

## CHAPTER 5

### INTERVIEWS RESULTS & ANALYSIS

#### 5.1 Overview

Qualitative interviews were conducted to seek and elaborate the views and perspectives of participants, based on the designed research questions. The discovery is based on semi-structured interviews. The aim is to explore the views from key personnel of Islamic banking on Equity-based financing (EBF) practices in Malaysia.

In an attempt to explore the problems and challenges in implementing the equity-based financing in Malaysian Islamic banking, a series of interviews were undertaken. The interviews intended to make a contribution towards the need to inform the problems and challenges facing Malaysian Islamic banking industry in the context of EBF practices, from the perspective of the interviewees.

Interviews allow the interviewer to inquire about the problems and challenges in implementing the EBF from the perspective of the interviewee (participants), through their experience and involvement in the industry. The research looks at the supply (bank) and demand (customer) issues within the Islamic banking setting (i.e. Islamic Financial Institutions). In addition, it aims to gather insight into strategies to enhance the participation in EBF.

Section two presents the profile of interview participants and a short background of their role in the industry. Section three provides participants understanding on EBF. Section four provides findings of the participants' perception on problems and challenges on equity-based financing on supply side. Section five

presents their views on major issues on equity-based financing in terms of demand side. Section six elaborates the strategies to enhance the participation in equity-based financing in both sides (demand-supply). Section seven and eight presents findings and conclusion.

## 5.2 Participants Background

In the first part of the interview, participants were asked to elaborate their experiences and knowledge in equity-based financing practices, and how they were involved. Participants were identified and classified based on their area of knowledge or expertise in Islamic banking practices and education level plus with their job positions in the industry. Table 5.1 listed participants' profiles and their background role in the industry. There are four (4) groups represented as their experiences. Group 1 represented for participant A and D that have all knowledge except legal. Group 2 represented for participant B and E that have all knowledge while group 3 represented for participant C and F that have all knowledge except RMPs. Lastly, group 4 represented for participant G that have all knowledge except *Shariah* & Legal. Most of them have working experiences more than 8 years in industries.

**Table 5.1: Participants' Background**

Group	Participant ID	Gender	Experience/ Knowledge in					Position in Islamic Banking	Working Experience	Education Level
			Financing	Shariah	Legal	Operational	Risk Management Practices			
1	A	Male	√	√	X	√	√	Credit Risk Officer	10 Years	Masters' Degree
	D	Male	√	√	X	√	√	General Manager Chief <i>Shariah</i> Officer	14 Years	Masters' Degree
2	B	Male	√	√	√	√	√	Chief Executive Officer	22 Years	Degree
	E	Male	√	√	√	√	√	Assistant Manager <i>Shariah</i> & Governance	8 Years	Degree
3	C	Male	√	√	√	√	X	Chief Strategy Officer	15 Years	Degree
	F	Female	√	√	√	√	X	<i>Shariah</i> Advisory Executive	5 Years	Degree
4	G	Female	√	X	X	√	√	Head Risk Management Department	17 Years	Degree
<b>Total</b>			<b>7</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>5</b>			

### 5.3 Perception on the Understanding the Equity-based Financing

The three (3) most common words perception on the understanding the EBF were “PLS contract is associated with *Musharakah*”, PS contract is associated with *Mudharabah*” and “risks-sharing”. All the participants under group 2 who have experience/ knowledge in financing, *Shariah*, legal and operational in this sample

viewed that *Musharakah* is known as profit-and-loss (PLS) while *Mudharabah* is known as profit-sharing (PS) contract.

*“Musharakah financing is known as joint-partnership where the partners are associated with proportion of **profit-and-loss (PLS)**...”*

*“Mudharabah financing is known as trustee **profit-sharing (PS)** where the capital is financed by rabbul-mal...”*

Participants under group 1 who have knowledge on risk management practice, financing, *Shariah* and operational mention that:

*“...equity-based financing (EBF) has unique feature as the operation based on risks-sharing...”*

On top of that, all of participants under group 4 who have experience/ knowledge in financing, operational and risk management practices viewed that:

