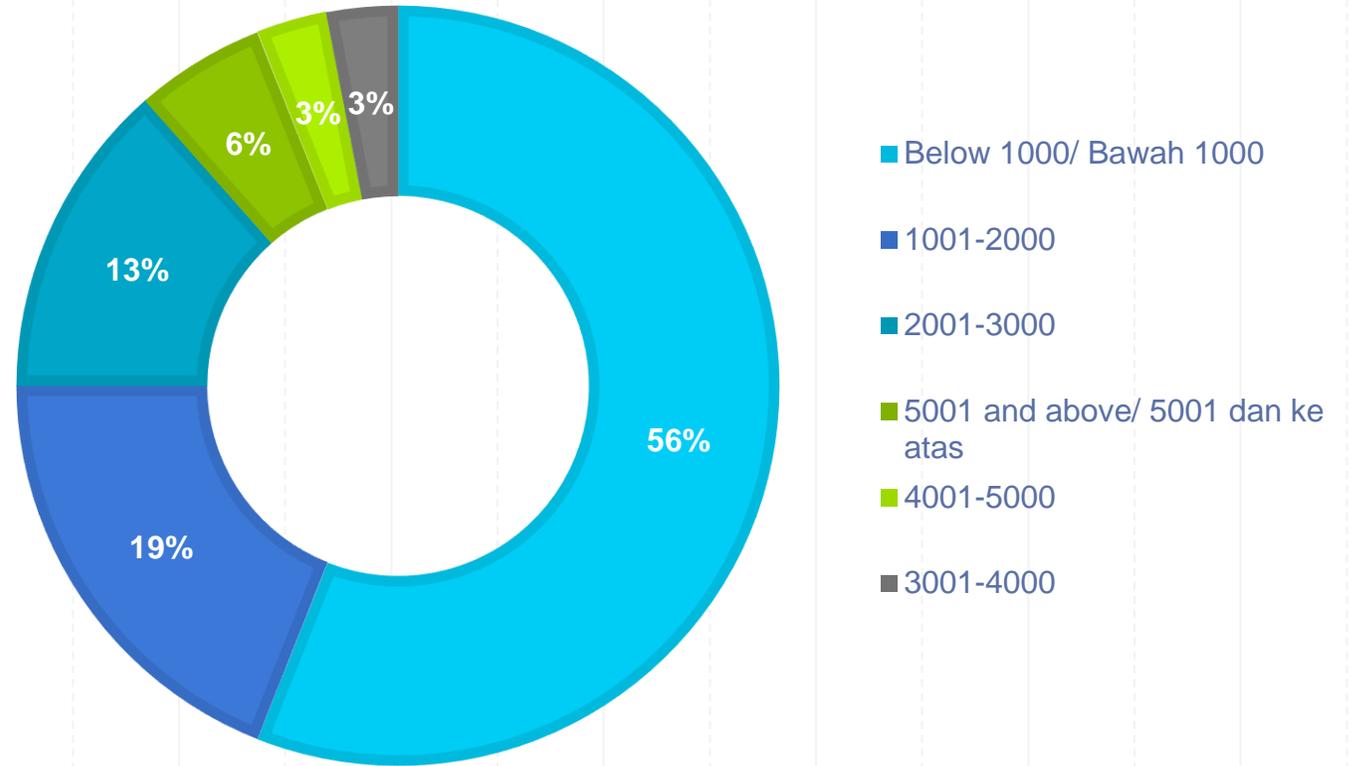
The majority of respondents is “female” compared to male.



■ Male ■ Female

# Monthly Income

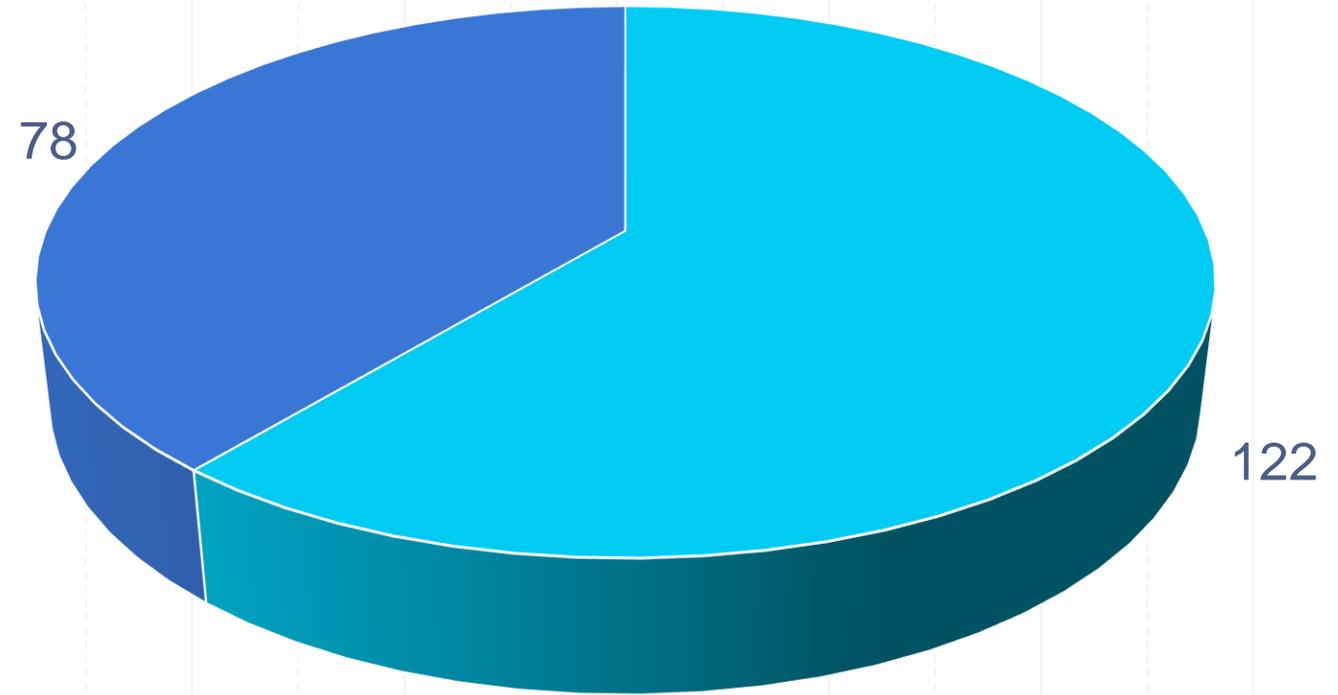
The greater percentage of the respondent comes from level of income below RM 1,000, which is 56%.



# Location of the Respondent

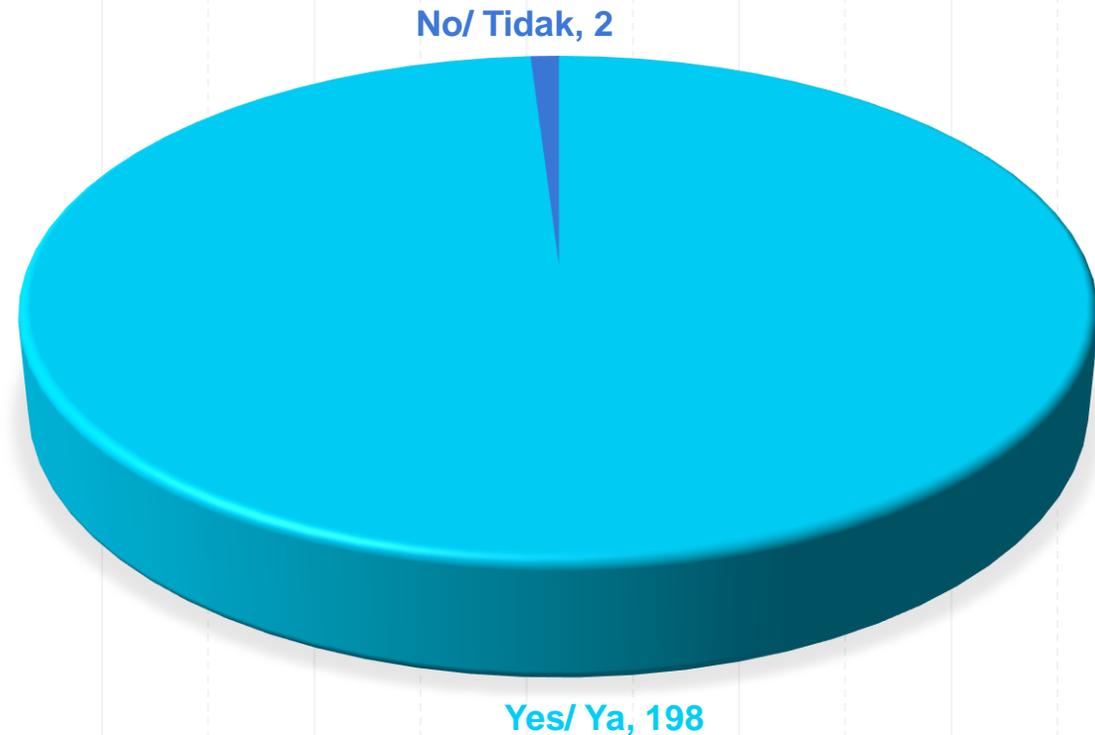
■ Urban ■ Rural

Majority of the respondents live in urban area.



# Accessibility of the Respondent

Majority of the respondents have devices for internet accessibility.

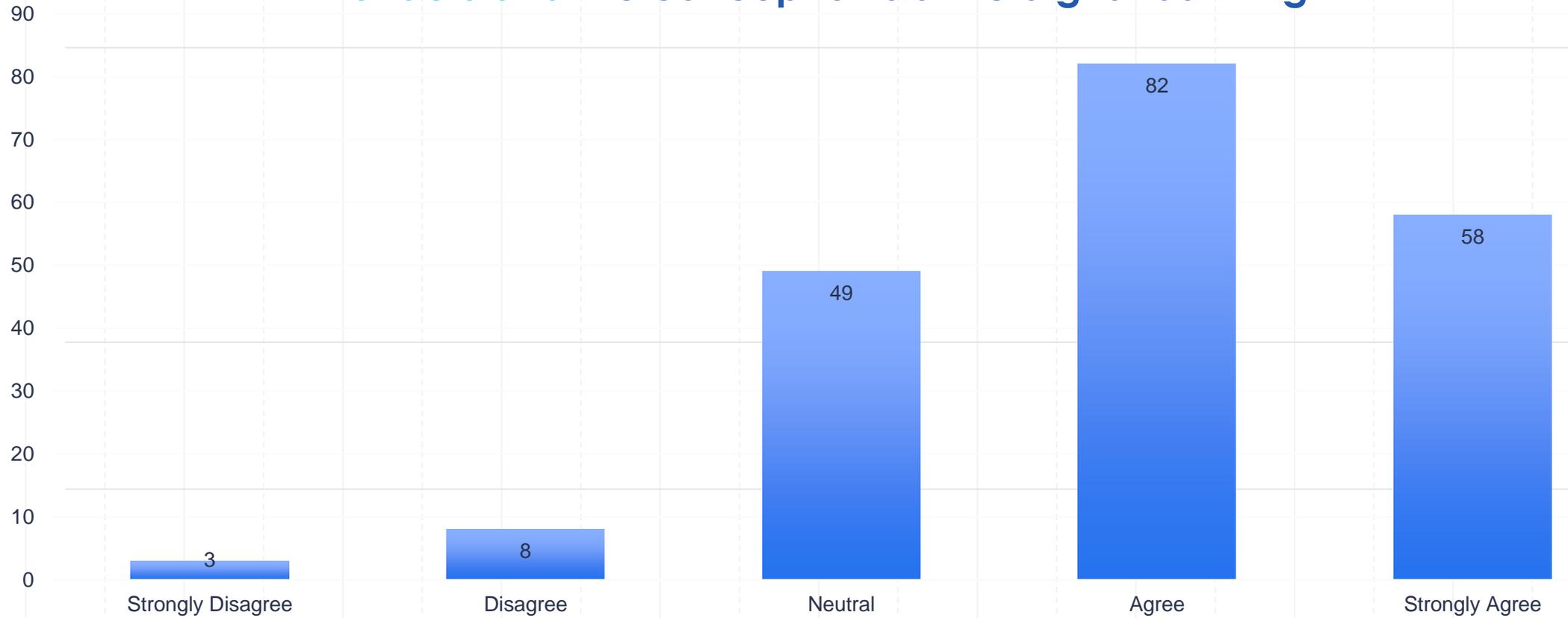


# The Concept of Islamic Digital Banking

# 2

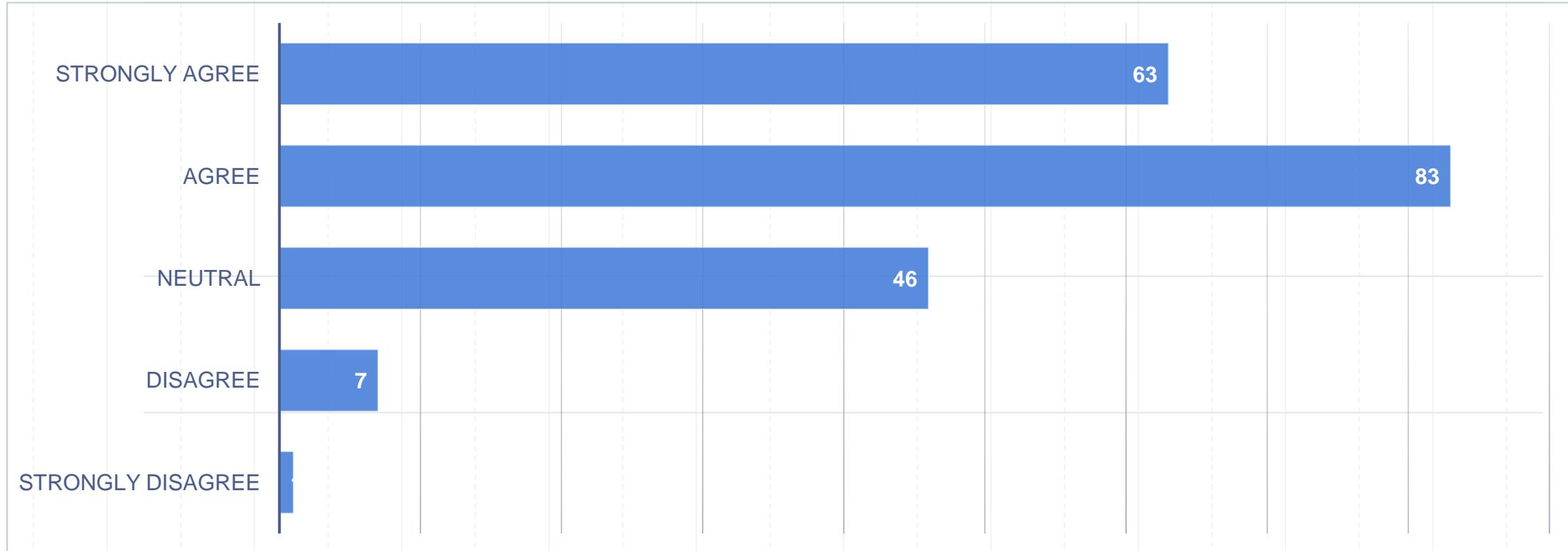


## I understand the concept of Islamic digital banking



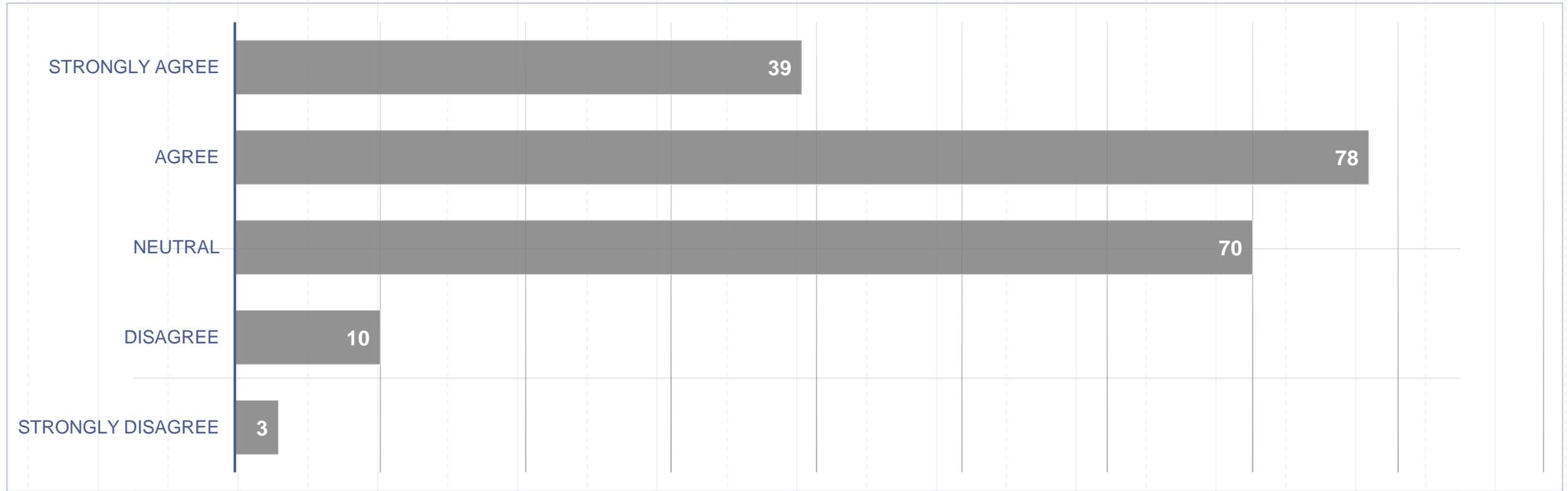
Majority of the respondents understand the concept of Islamic digital banking

# I understand Islamic digital banking is carried on wholly or almost wholly through digital or electronic means



Majority of the respondents agree and understand that Islamic digital banking is carried on wholly or almost wholly through digital or electronic means.

