

RESEARCH REPORT

ISLAMIC FINANCIAL PRODUCT DEVELOPMENT:
A STUDY ON THE PRACTICE OF SELECTED MALAYSIAN
ISLAMIC FINANCIAL INSTITUTIONS

CODE: PPPP (E)/2005

LEAD RESEARCHER:

MUHAMAD MUDA

CO-RESEARCHER:

ABDULLAAH JALIL

UNIVERSITI SAINS ISLAM MALAYSIA

MARCH 2008



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جامعة العلوم الإسلامية الماليزية
ISLAMIC SCIENCE UNIVERSITY OF MALAYSIA



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**UNIVERSITI SAINS ISLAM MALAYSIA
Bandar Baru Nilai, 71800 Nilai
Negeri Sembilan Darul Khusus**

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CODE: PPPP (E)/2005

Lead Researcher:

**MUHAMAD MUDA (S113)
(Faculty of Economics and Muamalat)
Tel: 06-798 8014
Email: mmuda@usim.edu.my**

Co-Researcher:

**ABDULLAAH JALIL (S171)
(Faculty of Economics and Muamalat)
Tel: 06-798 8721
Email: abdullaah@usim.edu.my**

**UNIVERSITI SAINS ISLAM MALAYSIA
Bandar Baru Nilai, 71800 Nilai, Negeri Sembilan Darul Khusus
Website: www.usim.edu.my
MARCH 2008**

DECLARATION

We hereby declare the work in this research project is our own except for quotations and summaries which have been duly acknowledged.

Date: 1 December 2016

Signature:

Lead Researcher

Muhamad Muda

Co-researcher:

Abdullaah Jalil

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بسم الله الرحمن الرحيم
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From the desks of,

March 2008

*Muhamad Muda
Abdullaah Jalil*

ABSTRACT

Islamic banking and financial institutions should be able to foresee the needs of the market and roll out Islamic financial products and services in advance of conventional products to ensure constant growth and competitiveness of Islamic banking and financial products. However, Islamic banking and financial products and services tended to duplicate the conventional ones, resulting in these products losing value and causing some confusion in their interpretation. Hence, it is essential for the Islamic financial institutions to move beyond the adaptation of conventional products and stimulate new ideas that will help the Islamic banking and financial industry flourish. The subject of Islamic financial product development covers various aspects of studies. This study aims to analyze the framework of Islamic financial product development qualitatively and discuss the issues that arise in the process based on primary and secondary sources. The output of this study should contribute to the advancement of procedure for Islamic financial product development as it is the most imperative tool for the Islamic financial institutions to meet their increasing concern about profitability, liquidity, assets value, risk management as well as product acceptability. The study proves that Islamic financial product development should be Shariah-oriented, risk-management prudent and customer-driven. It is an area in which Islamic financial institutions should focus their resources.

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ABREVIATION

AAOIFI	Accounting and Auditing Organization for Islamic Financial Institutions
BBA	<i>Bay' bi-thaman ajil</i> (Deferred payment sale)
BIMB	Bank Islam Malaysia Berhad
ICM	Islamic Capital Market
IFIs	Islamic Financial Institutions
IFPs	Islamic Financial Products
IT	Information Technology
NSD	New Service Development