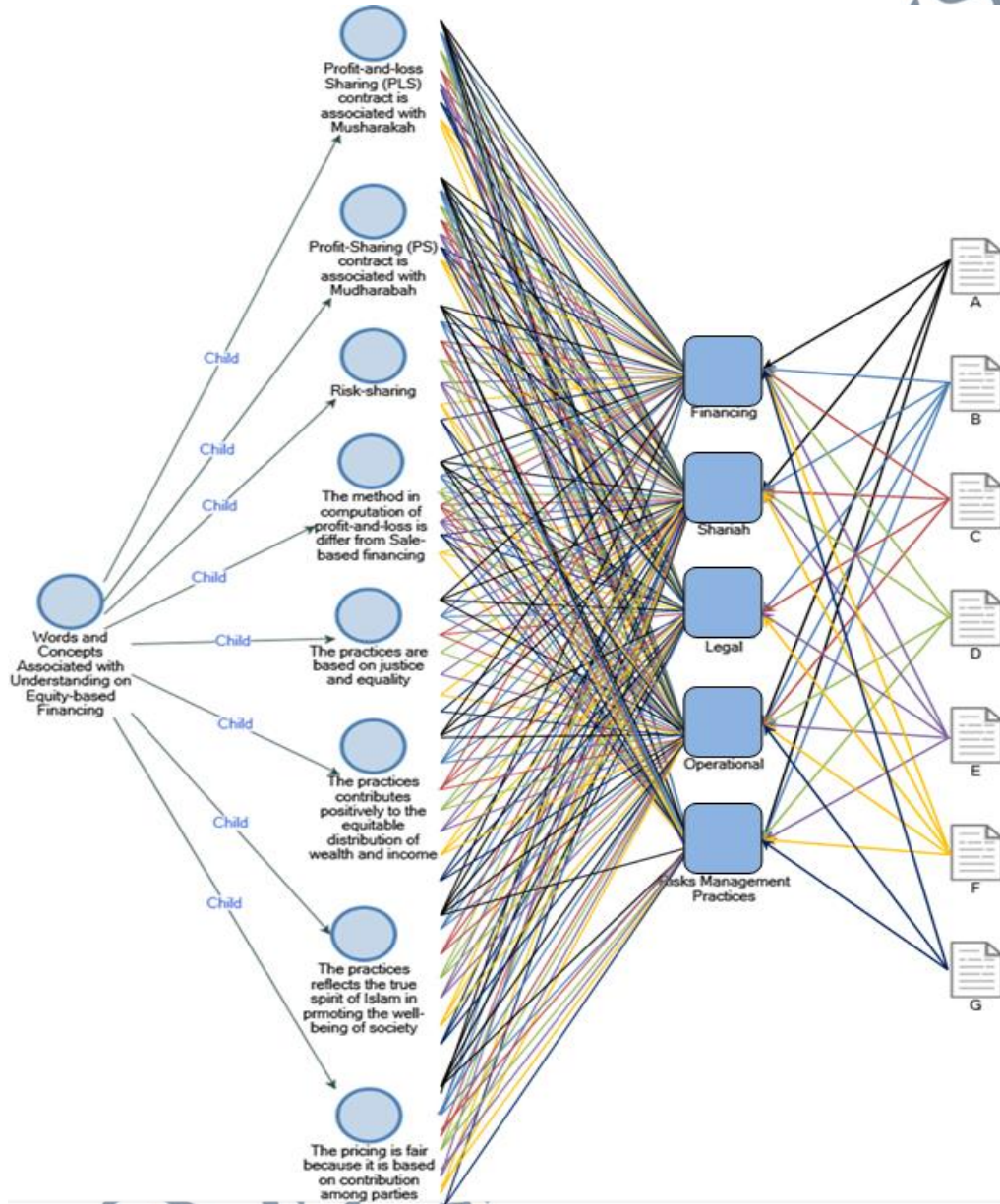
*“The **method of computing the profit-and-loss** is differing from sale-based financing ...”*

Also, all participants under group 4 who have experience/ knowledge in financing, operational and risk management practices viewed that what makes EBF is differ from sale-based is:

*“The **pricing is fair** because it is based on costs of contribution among partners...”*

Meanwhile, the participants under group 3 who have experience/ knowledge in financing, *Shariah*, legal and operational strengthen their understanding on EBF that:

*“**Justice & equality, true spirit of Islam and distribution of wealth and income** is associated with equity-based financing...”*



**Figure 5.1:** Mind Map Presentation for Understanding on Equity-based Financing by Participants' Experience/ Knowledge

Based on the analysis outcome from Nvivo, above figure stated the mind map presentation for understanding on EBF by participants' experience/ knowledge. To simplify, it show that different experience tend to have different perception on understanding of EBF.