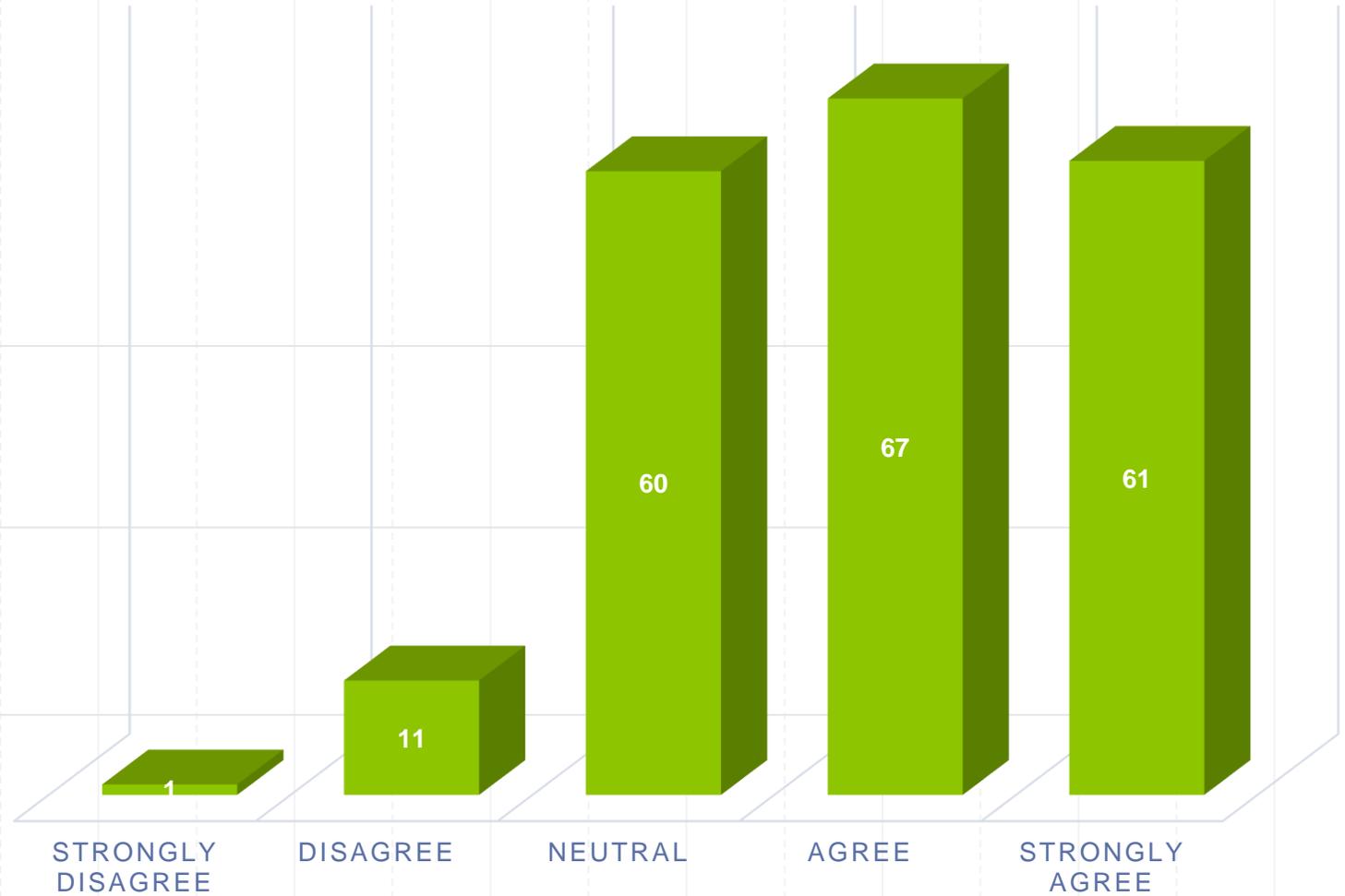
# Islamic digital banking transaction is different from online banking transaction



Majority of the respondents agree that Islamic digital banking transaction is different from online banking transaction. While 70 respondents is neutral about this statement.

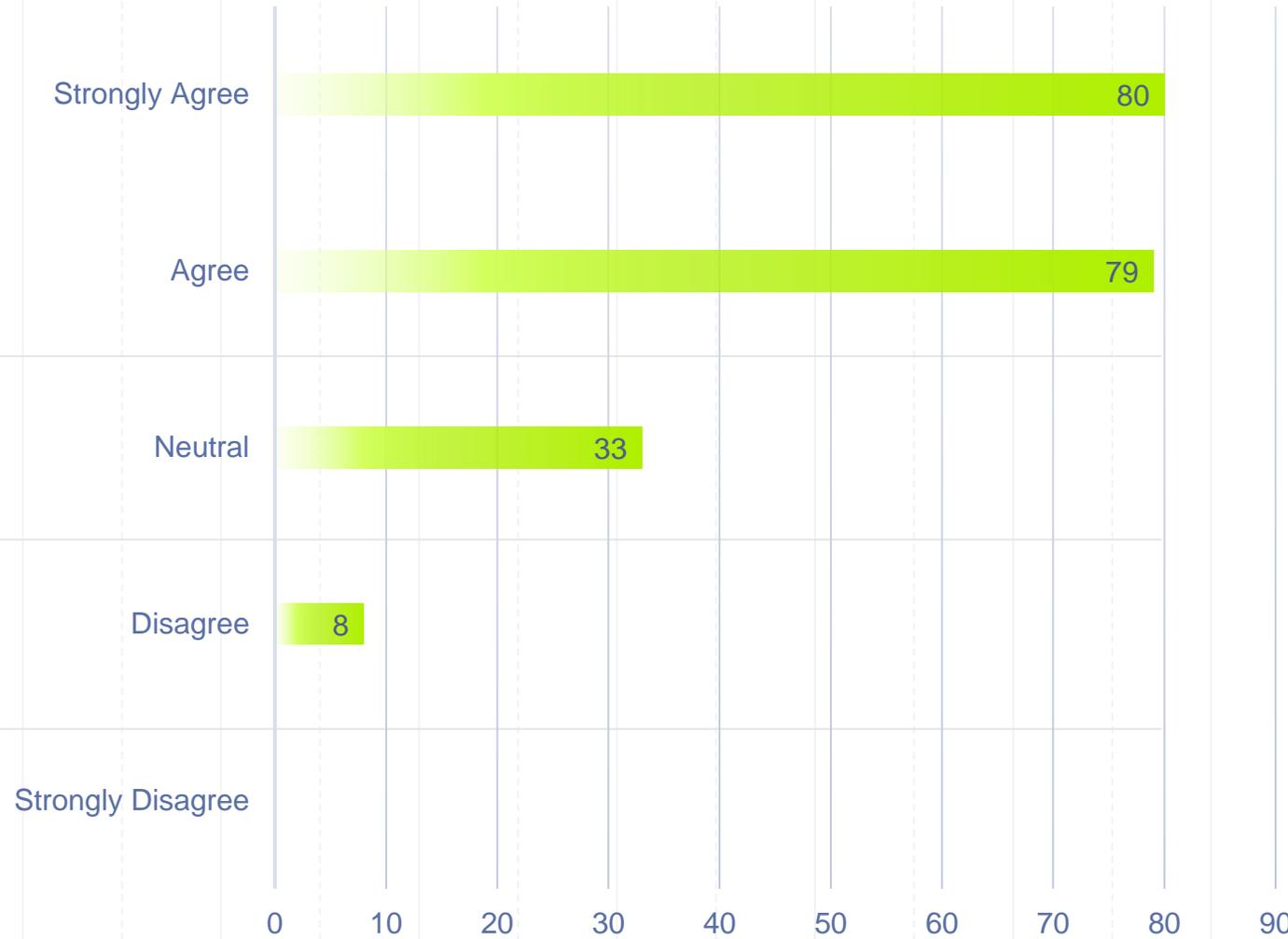
# I prefer Islamic digital banking than online banking transaction

Majority of the respondents prefer Islamic digital banking than online banking transaction. While only one respondent disagree about this statement.



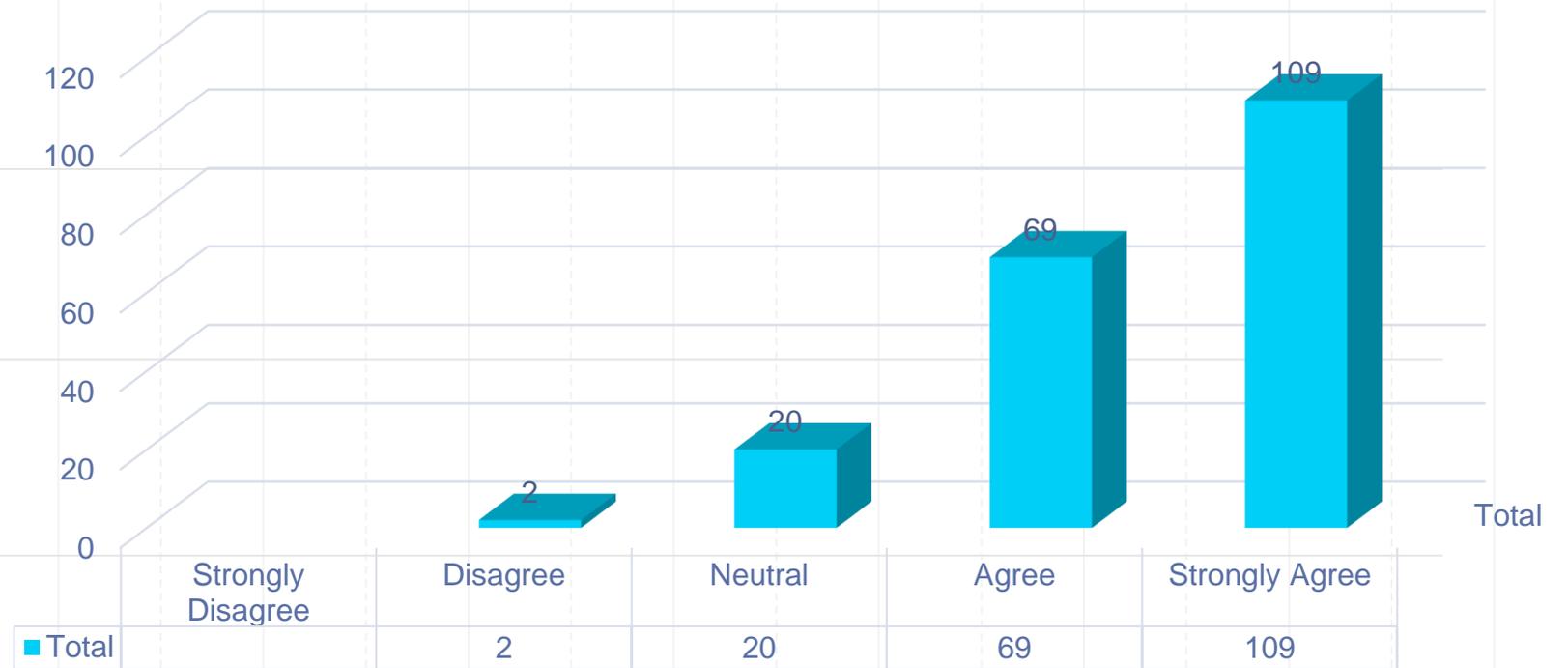
## I understand the concept of Maqasid al-Shariah

Majority of the respondents strongly agree and understand the concept of Maqasid al-Shariah. There are only 8 respondents disagree about this statement.



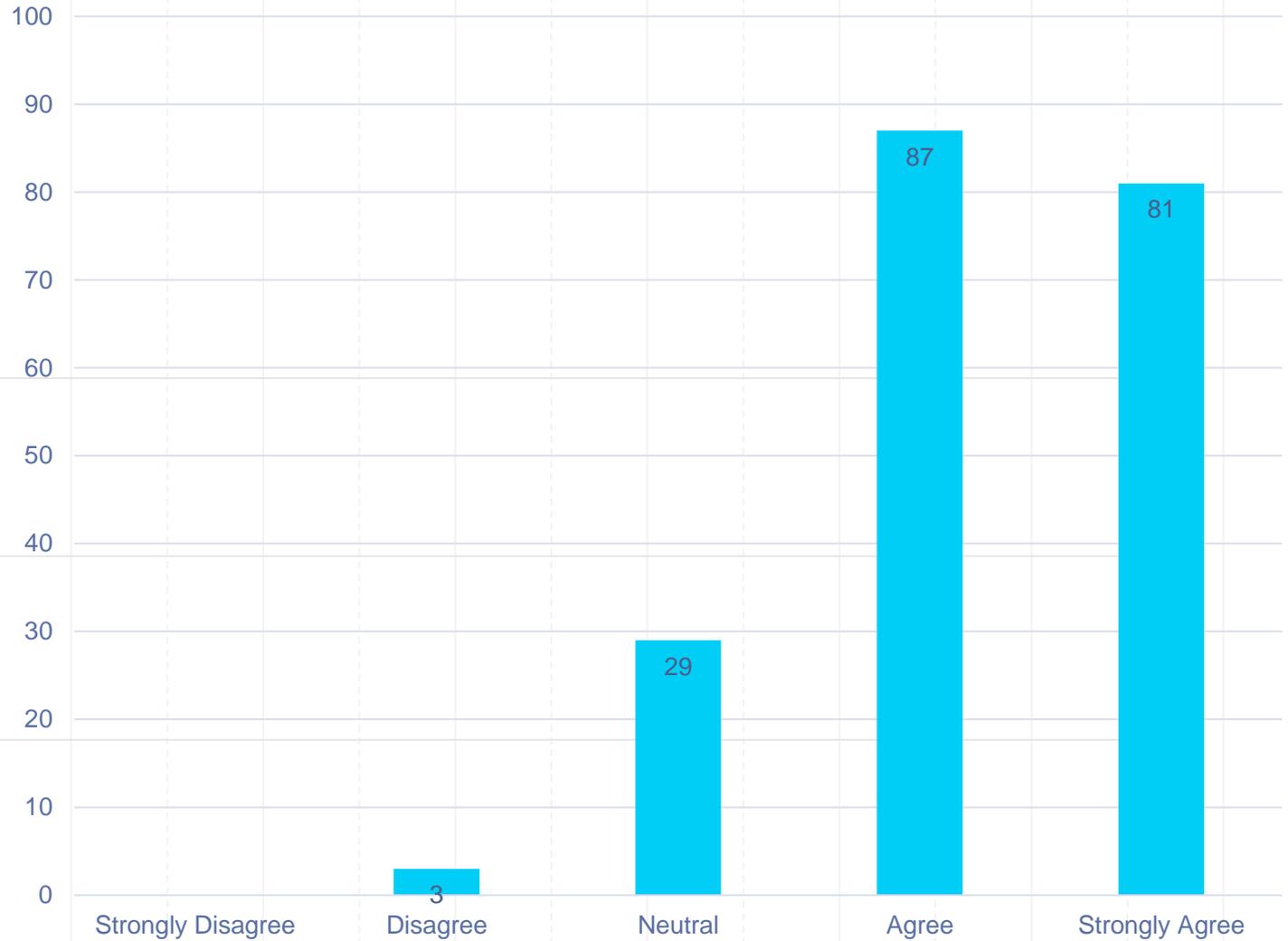
# Maqasid al-Shariah is to realize good deed while at the same time avoid the bad deed or getting benefit and refusing disadvantage

There are greater number of the respondents strongly agree with this assertion in which 109 respondents while 2 of them disagree about this assertion.



