

# CHAPTER 1

## INTRODUCTION TO ISLAMIC BANKING

*Mohd Zulkifli Muhammad, Noormariana Mohd Din and Siti Rohana  
Mohamad*

Islamic banking can be described as a Shariah (Islamic) banking system. The fundamental principles regulating Islamic banking are shared risk and profit-sharing between parties and justice (*'adil*). Banking activities involving interest (*riba*), gambling (*maysir*), and speculative trading (*gharar*) are prohibited. Therefore, Islamic banking products and services are activities consistent with Shariah principles and their practical application through Islamic economic development.

The Islamic banking system was established in Malaysia in 1983 when Bank Islam Malaysia Berhad (BIMB) started operating. Nowadays, the quantity of Islamic banks increasing, including international banks. According to Bank Negara Malaysia (BNM), Malaysia currently has a small number of full-fledged Islamic banks, including several foreign-owned entities; conventional institutions that formed Islamic subsidiaries. There were 16 Islamic banks in Malaysia as of July 2020 (Bank Negara Malaysia, 2020), namely, Maybank Islamic Berhad, MBSB Bank Berhad, Kuwait Finance House (Malaysia) Berhad, Bank Muamalat Malaysia Berhad, CIMB Islamic Bank Berhad, Hong Leong Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, OCBC Al-Amin Bank Berhad, Public Islamic Bank Berhad, RHB Islamic Bank Berhad, Affin Islamic Bank Berhad, Alliance Islamic Bank Berhad, AmBank Islamic Berhad, Standard Chartered Saadiq Berhad and Al-Rajhi Banking and Investment Corporation (Malaysia) Berhad.

This book will begin with Chapter Two on customer acceptance of Islamic banking products among students at Universiti Malaysia Kelantan