**Table 5.2:** Words and Concepts Associated with Understanding on Equity-based Financing by Participants' Experience/ Knowledge

Words and Concepts Associated with Understanding on Equity-based Financing	Experience/ Knowledge in					Group
	Financing	Shariah	Legal	Operational	Risk Management Practices	
Profit-and-loss Sharing (PLS) contract is associated with <i>Musharakah</i>	√	√	√	√	√	2
Profit-Sharing (PS) contract is associated with <i>Mudharabah</i>	√	√	√	√	√	
The method in computation of profit-and-loss	√	√	X	√	√	1
The pricing is fair (Based on contribution)	√	X	X	√	√	4
Justice & Equality	√	X	X	√	√	
True Spirit of Islam	√	√	√	√	X	3
Distribution of wealth & Income	√	√	√	√	X	
Risks-sharing	√	√	√	√	X	

Understanding on equity-based financing (EBF) conjures up different meanings with the different participant. As seen in the interview in Appendix, they were asked an open-ended question of what does it mean they had of terms in equity-based financing compared with other types of financing (sale-based). As the perception on the understanding the EBF may conjure up more than one image or word as summarize in table 5.2. This table is the summarizing from the theme

outcome from participants. As such, this part is much important for take into action for quantitative part in measuring the cognitive. Since there is no measurement done in literatures, confirmatory factor analysis (CFA) is used as per discussed in the next chapter.

#### **5.4 Issues on Equity-based financing (Supply-Side)**

##### **5.4.1 Competition**

Harkati et al. (2020) stated that one of the major issues that currently facing in Malaysian Islam banking is competition. Since Islamic banking is operating with the aim of profit-oriented organization, competition with others banking approach (conventional banking) is concerned. Even though dual-banking system is operated in Malaysia, the issues has not been settled as Islamic banking urged with the implementation of sale-based financing because higher profit is comes from the financing practices of sale-based.

Also, to makes the Islamic banking is accepted with all races and religion, dual-banking approach is introduced in order to keep abreast with the current growth and expansion of Islamic banking. That is one of the reasons why Malaysian Islamic banking neglects to implement/offers the equity-based financing. To simplify, participant A and B viewed that:

*“...dual-banking system has urged by coercive isomorphism, so that the industry face high competition with conventional banking...”*

*“...Islamic banks practices are dependent upon governmental mandates and approached us to make dual-system because we have to compete internationally...”*

Respondent D, E and F also stated that:

*“...Islamic banking has to compete because it is sharing various infrastructures with conventional in doing dual-banking approach...”*

*“...it is because Islamic banks have to compete with conventional banking in making profit, so we are still unable to offer financing products that are contents of truly Islamic spirit...”*

*“...we have to compete with conventional banks, because we are legalizing under BNM under one roof, even though we are offering Islamic banking products of financing, but the spirit is still under conventional practices...”*

Also, the impact of implementation of dual-banking is effect with the implementation of full-fledge Islamic banking as they need to compete with conventional banking. These as experienced by participant C & G who is experienced working in full-fledge Islamic banking in Malaysia:

*“To ensure our banks are achieved the profits, we have to compete with other banking (dual- and conventional banking)...”*

*“...it is difficult for Islamic banking when we go to global and international because we have to compete...”*

#### **5.4.2 Risks**

Rahman et al. (2019) stated that there are varieties of perceptions on risks in equity-based financing (EBF). Handling the risks in EBF is more challenging than it is for SBF. They believed that EBF in its current state can be riskier than SBF.