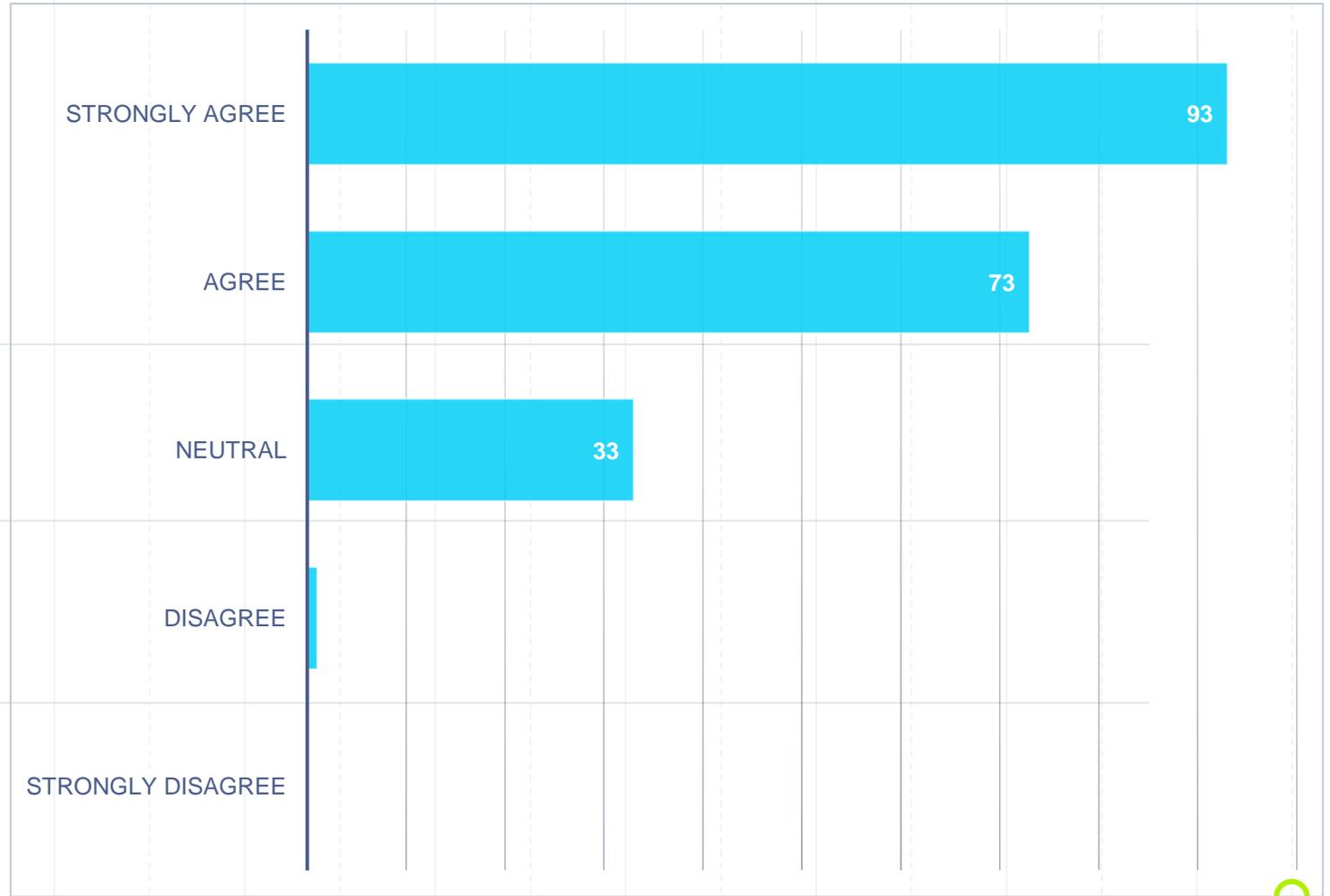
## Islamic digital banking is in line with Maqasid al-Shariah

There are greater number of the respondents agree that Islamic digital banking is in line with Maqasid al-Shariah while 3 of them disagree about this assertion.

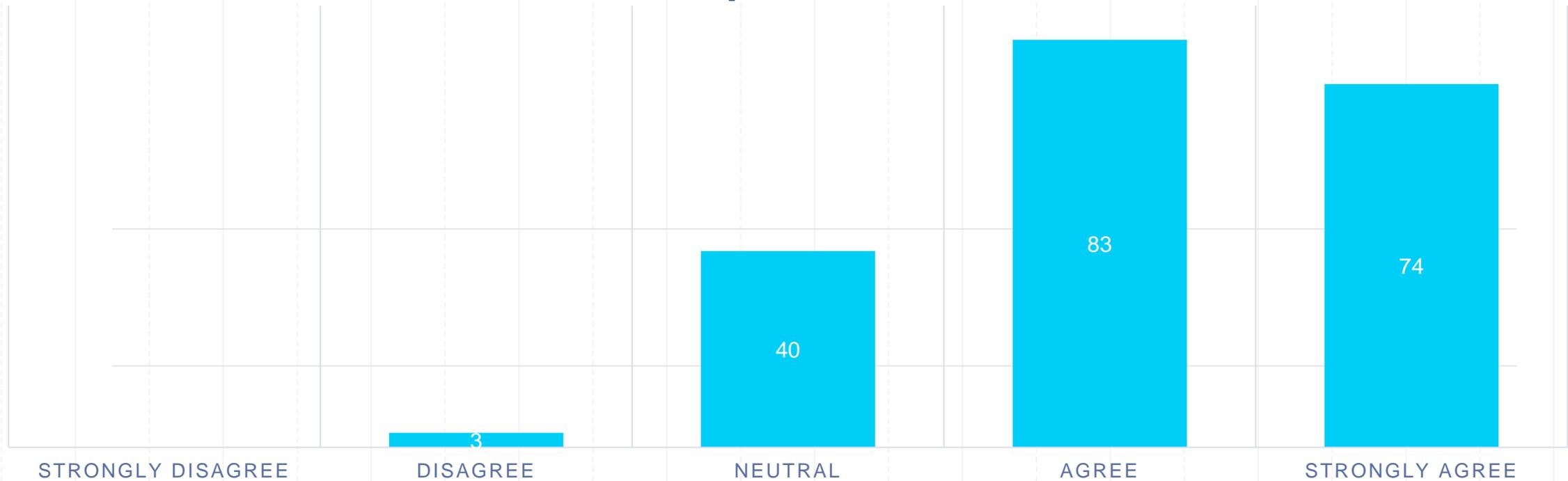


# I expect that Islamic digital banking will comply fully with Shariah

The majority of the respondents strongly agree and expect that Islamic digital banking will comply fully with Shariah.

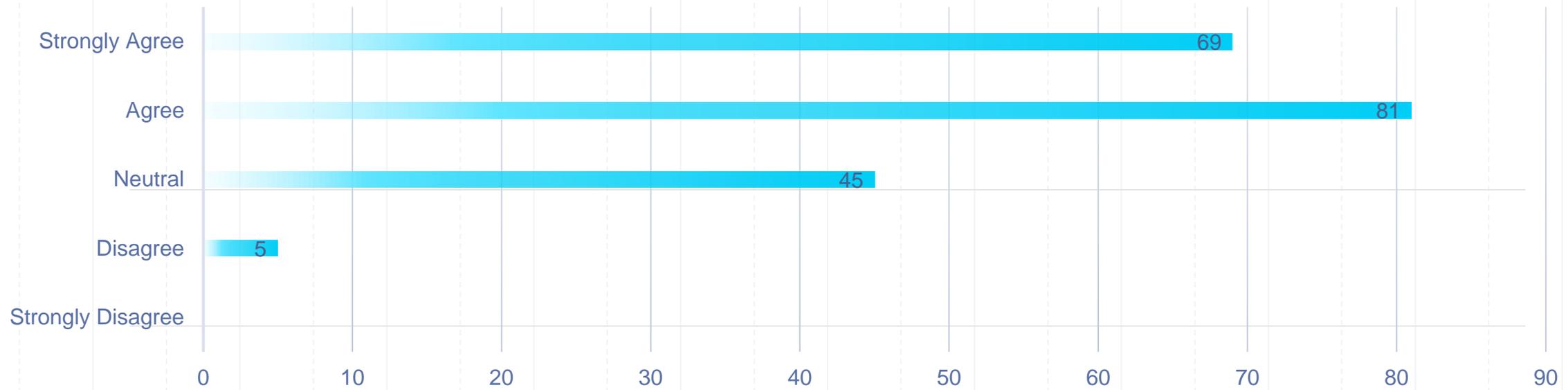


# Islamic digital banking services able to facilitate underserved customer (B40) for the shariah compliant financial transaction based on Maqasid al-Shariah



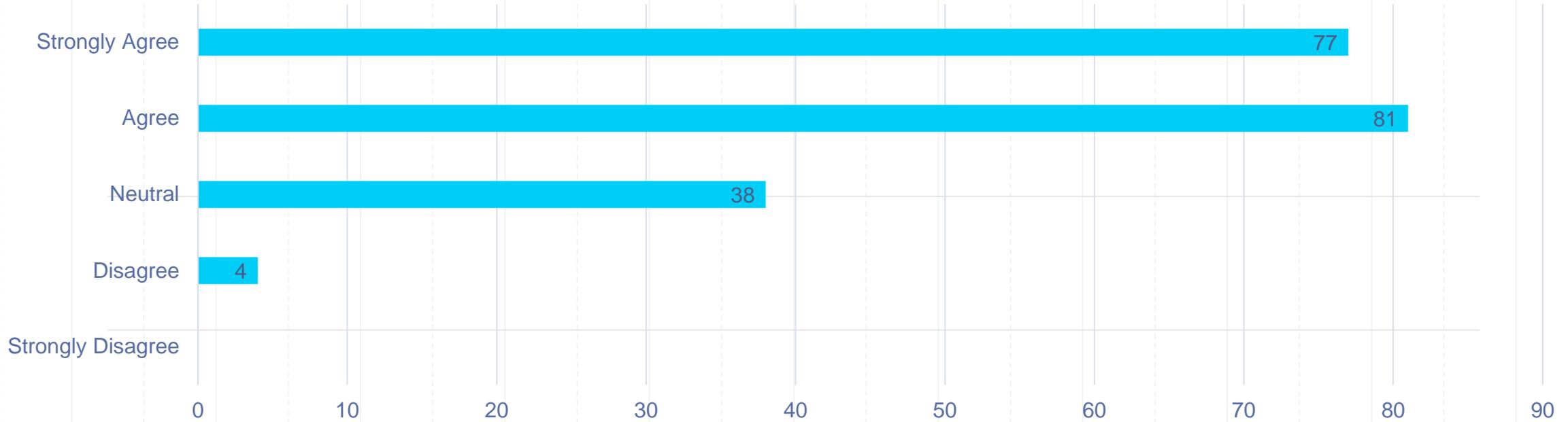
● Majority of the respondents agree that Islamic digital banking services able to facilitate underserved customer (B40) for the shariah compliant financial transaction based on Maqasid al-Shariah.

# Islamic digital banking is one way to provide financial services to the underserved (B40)



● Majority of the respondents agree that Islamic digital banking is one way to provide financial services to the underserved (B40). While there are 5 respondents disagree with this statement.

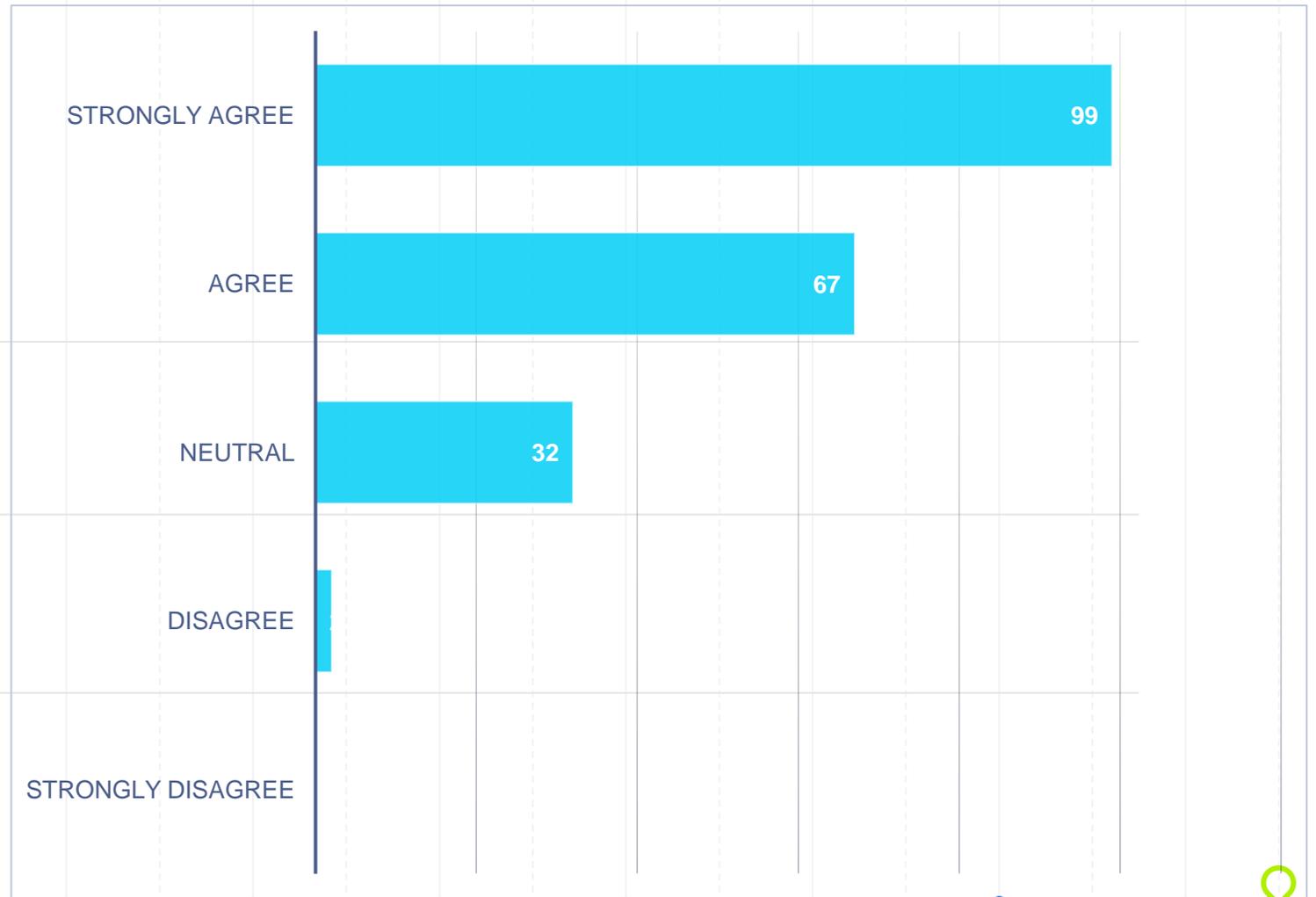
# Islamic digital banking is the key financial solution for improving financial inclusion



There are greater number of the respondents agree that Islamic digital banking is the key financial solution for improving financial inclusion while 4 of them disagree about this statement.

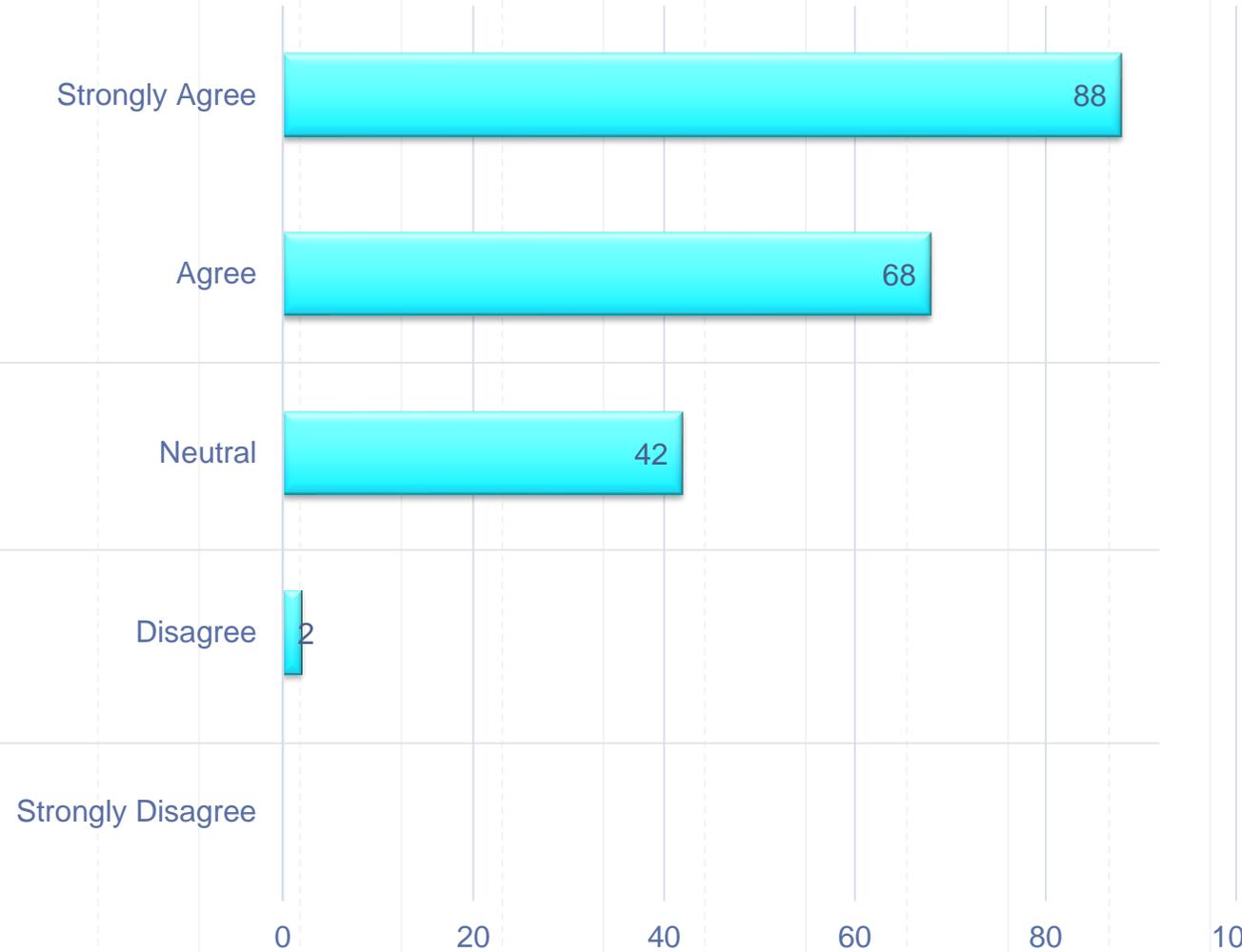
# With the digital banking services, I expect that banking transaction is quicker than traditional services

There are 99 respondents in which majority respondents agree that, with the digital banking services, the banking transaction is quicker than traditional services and it.

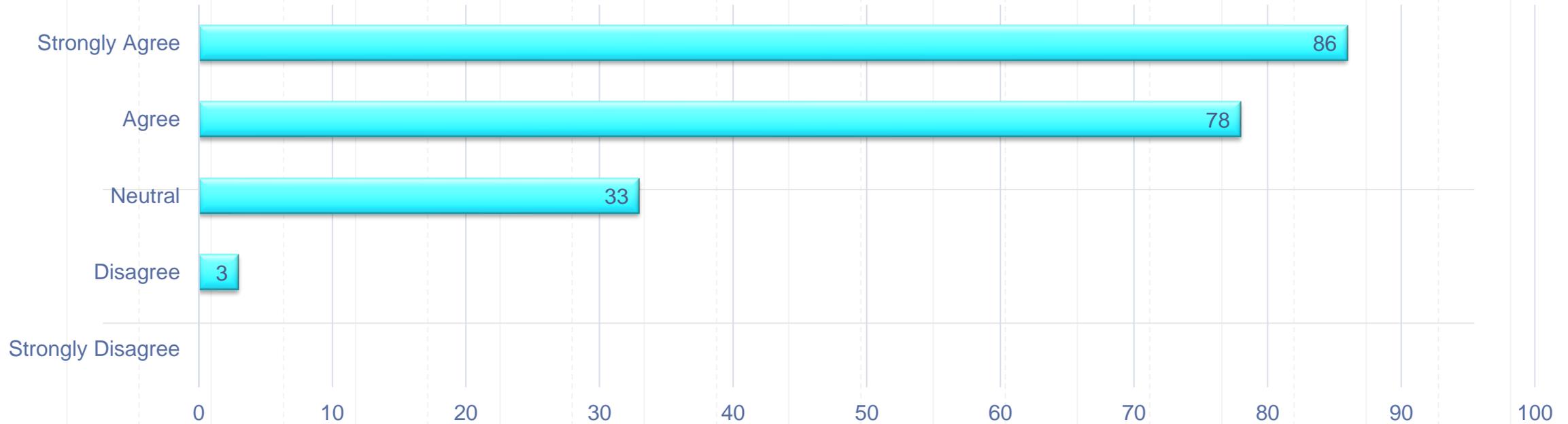


# Islamic digital banking saves my time

There are 88 respondents in which majorly strongly agree that Islamic digital banking saves their time. Meanwhile, 42 respondents are neutral with this statement.



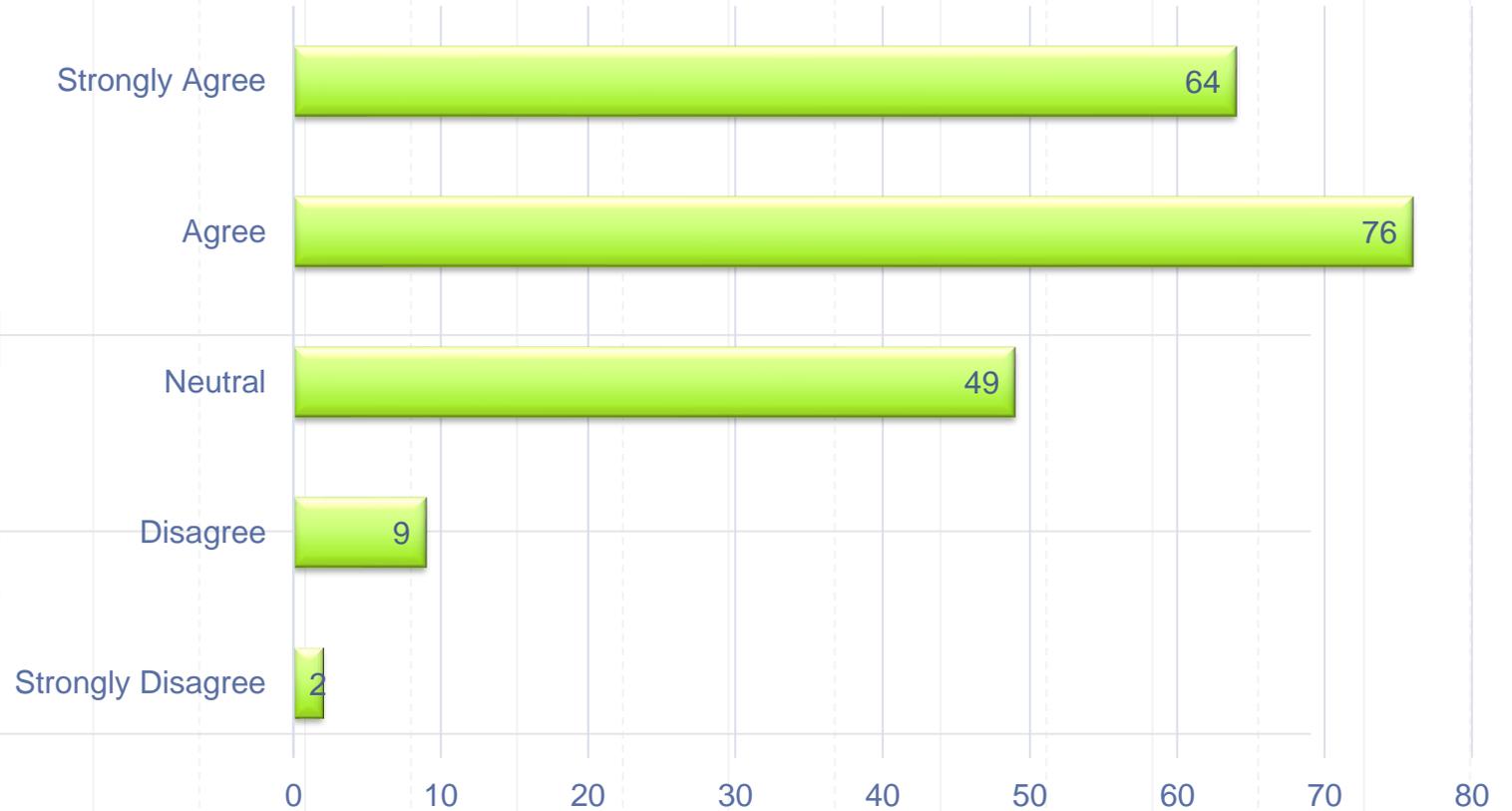
# Islamic digital banking services make it easier to control my personal banking



● The largest number of respondents are strongly agreed that Islamic digital banking services make it easier to control their personal banking while 3 of them are disagreed.

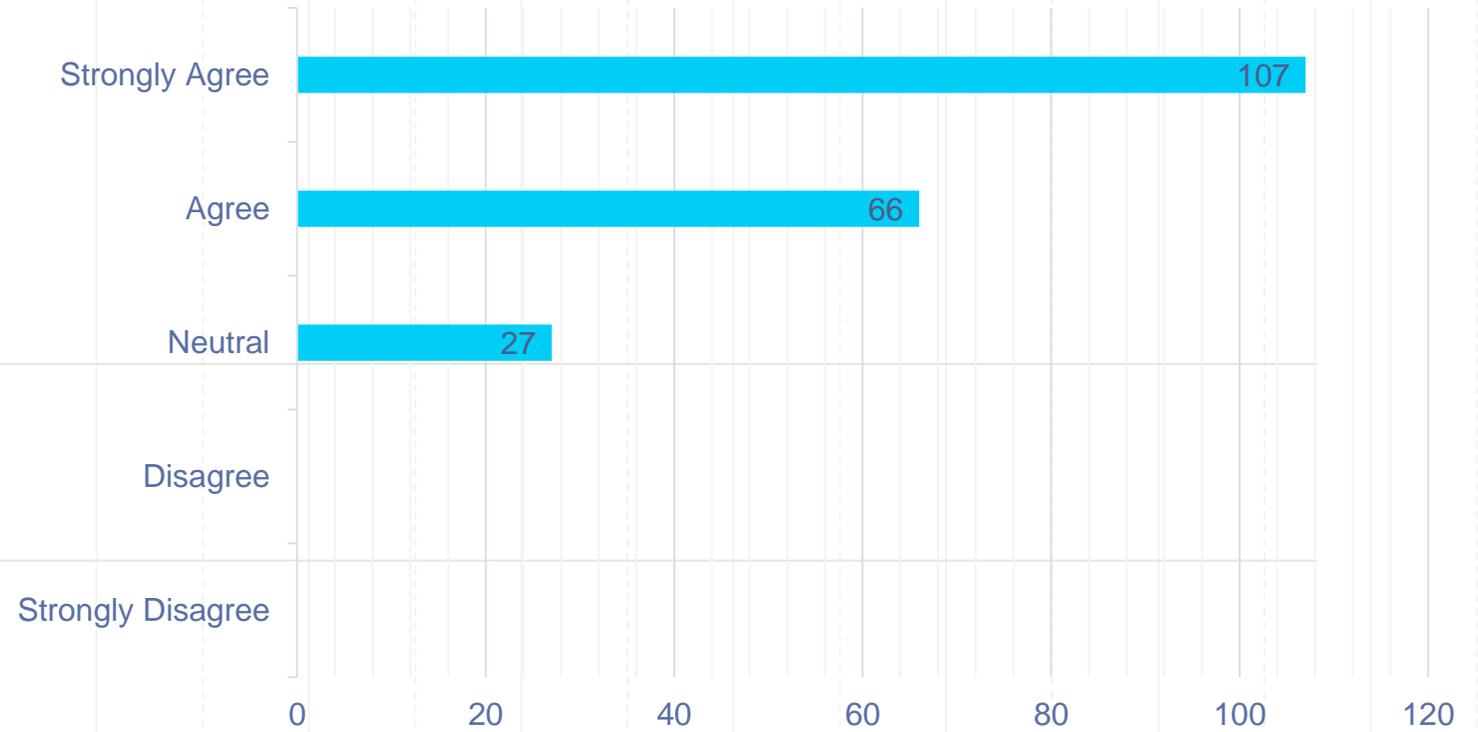
# Without Islamic digital banking services, life would be more difficult

● The majority of the respondents agree that, without Islamic digital banking services, life would be more difficult. While there are 49 respondents are neutral.

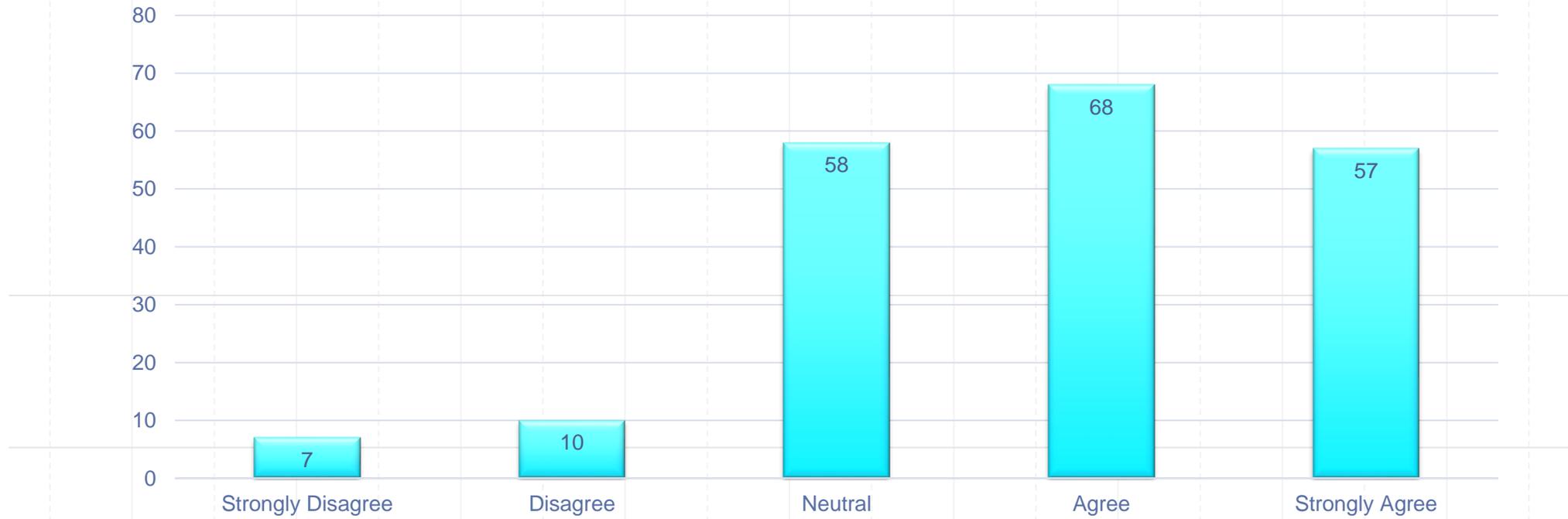


# Islamic digital banking services are useful

● The greater number of the respondents strongly agree that Islamic digital banking services are useful. Meanwhile there are 27 respondents are neutral.