Participant A and B mention that:

*“...Mudharabah financing is one of the contracts that high risks for Islamic banks to undertake...”*

*“...as capital provider (rabb-ul-mal) 100% relying completely on Mudharibs’ integrity, ability and good management...”*

Also, participant A, C, D and E stated that EBF is hard to implement because of exposes to variety of risks on the cases of default and only offers to customers that have high potential to participate:

*“..the issue of capital framework and liquidity standards is central to adopting the Basel III. We needed to raise minimum capital requirements and hold a capital buffer. As such, we are exposed to operational risk arising from compliance to Basel III requirements. Some of the principles of risk management as proposed in Basel III can be applicable with necessary modification and adaptations. Even so, Basel III could not answer all the issues; hence there are still needed for researches on these matters. Nevertheless, serious and sustained efforts are needed to find the applicability which is specific to countries and markets.”*

*“...high risks in terms of event of default from customers...”*

*“...we only offer Mudharabah financing to those customers’ business activities where success is possible as our necessary precaution to decrease the degree of risks...”*

*“..the competitive nature Islamic banking environment exposes us to various types of risks for all types of financing..”*

Meanwhile, participant E, F and G gives the types of risks that highly expose under these types of financing such as operational, capital and customer:

*“...equity-based financing is exposes to variety of risks such as operational and capital risk so it needs more capital risk-weightage because these types of financing involved capital in ‘aqad...”*

*“...if higher risks weightage, we need to increase capital if we implement the equity-based financing...”*

*“...high customer risk since we need to consider the customer that has high integrity beyond all reasonable doubt compared with sale-based financing.”*

Participant A and B however stated that to overcome and minimize the issues in handling abundant of risks in EBF by enhancing the strategies in risk management practices which concern on context, physical and spiritually:

*“...we still need an improvement for risk management practices in handling those risks in equity-based financing...”*

*“...abundant of risks can be minimize by concerning on context, physical and spiritually as supplementary of risks analysis from its identification to monitoring...”*

Although current practices have better risk management practices applied by Islamic banks, EBF tend to be ignored in favor of offering the SBF as their solutions. Moreover, all of participants asserted that financing under equity-based paradoxically suffer from weak risk management practices.

In fact, Islamic banking in Malaysia faces a number of challenges in terms of risk management. Current structures of equity-based financing are structured to resemble sale-based practices, meaning the risks of ownership are transferred rather than shared by the parties. As perceived by participant B for example, he viewed that:

*“...there is lack of appetite for risk-sharing practices in Islamic banking...”*

That is why one of the reasons for Islamic banking neglects EBF practices as in the real practice, as experienced by participant D and G:

*“...risk-sharing is the exception rather than the rule on the asset-side of balance sheet...”*

*“...we prefer put in risks in sale-based financing...”*

### 5.4.3 Legality

The remarks made by the participants on the issues legality of ownership. It has been highlighted by the interviewees that current legal structure is not in place to accommodate the registration of both parties in the title of the property (Ali & Oseni, 2017). The National Land Code in particular, is a statutory law governing land matters in Malaysia, and it does not provide EBF to reflect the amount of shares held by the parties throughout the financing period. All participants viewed that:

*“...due to legal constraints, it is difficult to register the banks name as legal owner as the current structure does not allow for the registration for both owners ...”*

*“...we still have problems in terms of insufficiency of legal framework in equity-based financing because transfer of ownership will depend on the interpretation of court...”*

*“...due to legal issue in Musharakah financing especially, the customer becomes a registered owner and banks have beneficial ownership as validated by Shariah board...”*

*“...there is only one party (customer) becomes the owner of assets, so in most cases we prefer to put charges on them rather than trusts...”*

*“...we faced the problem of insufficiency of standardization of legal documentation...”*

*“...BNM only set the general guidelines on equity-based financing, but there is no uniformity of legal documentation...”*

*“...we are currently facing issues related legal such as IFSB and New Basel Capital Accord. The insufficiencies are still ongoing efforts to strengthen the international financial architecture...”*

As such, it is revealed that the practices of EBF in Malaysia is theoretically based on Islamic principles, but in terms of legal there is still mimic the shadow of conventional principles of laws with the spirit of sale-based financing being dominant.

However, further improvements maybe necessary to improve the whole legal structure to attain a true meaning of equity-based financing.