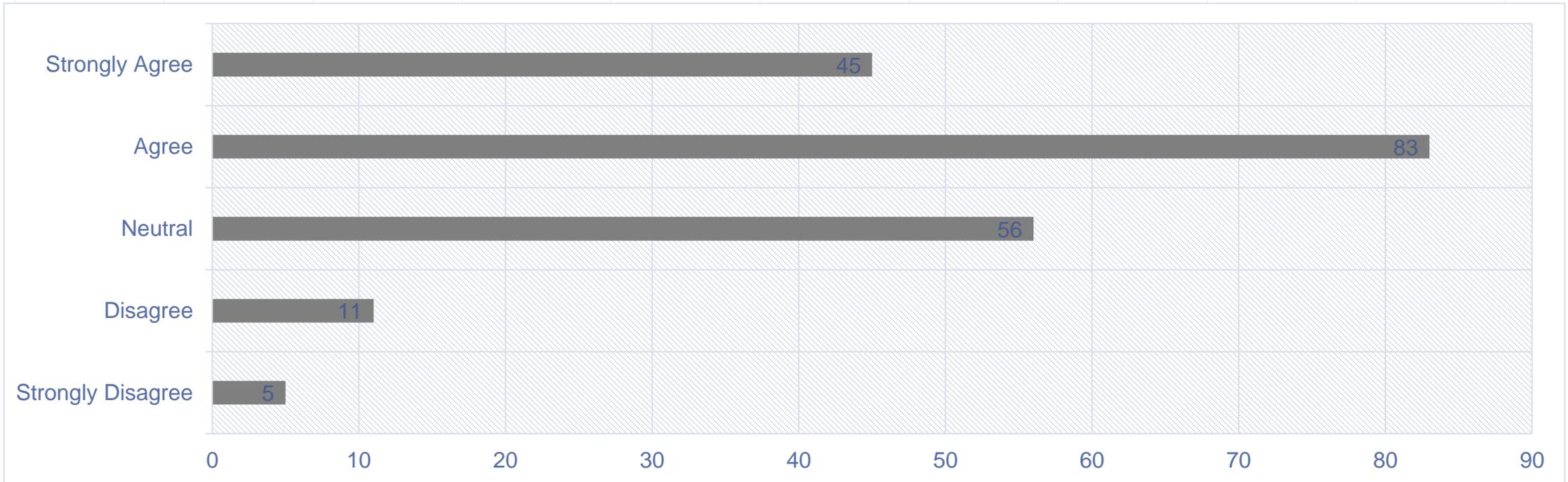


# The use of Islamic digital banking services does not require any special digital skill



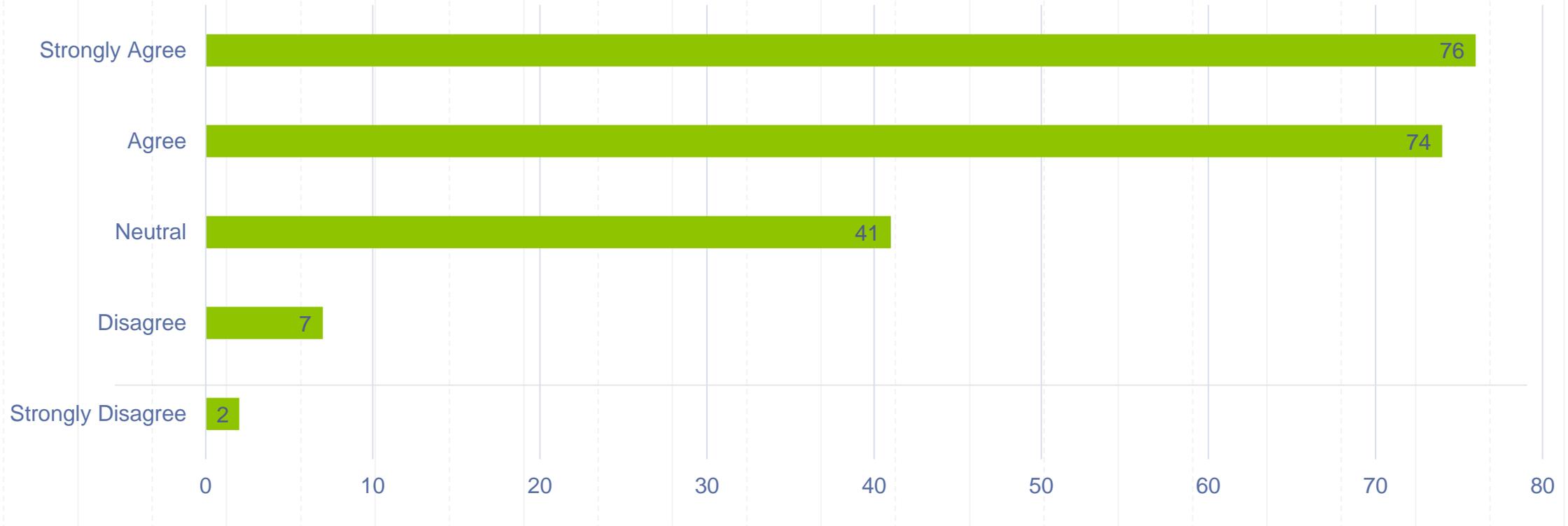
●The largest number of respondents are agreed that the use of Islamic digital banking services does not require any special digital skill while 7 of them are strongly disagreed with this statement.

## I know the features and benefits of Islamic digital Banking



● The majority of respondents are agreed that they know the features and benefits of Islamic digital banking while 5 of them are strongly disagreed.

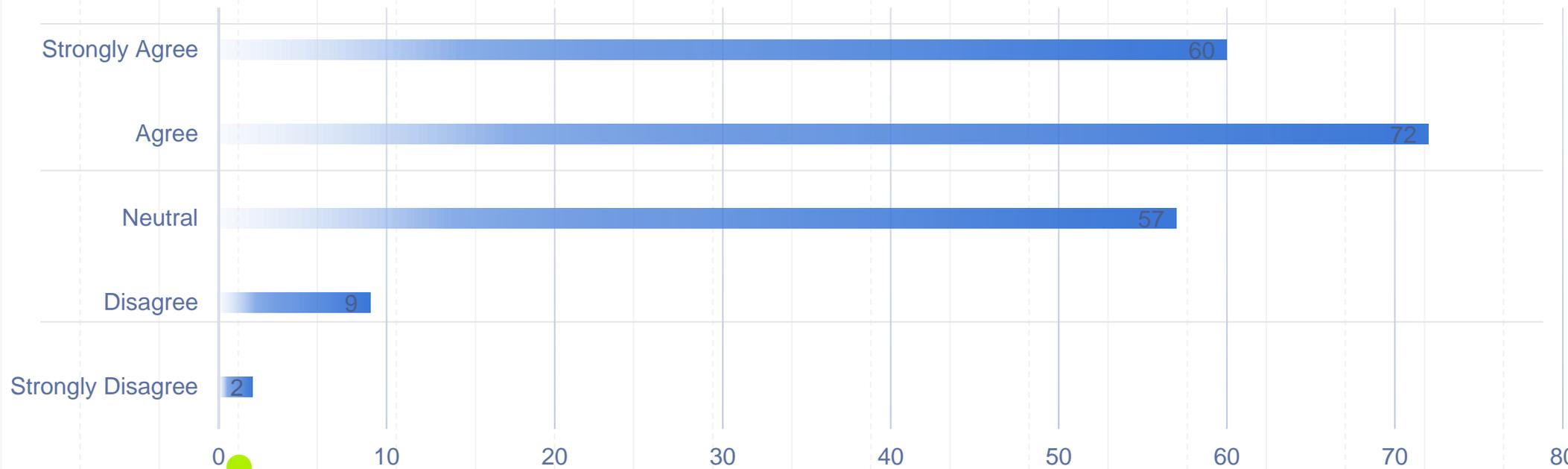
# There is enough information out there about Islamic digital banking if I wanted to learn or know more about it



● The majority of respondents are strongly agreed that there is enough information out there about Islamic digital banking if they wanted to learn or know more about it.

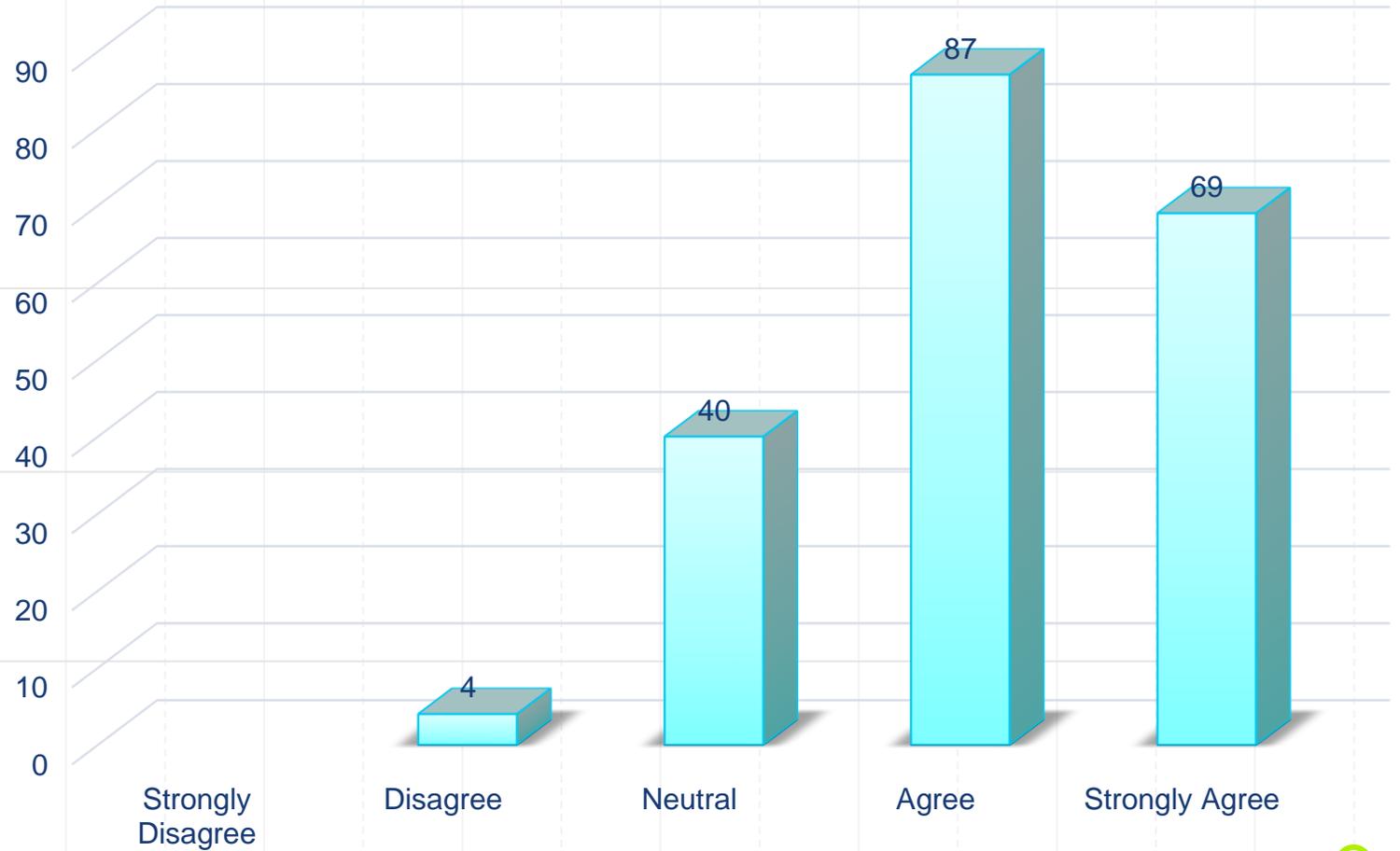
# I know what services and functionality I could find and use on Islamic digital banking

● The largest number of respondents are agreed that they know what services and functionality they could find and use on Islamic digital banking. Apart from that, there are 57 respondents are neutral.



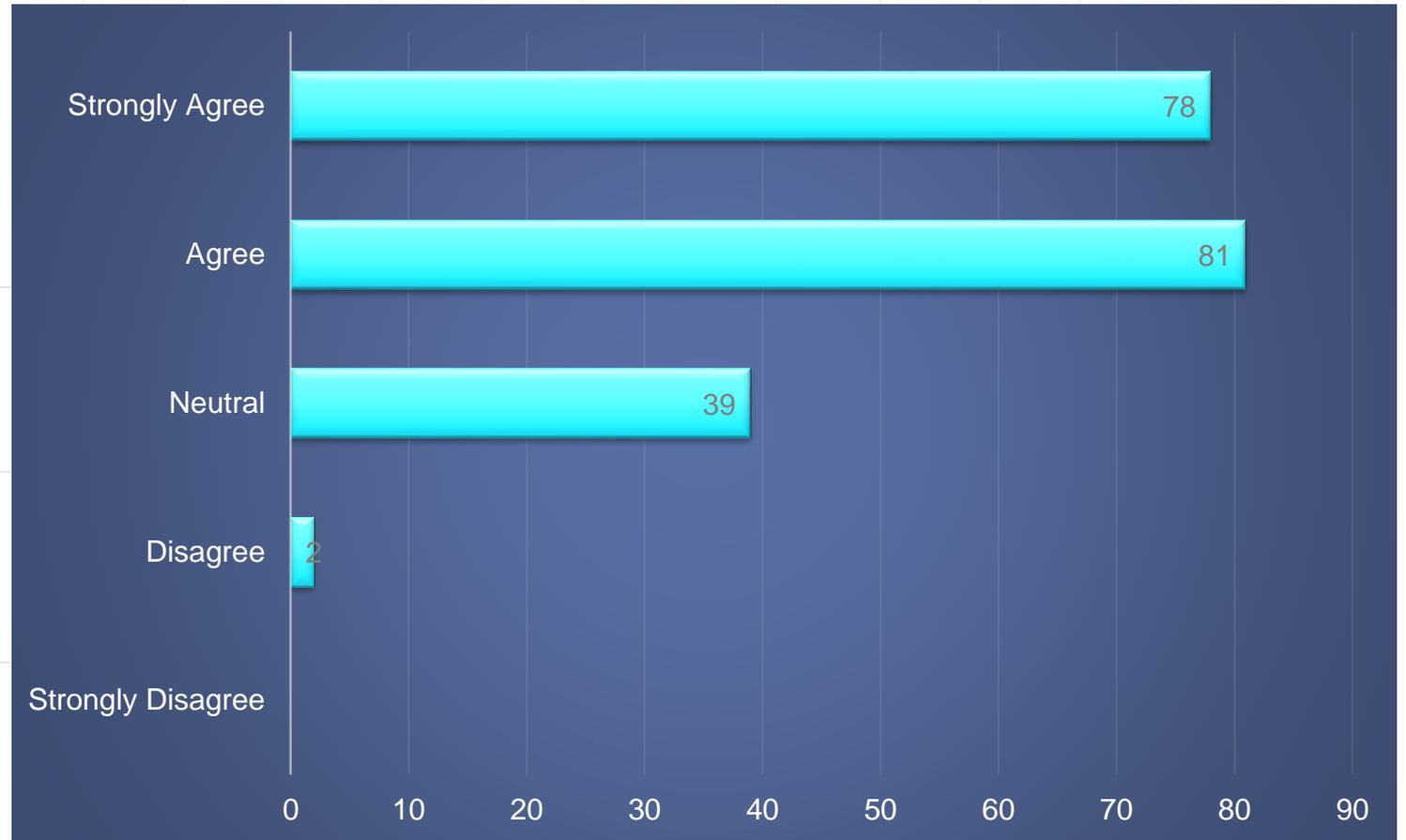
# Islamic digital banking services are useful

●The greater number of the respondents in which 87 respondents agree that using Islamic digital banking services would offer a better way to transact. Meanwhile there are 40 respondents are neutral.



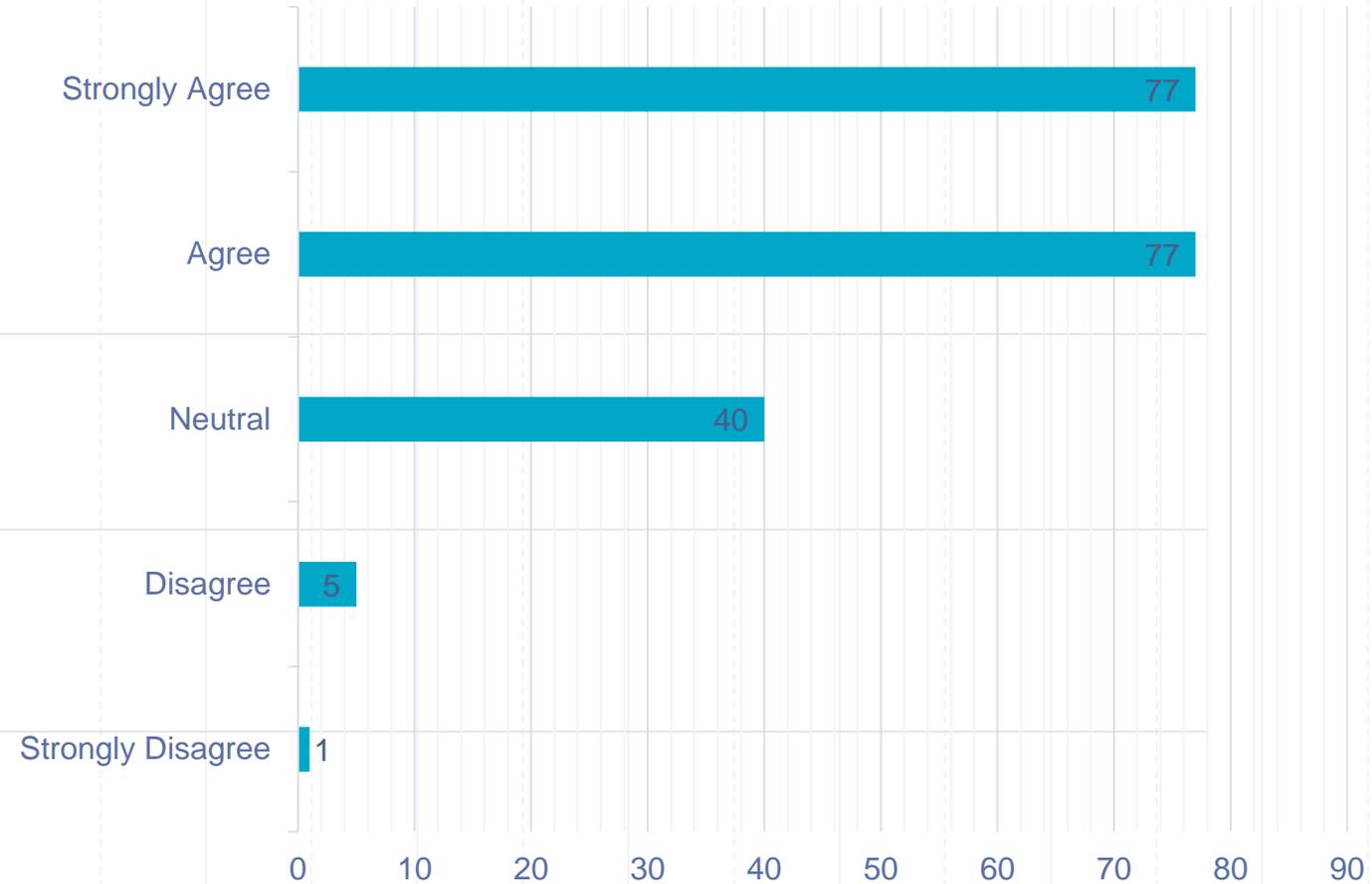
# Using Islamic digital banking services would offer me a better way to keep up with my finances

●The majority of the respondents in which 81 respondents agree that Using Islamic digital banking services would offer them a better way to keep up with their finances. Meanwhile there are 2 respondents are disagreed about this statement.

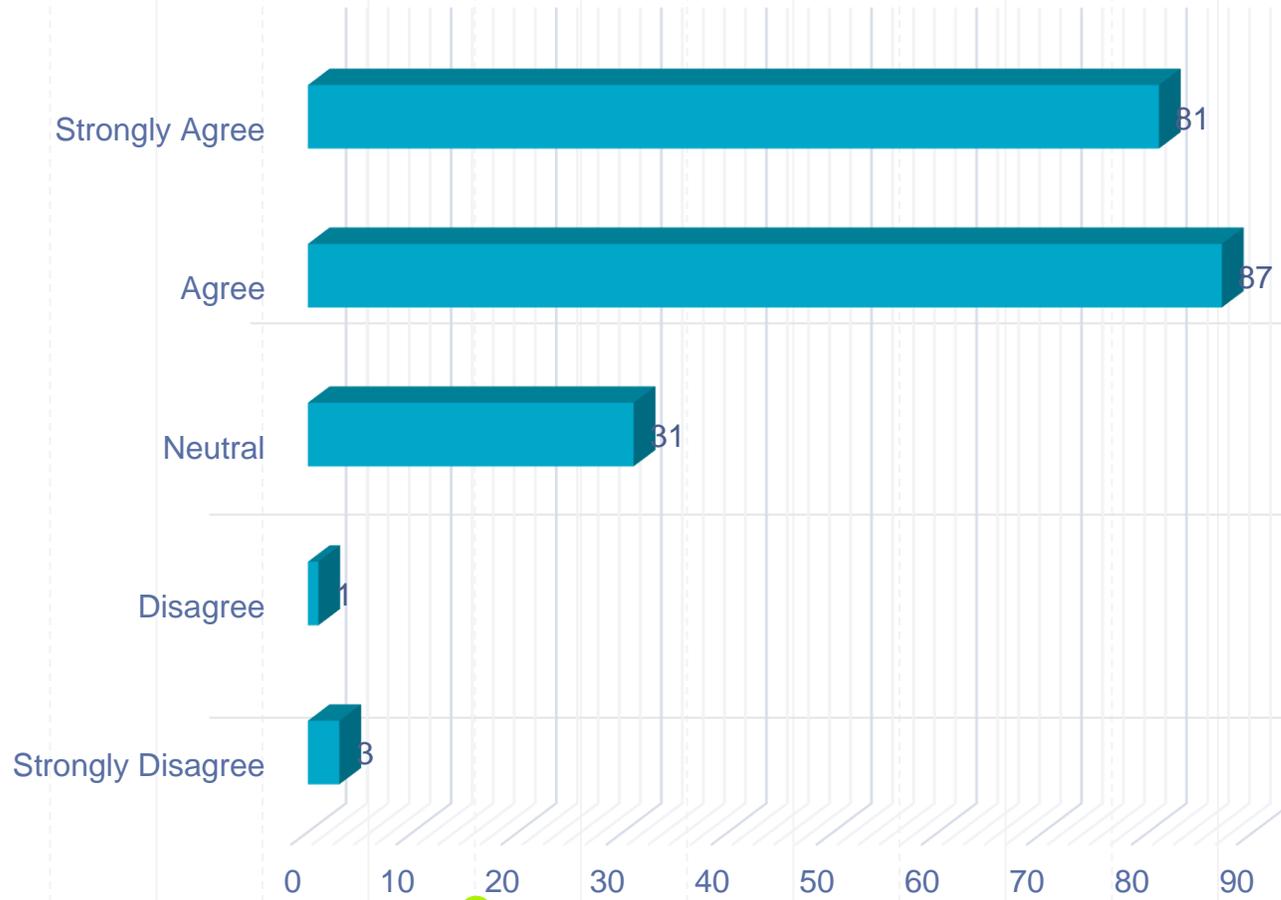


## There are no limitations to what I can use Islamic digital banking for

There are majorly equivalent number of the respondents are strongly agreed and agreed with this assertion in which both are 77 respondents. Meanwhile there are 40 respondents are neutral.

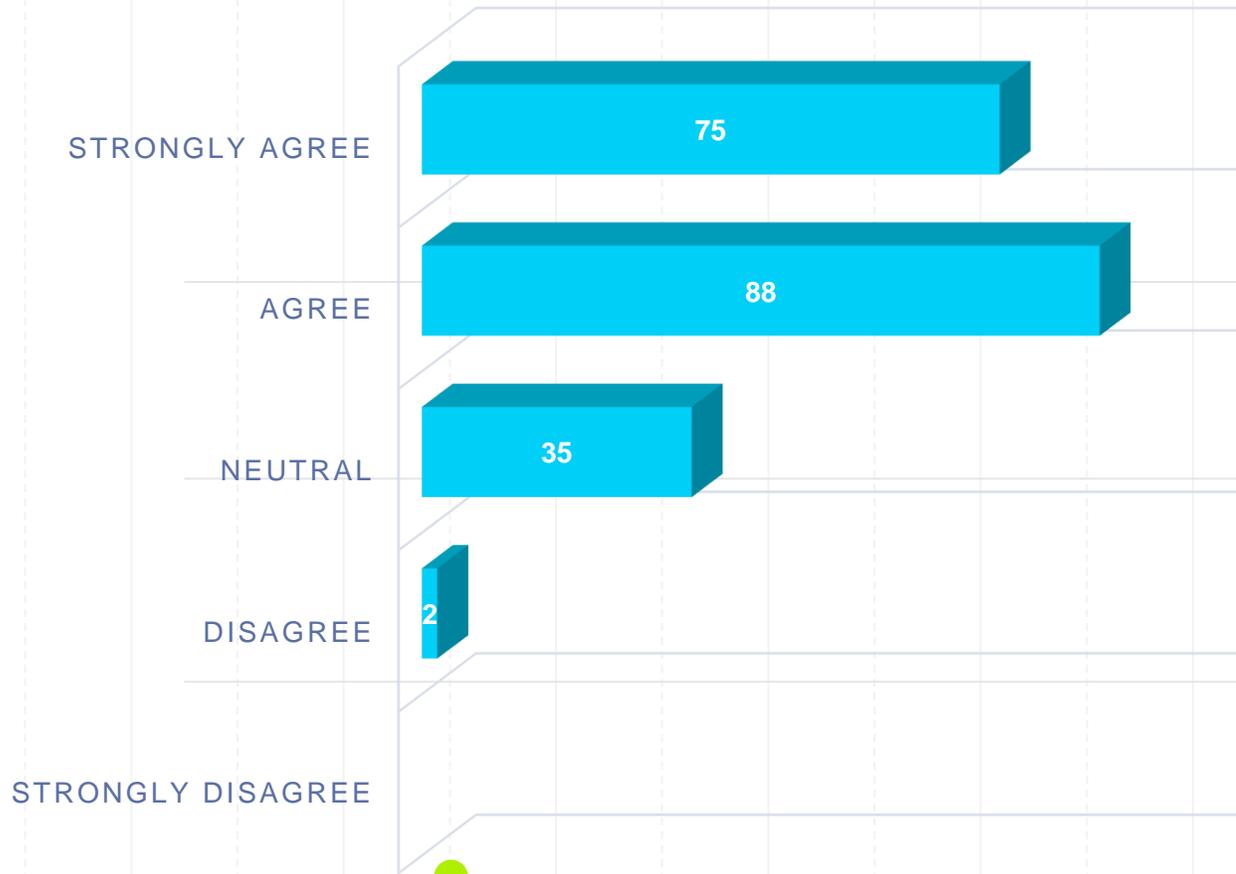


# I feel that using Islamic digital banking is/would be beneficial to me as customer/potential customer



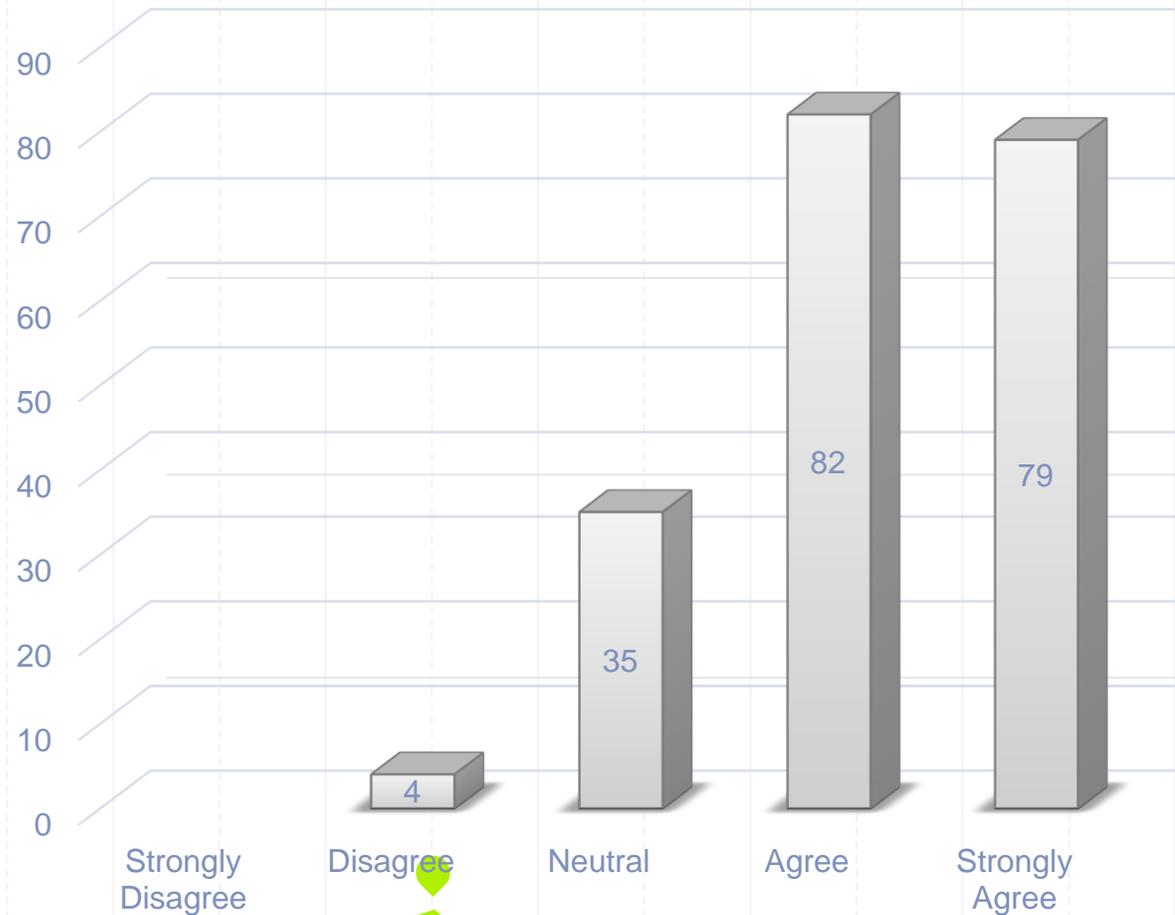
● The majority of the respondents agree and feel that using Islamic digital banking is/would be beneficial to them as customer/potential customer.

# I feel that Islamic digital banking appears to be practical



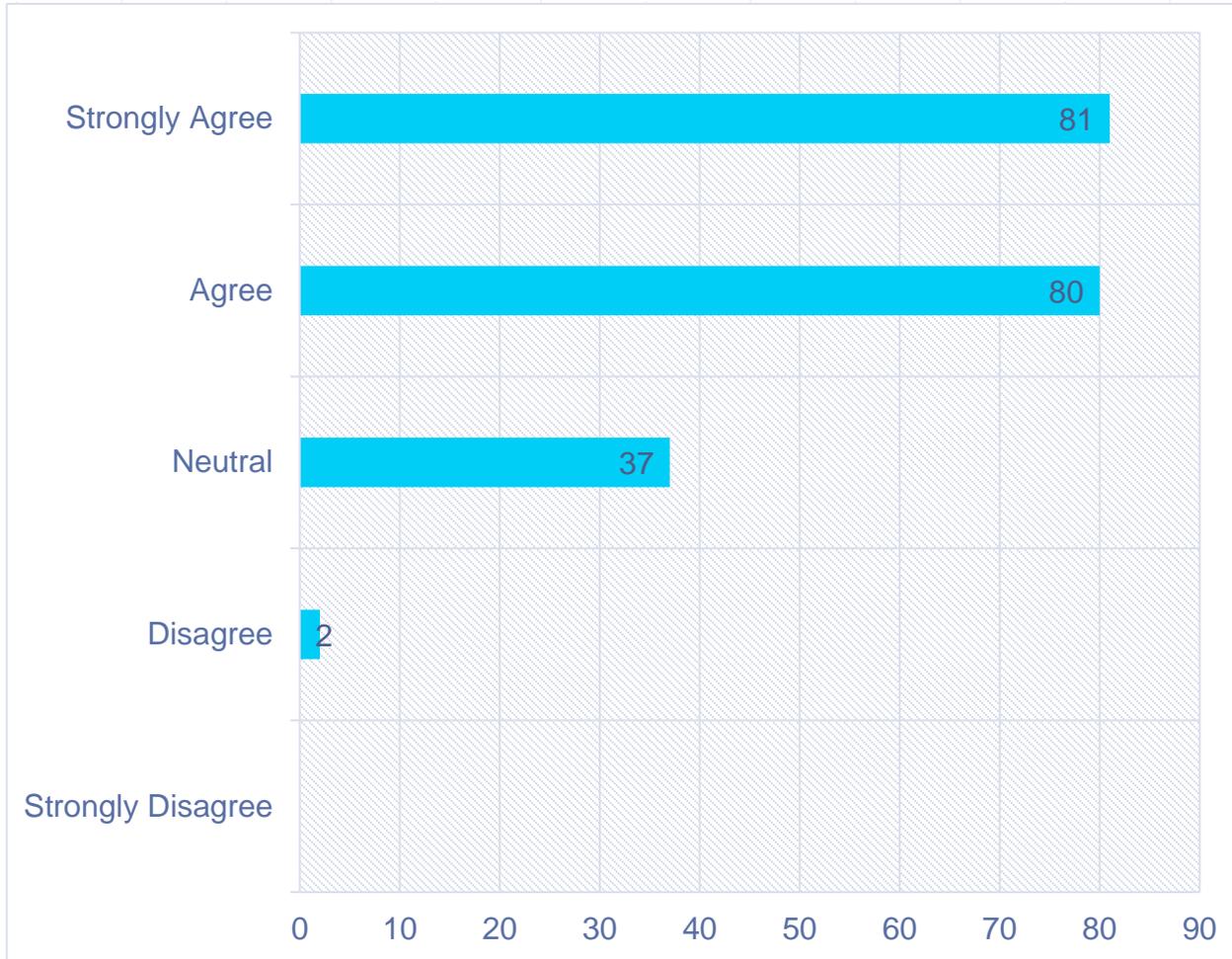
●The majority of the respondents agree and feel that Islamic digital banking appears to be practical. Besides that, there are 2 respondents disagreed about this statement.