#### 5.4.4 *Shariah*

Sakti et al. (2016) stated that one of the important issues discussed by participants is in terms of *Wa'ad* (unilateral promise). Most of them stated that equity-based financing (EBF) is hard to implement in practices due to the current practice of *Wa'ad* is not binding in the contract and BFR which is conventional in nature. Participant A, B, and C mention that:

*“..if the parties of equity-based financing is bound in wa'ad, the contract should be looked as part of entire structure to give effect on it, but the current practices denied it...”*

*“...the application of wa'ad and BFR make equity-based financing same like the practices in sale-based financing...”*

*“...However, wa'ad is allowed if both parties agree and get sharing benefit on it jointly...”*

Participant D however stated that as long as current practices are mimicking sale-based financing, there is no need to compare.

*“...For home financing as an example, the use of wa'd in equity-based financing such as Musharakah imitate the old Bay' Bithaman Ajil (BBA) concept...”*

To simplify, since the issues has not been solved, EBF are better product for the bank due to its nature of products which included of jointly partnership and trustee sharing contract. Since these contracts offers high risks in nature, this situation will make it easier for the bank to manage the *Shariah* matter such as *wa'ad* and BFR compared to a sale-based financing particularly when it involves long-term financing because the principle is based on risk-sharing among parties.

However, some participants held that EBF can only become a better alternative if the *Shari'ah* principles are genuinely applied since a deviation from, will trigger more *Shari'ah* issues. Participant E, F and G mentioned:

*“...the current practice in wa'ad makes difficult for customers in case of if they are failure to make repayment, banks will sell the assets under auction and get the money back...”*

*“...the use of wa'ad is only designed to guarantee the interest of the banks, which however runs against the spirit of equity-based financing as this encourages the parties to share the loss according to their shares...”*

*“...diverse Shari'ah interpretation is influenced by variety culture and customs. The different interpretation impacts the numerous practices financing contracts internationally. Although differences occur between the Middle East and Malaysia especially, the main differences lie in Tawarruq...”*

## **5.5 Issues on equity-based financing (Demand-Side)**

### **5.5.1 Knowledge**

Among the main issue in terms of demand-side, the equity-based financing (EBF) received less attention and participation because people are lack of knowledge and information (Riaz et al., 2017). Not only lack of knowledge for equity-based, but the whole basic principles and objectives. Further, Islamic banks are to blame for the high service charges than their conventional counterparts.

*“...customers still don't know the basic principles and objectives of Islamic banking...”*

*“...we have customers that have high knowledge on Islamic banking but they did not really aware of the existence of Islamic banking products...”*

*“...we have various retail and finance instruments that are available in Islamic banks but they are unfamiliar with the instruments...”*

*“...even though they know the name of Islamic banking that available in Malaysia, but they don't have a brief knowledge on the principles and objectives...”*

*“...some customers know the basic rules in Islamic banking if they have experienced in studies on Islamic banking in university...”*

*“...if they have knowledge on the terms and principles, so they have the familiarity of the products offered...”*

*“... they patronize Islamic banks hardly because of religious conviction but purely due to the same reason as normal conventional customers. They just look for a product which is cheaper, services which are more convenient, efficient, and processes that are not complex and complicated.”*

To simplify the above matters, lack of knowledge resulted from the miscommunication among human capital and customers regarding its products and services. This matter may raise the negative perception on Islamic banking itself.

Participant A mentioned that:

*“...negative public perception comes from miscommunication among banks and customers especially from the customers that have low level of knowledge about Islamic banking practice...”*

All of the above matters might start from a lack of education, understanding and awareness about the Islamic banking and finance among the bankers, which lead to miscommunication with the customer and the public. In the Islamic banks, there is a lack of pool of expertise that is able to explain and educate the customers pertaining to IB's products and services.

### 5.5.2 Awareness

Even though customers have higher knowledge on Islamic banking, some of them still did not aware the existence of variety of retail and finance instruments (Cheha et al., 2016). These matters not only impact on their purchase intention on all financing products, but impact on the bad perspective on Islamic banking itself. Most of the participants responded that awareness among Muslim on the availability retail and finance instruments in Malaysian Islamic banking is still relatively low. As such they may have low level of confidentiality on Islamic banking itself. These as experience by participant A, C and G:

*“...the awareness with regard to Islamic banking is still relatively low among Muslim...”*

*“...higher knowledge in Islamic banking does not guarantee the level of awareness among of Muslim...”*