# I feel that Islamic digital banking services are generally safe and secured



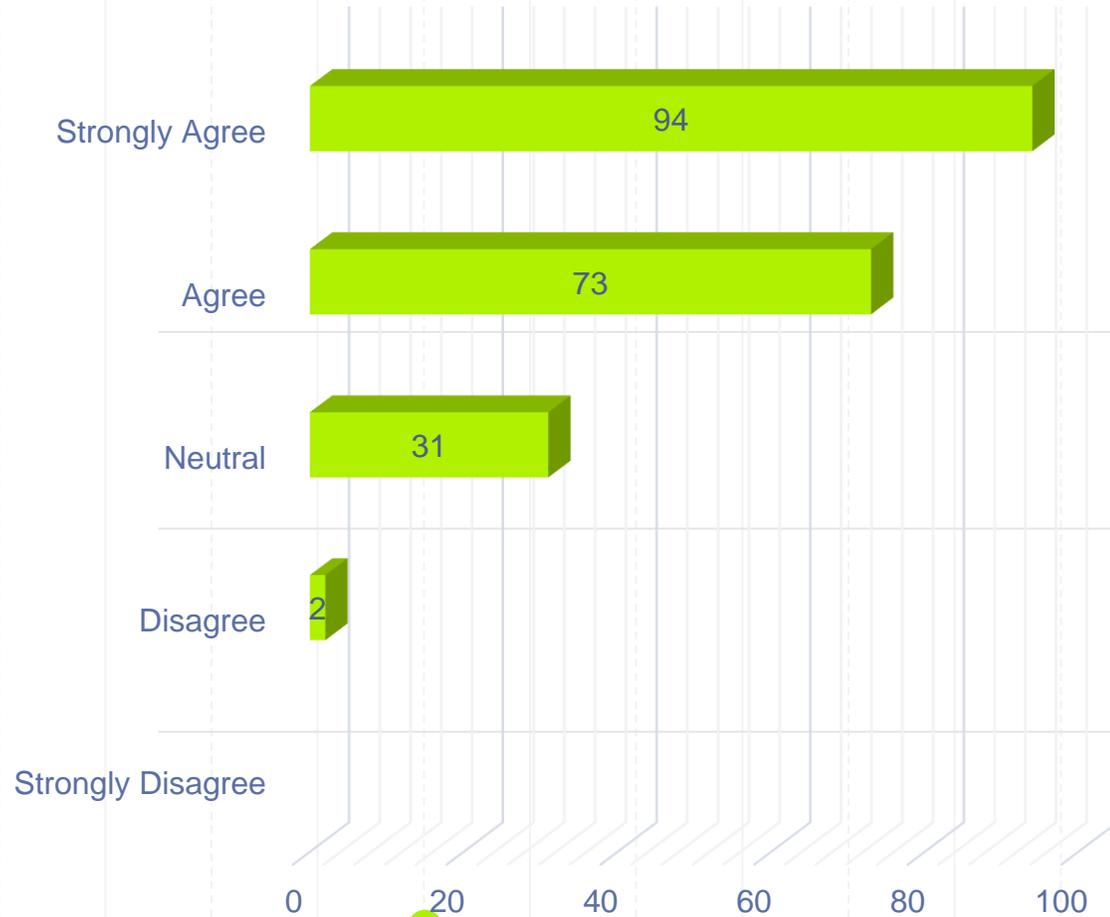
● The greater number of the respondents agree and feel that Islamic digital banking services are generally safe and secured. Besides that, the minority of the respondents which are 4 respondents disagree about this statement.

# I feel that I wouldn't be anxious or doubt about using any form of Islamic digital banking



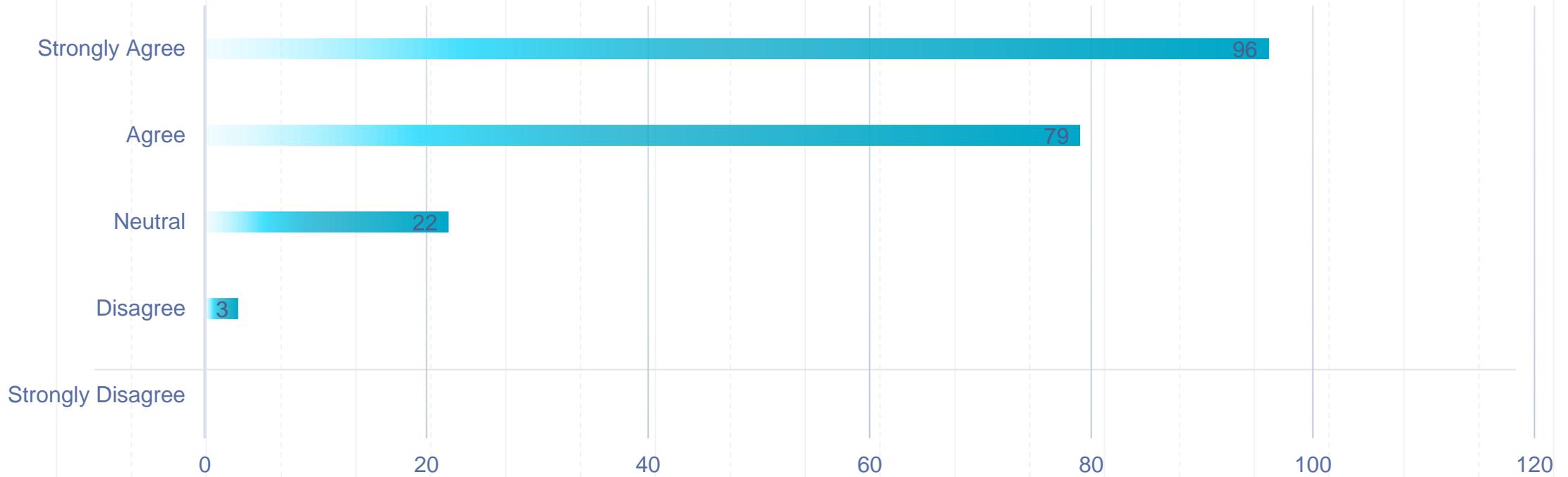
●The larger number of the respondents strongly agree, and they feel that they wouldn't be anxious or doubt about using any form of Islamic digital banking. In addition, the minority of the respondents which are 2 respondents disagree about this statement.

# Given the opportunity, I will use Islamic digital banking services



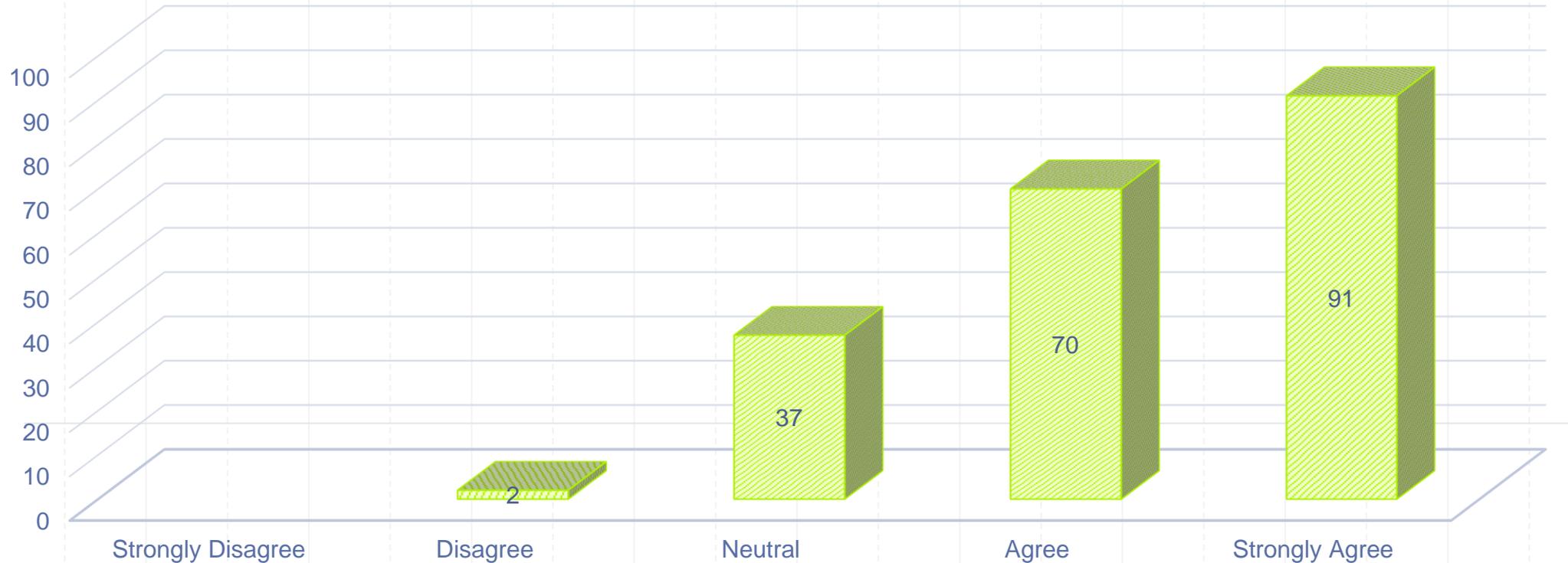
● The larger number of the respondents strongly agree, if given the opportunity, they will use Islamic digital banking services. In addition, the minority of the respondents which are 2 respondents disagree.

# I am likely to use smart devices payment services in the near future



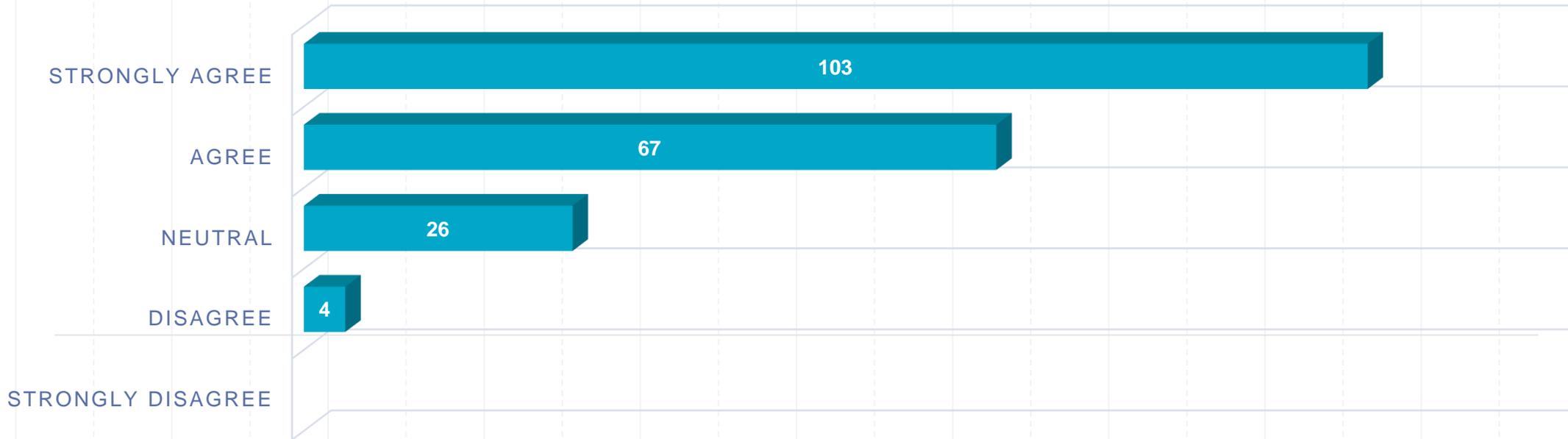
● The majority of respondents are agreed to use smart devices payment services in the near future while 3 of them are strongly disagreed with this statement.

# I would use Islamic digital banking as a first option, regardless of whether I can access a physical channel (Branch, ATM etc.)



● Most of the respondents are strongly agreed to use Islamic digital banking as a first option, regardless of whether they can access a physical channel (Branch, ATM etc.).

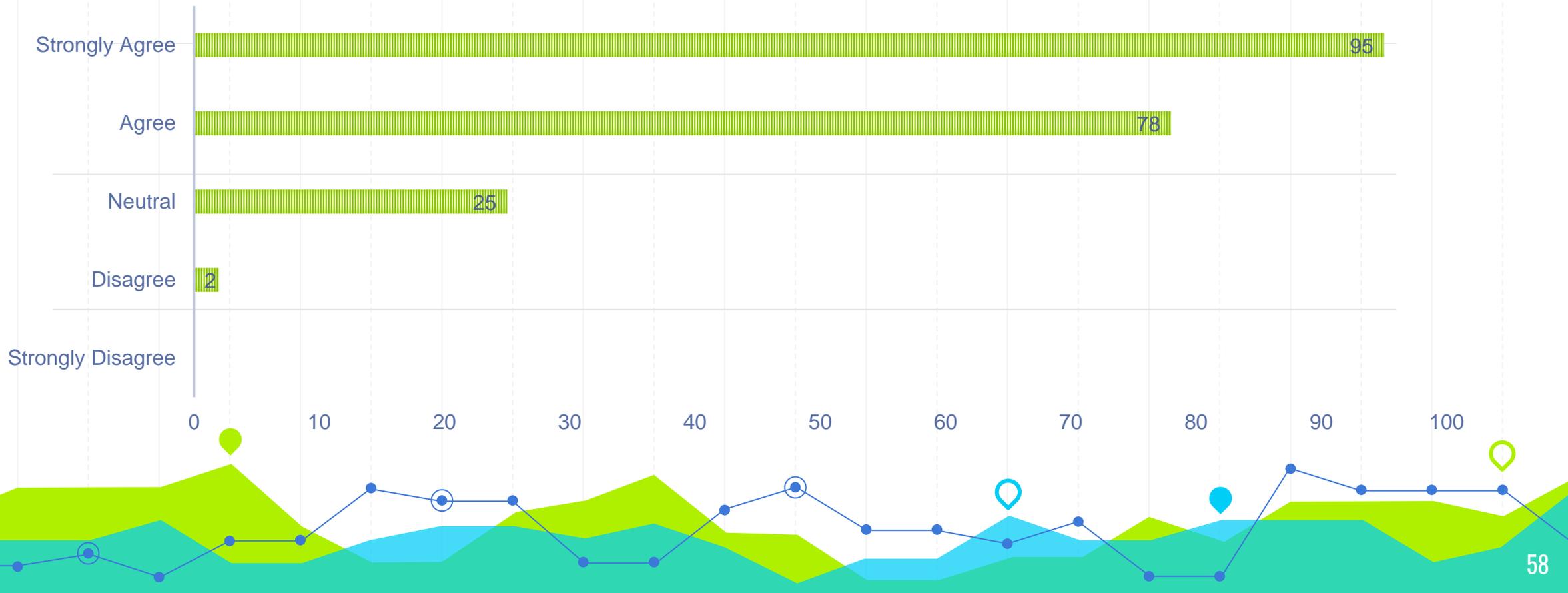
# I would use Islamic digital banking services for everything I could



● The majority of the respondents are strongly agreed to use Islamic digital banking services for everything they could. Apart from that, there are only 4 respondents disagree with the statement.

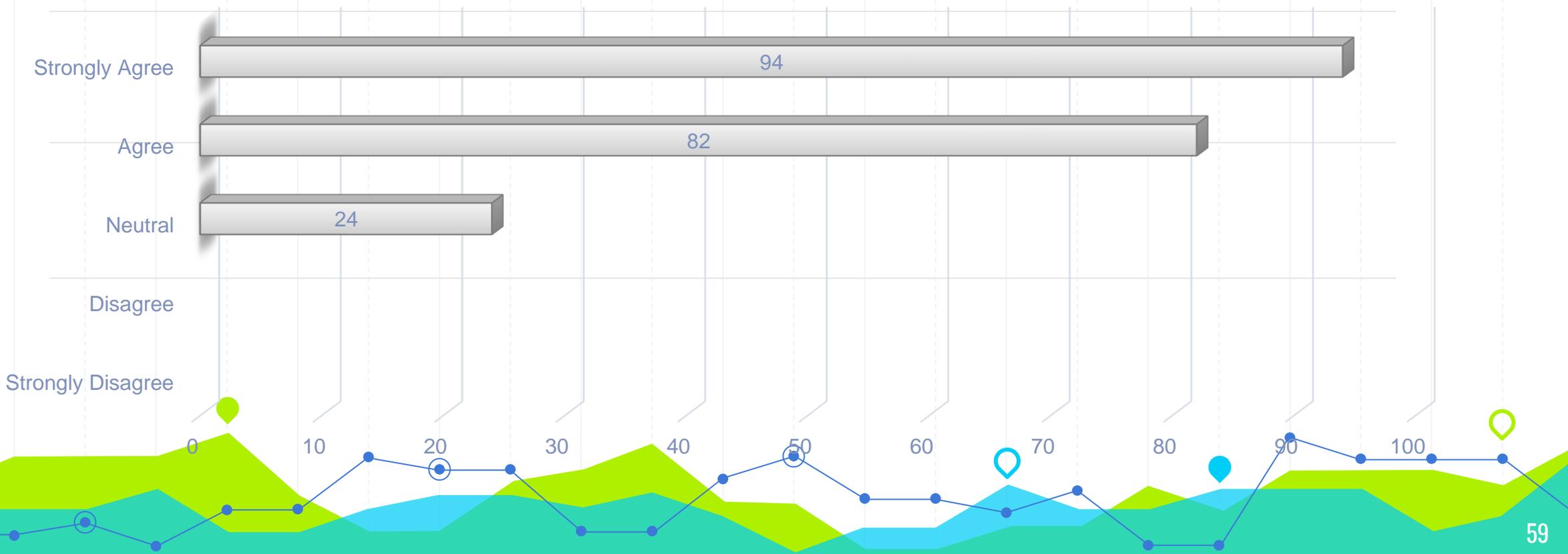
# I use/would consider using Islamic digital banking services

● The largest number of the respondents are strongly agreed that they use/would consider using Islamic digital banking services while 2 of them are disagreed.

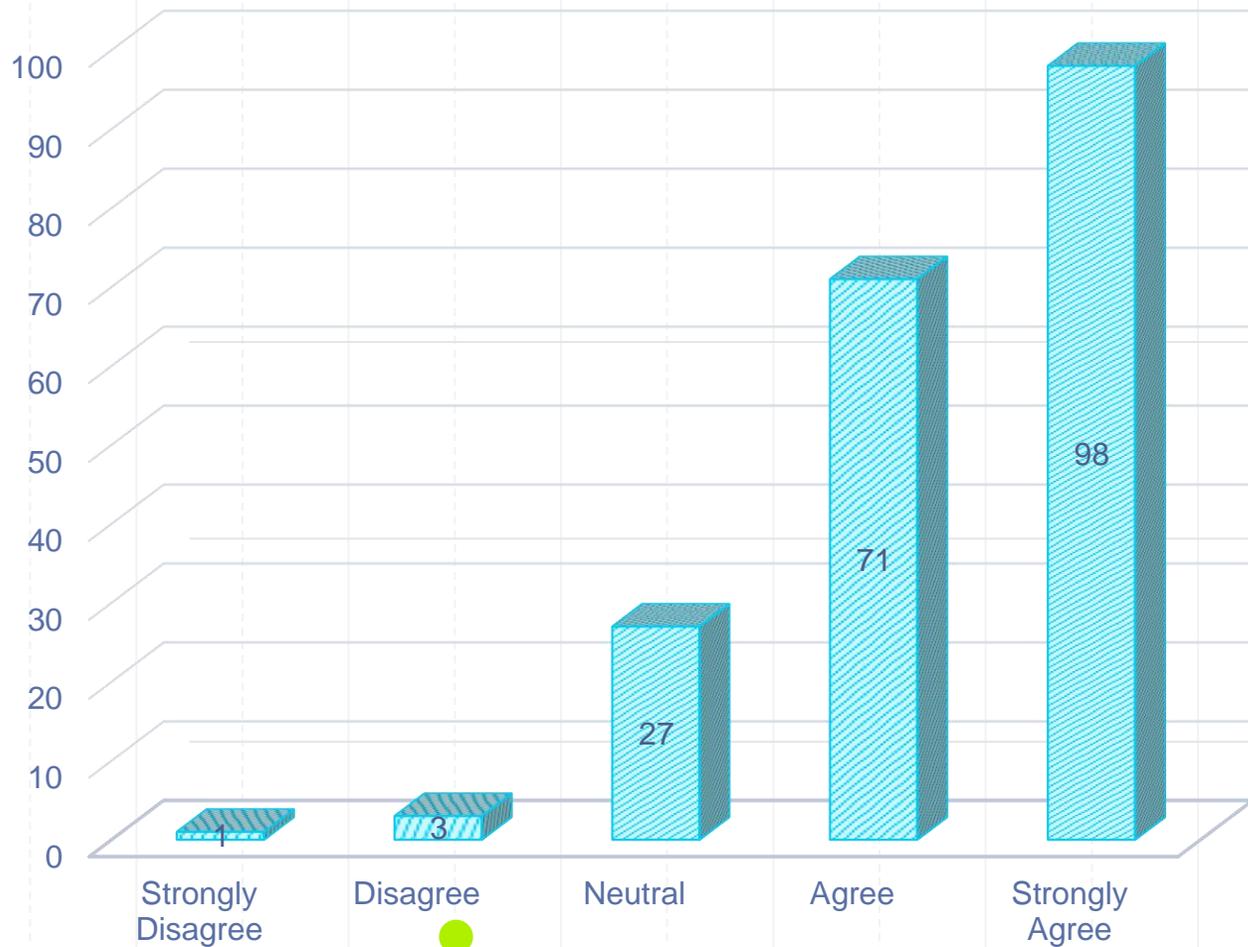


# I feel positive about using Islamic digital banking and expect to continue feeling this way

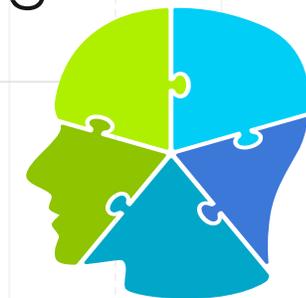
●The greater number of the respondents are strongly agreed that they feel positive about using Islamic digital banking and expect to continue feeling this way. Meanwhile, there 24 respondents perceived to be neutral with this statement.



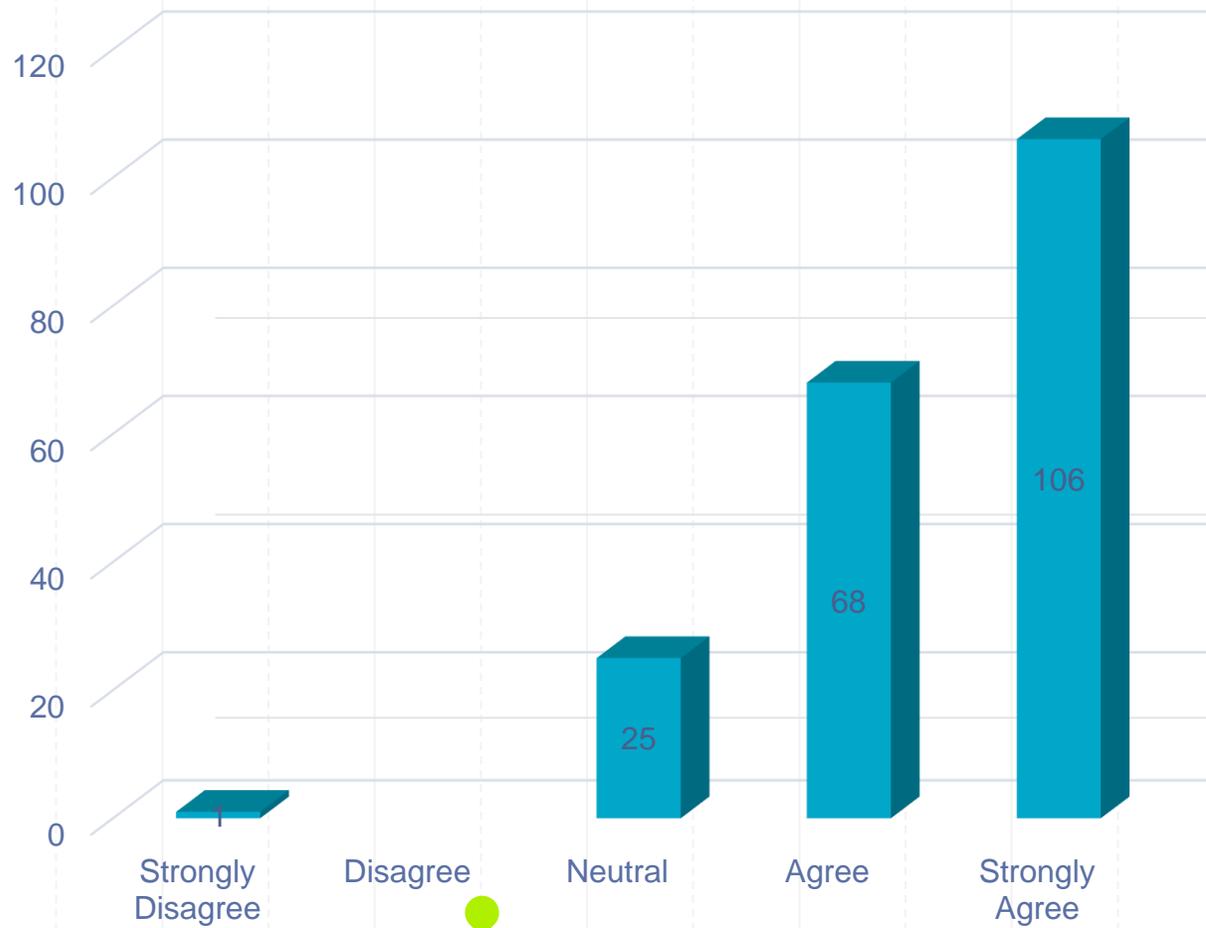
# I expect Islamic digital banking to become my main/only way of banking



Most of the respondents are strongly agreed and expect that Islamic digital banking to become their main/only way of banking. In addition, the minority of the respondent which is 1 respondent strongly disagree.



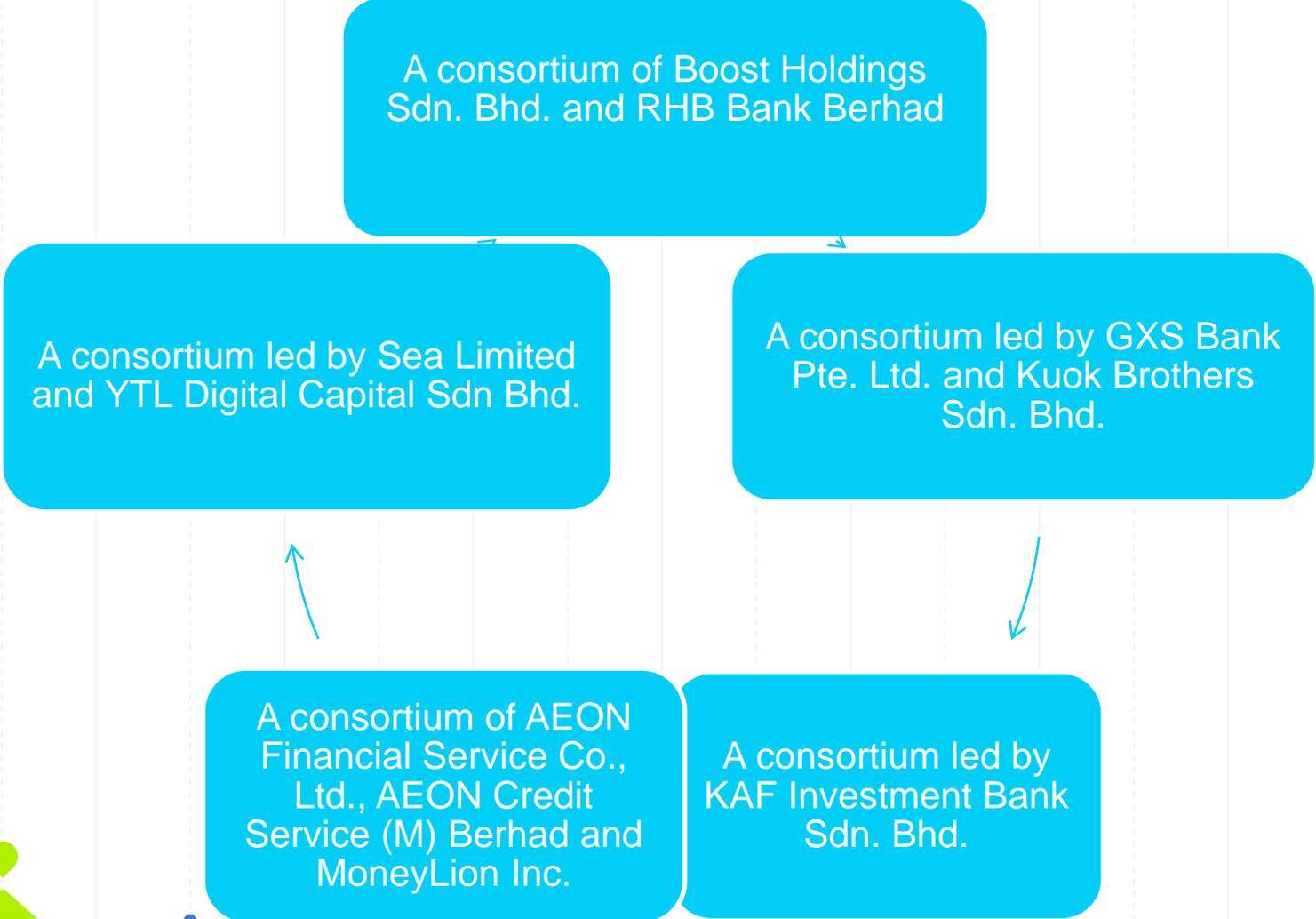
# I would recommend the use of Islamic digital banking to my friends & family



● Most of the respondents are strongly agreed that they would recommend the use of Islamic digital banking to their friends and family. Apart from that, there is only 1 respondent strongly disagree.



# Five successful applicants for the digital bank licences as approved by the Minister of Finance Malaysia:



# Assessment criteria

## Factors for consideration in assessing licence applications

1. Character and integrity of the applicant
2. The business to be authorised is not detrimental to its future depositors, or the public generally
3. Soundness and feasibility of the plans
4. Nature and sufficiency of the financial resources
5. Business record and experience
6. To be operated responsibly by persons with competence and experience
7. Application will be in the best interest of Malaysia
  - a) Impact to economic activity in Malaysia
  - b) Contribution to trade and investment linkages between Malaysia and other countries
  - c) Effect on financial stability
  - d) Participation of Malaysians in the financial sector
8. Nature, scale and activity of corporate group will not impede effective regulation and supervision
9. (IFSA) Business will not involve any element contrary to Shariah and possesses a robust Shariah governance framework

## Overview of Assessment Criteria



### Prudential

Soundness and feasibility of business plan, Sufficiency of financial resources, Business track record and experience, Supervisability of group, Character and integrity of shareholders, Business plan is not contrary to Shariah (IFSA only), Robustness of exit plan.



### Technology

Robustness of underlying technology in supporting digital strategy, Technology and cyber risk management capabilities, Competency and track record of successful digital business, Cloud strategy and cloud risk management plans, Business continuity plans.



### Financial Inclusion

Relevance of identified unserved and underserved (U/US) target segments, Ability to serve the needs of U/US, Experience and commitment in provision of financial services for financial inclusion objectives, Adoption of innovative technology/data, Effectiveness of delivery channels



### Best Interest of Malaysia

Effect on stability of financial system, Effect of the investment on the level and nature of economic activity in Malaysia.

# CONCLUSION

- Islamic digital banking has become crucial to the Muslim and non-Muslim in promoting justice and fairness in transaction of banking and financial service, aim to serve the interests of mankind (*Jalb al-Masalih*) and to avoid the harm (*Daf' al-Mafasid*)

- The usefulness of digital banking provides the accessibility, continuity and reliable to the customer going through the Covid-19 outbreak.
- Able to serve the unserved population with the accessibility, reliability and convenient Islamic digital banking products and services.





# THANK YOU

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جزاك الله خيرا