*“...bad perspectives on Islamic banking due to lack of awareness on it and resulted a bigger effect on financing purchase intention...”*

Also, participant D and E stated that government support is needed to increase the awareness among Malaysian:

*“...government intervention could play a part in supporting Islamic banks in increasing awareness...”*

*“...lack of awareness among top management and customers in terms of the need to streamline the operation of Islamic banks to achieve the Maqasid Shariah. It is also concerned with government support in facilitating the direction that will be taken by the Islamic banks...”*

### 5.5.3 Religiosity

Moreover, the impact of lack of religious concern according to Dali et al. (2019), *Muslim* in Malaysia seems to have lack of awareness on the availability retail and financing instrument in Islamic banking. Recorded by participant A, B and F:

*“...the level of religious consciousness among Malaysian Muslim is relatively low as such they did not really aware on the Islamic banking instruments...”*

*“...people are less religiously education, show less empathy and awareness to the financing instruments in Islamic banking...”*

*“...people are less religiously beliefs in their life will show negative Akhlak...”*

### 5.5.4 Understanding

The results from interview revealed that misunderstanding among customers on differences between sale-based and equity-based financing (EBF) urged the Islamic banks in perceived less attention. Since Islamic banks offer more products availability in sale-based financing, the EBF is neglect in both side (demand and supply). Participant A, D and F mentioned that:

*“...complaints are still made of customers having misunderstanding the practices of equity-based financing because their perspective the practices are same like sale-based financing...”*

*“... currently, most Islamic banks in Malaysia focus on sale-based financing practices. This one of the reason why many customers did not aware and understand the practices in Musharakah and Mudharabah financing...”*

*“...as can be seen, the reason of low patronage of Islamic banks refers to misunderstanding the variety practices in financing activities, all of which remains challenges for Islamic banks to overcome...”*

To simplify, lack of proper and comprehensive information about EBF may result in misunderstanding among customers and the public. Thus, this will become another problem faced by the industry, which is negative public perception.

Participant B, C, E and G added:

*“...As in most contexts of Islamic banking, inadequate comprehensive information is also considered to be the major challenge that Islamic banking face. At the end, some of customers misunderstood the concept and practices...”*

*“...misunderstanding among customers are comes from inadequate information from staff. So, I would suggest that Islamic banks should have a very strong Shariah secretariat that can advise, I mean, in-house Shari’ah, as well as external committee...”*

*“...most Muslim customers have negative perception about us because they did not understand well about the contracts...”*

*“...due to religious concern, they took Islamic banking as their main preference even though they did not very understand of the contracts offered...”*

## **5.6 Strategies to Enhance the Participation in Equity-based Financing**

### **5.6.1 Attitudes & Intention**

To simplify, negative perception may arise from the attitudes of Malaysian Muslim customers of Islamic banking that keep comparing the SBF and EBF without really understanding the underlying principles of IB. The customers are very familiar with the SBF offers by banks and tend to compare between both products of financing. All participants stated that:

*“...positive attitudes among customers tend to behave about equity-based financing in practices. As such, attitudes is relate to Akhlak of customers, meanwhile intention is based on their Niat to adopt financing. Both aspects are complement each other...”*

*“...two important aspects that needed to consider are Akhlak and Niat of customers and IB on EBF, which may urged intervention from government and Shariah committees to solve the issues...”*

*“...the effort from top management of Islamic banks needs to educate the staff to appreciate the difference between equity-based and sale-based financing as to enhance the attitudes towards behavior of financing itself and their intention to adopt this types of financing...”*

*“...the need of high level of attitudes and concern on their Niat to purchase EBF from public may provide right information that will entail the knowledgeable, awareness and able to understand about the practices in Islamic banking...”*

*“...high beliefs about Islamic banking among public is our concerns...”*

*“...to get high beliefs about us, customers' intention is our priority...”*

*“...our quality services and costs of financing impact the customers' preference on financing...”*

### **5.6.2 Marketing Effort**

Since the Islamic banks promote the variety of financing products, all of the participants mentioned that EBF needed to put effort on marketing among bankers. Since the uniqueness of these contracts of EBF offer risk-sharing among parties, customers will feel customer-bank relationship. Marketing effort is needed because when the public is not well informed, it will lead to negative perceptions of the overall operation. Participant A, C, F and G mentioned that:

*“...we need to push on marketing effort to promote the equity-based financing to public. As most of our customers did not clear on our map we, tend to follow the sale-based financing practices...”*

*“...to enhance the practices in equity-based financing, effort from banks’ managers to re-market these products to the public is priority...”*

*“...all we need is marketing strategies in equity-based financing especially because the contracts offer risk-sharing as it tight with customer-bank relationship...”*

*“...since banks put higher effort in sales their financing products based on sale-based such as Tawarruq, why not they offers and market to public financing products based on equity-based...”*

As experienced by participant B, the need of marketing dimension on Islamic banking especially for equity-based financing that have been least attention among Malaysian Islamic banking is one of the necessity for the growth and development of financing products.

*“...even though Islamic banking has been known as comprehensive industry in a worldwide, Malaysian Islamic banking industry should move forward by increasing marketing effort on preferences for ethical and risk-sharing financing alternatives...”*

Participant D however mentioned about Muslim awareness. Islamic banks currently still have lack of awareness among Muslim in Malaysia. One of the factors is insufficiency of information about equity-based financing and lack of marketing.

*“...human capital issues and lack of Muslim awareness are the major challenges for Islamic banks. We need marketing strategies and efforts to enhance the attention from them...”*

Also, Participant E stated that:

*“...customers are familiar with Islamic banking, while the others cited on lack of awareness as the main reason of not subscribing for Islamic financing...”*

### **5.6.3 Risks Management Practices**

All participants mentioned that equity-based financing (EBF) need more strategies and techniques in handling abundant of risks. The low level of participation for *Musharakah* and *Mudharabah* reveals Islamic banks' unwillingness to hold risk-sharing assets. All participants give details on strategies risk management practices that are based on context, spiritually and physically as one of the contribution for this study.

*“...the parties in equity-based financing should have customer-bank relationship. They needed to put Taqwa as framework to minimize risks...”*

*“...if both parties are concern on Amanah in contracts, there is no issue on risks...”*

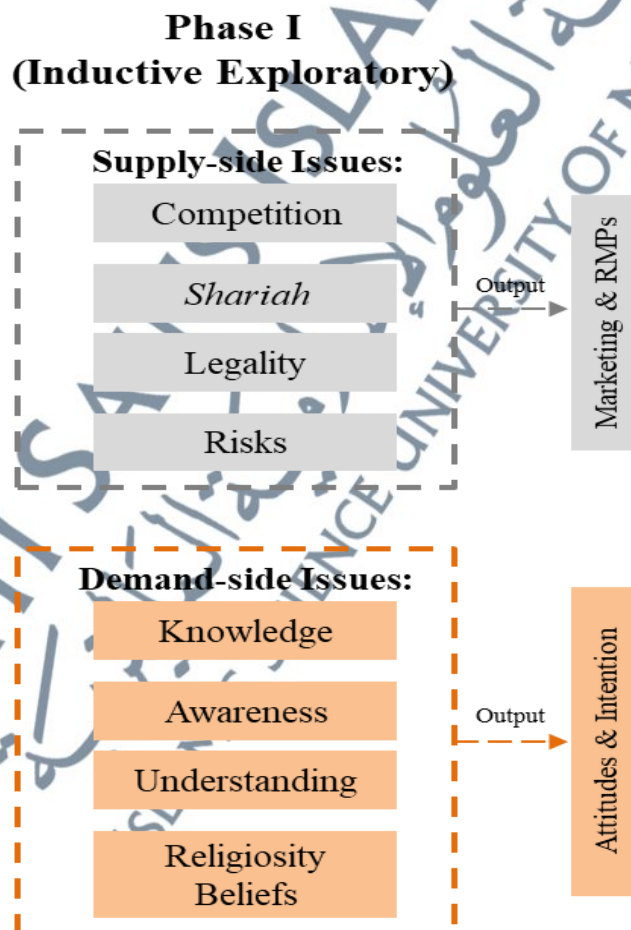
*“...one of the strategies needed for banks to minimize risks problems, mutual consultation (Syura') is the best action...”*

*“...in operation of equity-based financing, the parties are tight on sharing the risks together in return they have continuous relationship...”*

*“...the IFSB standards should be made obligatory for Islamic banks especially in the case of implementation equity-based financing as to allow for wider implementation, consistency, and standardization of risk management practices across the Islamic financial industry. This requires collaboration between regulators, IFSB, AAOIFI, Islamic banks, and industry practitioners...”*

## 5.7 Findings

According to the interviews results and analysis presented in this chapter, this study hence come out with overall findings as it provided a numbers of contributions. The findings first reveled on the understanding from key personnel of Islamic banking on what they understand about equity-based financing (EBF) that have been neglected in practical. Also, the findings of this study explained what happened in the reality situation why there is low level involvement on EBF in Malaysian Islamic banking which covers the issues in both sides (demand-supply).



**Figure 5.2:** Mind Map Presentation on Issues and Strategies for Equity-based Financing

To simplify the above figure 5.2, the issues has not been settled as the current practices of Islamic banking was urged for the loose coupling of actual practices from formal underlying theoretical structures. It is because of institutional isomorphism faced by them as they have to compete with conventional banking. Also, the practices of dual banking in Malaysia are one of the reasons.

As previously discussed in this chapter, the findings revealed that the practices of equity-based financing (EBF) in Malaysian Islamic banking faced conflicting pressures from various dimensions. Even though the establishment of Islamic banking was aimed to uphold business and financial transactions that comply with *Shariah*, the existence of laws and regulations that promote the development of equity-based financing are still lacking, and customers are demanding financing similar or mimic to conventional practices. Thus, the findings of interviews revealed that they faced conflicting demands in financing, which led to greater complexities of contracts.

Furthermore, another pressures faced by Islamic banking in implementing the EBF is regarding risks. Results from Interviews findings identifies that Islamic banking faced other challenges from weak risks management practices that should be concerned. Risk management department should identified weaknesses and vulnerabilities in the area of risk management for equity-based financing especially because it uphold risk-sharing among parties. The risk management, monitoring, reporting, and mitigation need to be upgraded across the whole Islamic banking industry with the consideration of elements in terms of physically and spiritually as mentioned by participants.

Also, pressures on legal issues are one of the challenges faced in implementing equity-based financing for Malaysian Islamic banking. As such the current legal framework works according to the sale-based financing, which is therefore alien to EBF. Thus, in a certain circumstances, the application of the legal matters in equity-based financing does not have any precedence, as there is no single case been tested before the court of law. Although modifications from the theory may to certain extent is necessary in order to suit and balance the theory and practice of EBF, such modifications should be done in caution to ensure that the spirit of *Shariah* is always upheld.

Therefore, a dynamic and critical approach is required to change the perspectives by treating EBF in more equitable manner by strictly complying with the principles of *Shariah* on profit-and-loss (PLS) and profit-sharing (PS) as essential requirement compared with sale-based financing practices.

The findings from the interviews also revealed that Malaysian Muslim especially still have lack of knowledge, understanding and awareness on the Islamic banking practices in general and understanding on EBF. Although religious factor remains the main patronizing factor in financing, as found by interviews, it would only be relevant for the pious Muslims and, therefore, it would rather be difficult to attract the other ones because of insufficiency of knowledge, unaware about the products characteristics and misunderstand about the content of EBF itself.

In addition, the findings from interviews revealed that there is a need for minimizing the issues in attitudes. The bad attitudes among customers especially for Muslim in choosing financing products will impact the bad perspectives about Islamic

banking. As such, the current study still has insufficiency of study to investigate the potential use of EBF in Malaysia among Muslim.

Hence, this study introduced a new perspective in viewing attitude (*Akhlaq*) and intention (*Niat*) in intending to patronize for EBF. Religious aspects (*Ibadah*) also needed to identify in patronizing the equity-based financing. However, the integration for cognitive, affective and conative measures are important in measuring the potential use of EBF.

## **5.8 Conclusions**

Section one explained in general the overview of chapter. Section two presented the profile of interview participants and a short background of their role in the industry. Section three provided the participants' understanding on EBF. Section four provided findings of the participants' perception on problems and challenges on equity-based financing on supply-side. Section five presented their views on major issues on EBF in terms of demand side. Section six elaborated the strategies to enhance the participation in EBF in both sides (demand-supply). Section seven presented the findings of interviews.