



**THE VALUE PROPOSITIONS AND THE NATURE OF THE
ISLAMIC BANKS PRODUCTS AND SERVICES IN
PROVIDING THE SOLUTION/S FOR THE FINANCIAL
NEEDS OF BIMB BUSINESS CUSTOMER SEGMENTS**

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Abstract: The present study discusses the value proposition of the presently offered by Islamic banks (IBs) products and services. It also elaborates the nature of the Islamic banks' products and services in providing the solutions for the financial needs and investment requirements of their retail and business customer segments. The study has adopted a qualitative approach, as this research paper justifies the value propositions and the nature of the IBs's products in providing the solution for the financial needs and investment to their clients. In collecting the data, the following sources were used, such as library research, content analysis, research articles. Journals, conference papers and websites in the literature review. With the practical implications of Islamic banking products offered by Bank Islam Malaysia Berhad (BIMB) such as the financing, deposit, and investment products, customers have now shifted more towards embracing IBs's products due to the benefits derived through the value proposition attached on these products and services offering. Overall, this study provides comprehensive and coherent material on the topic which will serve as a guiding principle for customers to fulfil their needs. The study discusses value proposition of the currently offered banking products and services of IBs and does not cover the Shariah compliance aspect of the products and services. The paper

will be a reference for fellow researchers to study the value proposition of the currently offered banking products and services and its implication in providing the solutions for the financial needs and investment requirements. The study aims at creating awareness to the consumers that the products and services provided by the IBs are competitive and superior to the ones offered by the conventional banks. This study is a comprehensive review of the value proposition of the contemporary products and services offered by Islamic banks.

Keywords: Value proposition, Islamic banks, Products, Services

INTRODUCTION

With technology being on its peak at such levels that no one has seen before, people carefully choose products and items they want to purchase. They do not only look at their needs but also at what will satisfy their desire. The banking sector like all other institutions and industries, have also been challenged and seen many changes. For any industry to attract new customers while maintaining the old ones, they have to keep up with their competition while providing the value the customers pay for, this is known as the value proposition (Ghodeswar, 2008). One of the biggest ways for any business to advertise its product is by marketing very carefully and strategically. In this regard, IBs not only entered the market while conventional was the mainstream and accepted worldwide. Consequently, IBs have to provide and advertise valued products to stay in the financial industry. While a Muslim client would consider conforming to Shariah by selecting an Islamic bank for its services, a non-Muslim client prefers ethical banking as the main characteristic of any financial institution.

Due to this, ethical products have become one of the main decisive factors in gaining customers for all industries. Islamic banks are facing furious competitions from their conventional counter parts. This necessitates IBs to promote value propositions of its products and services. However, the following issues hinder the value proposition of Islamic banking products and services. It is recognized that Islamic banks offer similar products to its counterpart conventional banks because of this, the competition is tough for Islamic banks especially since conventional banks have been running the mainstream for decades (Doraisamy, Shanmugam, & Raman, 2011). Furthermore, the reason why customer pick one bank over the other is because of their value propositions. This means that if customers find the same product in conventional banks for a lesser price, then the customer will pick the cheaper product (Ahmad & Haron, 2012). As such IBs are to strengthen their competitive position, and the best mechanism to fulfil that is through value propositions such as lesser price, Shariah compliant products etc. Thus, IBs facilitate financial needs of the consumers via recent banking products and services. Hence, this research aims to explore the value propositions and the nature of the IBs's products and services in providing the solution for the financial needs and investment requirements of their retail and business customer segments.

LITERATURE REVIEW

Value Proposition

Bower and Garda (1985) held the first discussion on the customer value proposition concept, but some years had gone by later since a comprehensive description of the value proposition and a structured approach for representing it was published by Lanning and Michaels, (1988). Definition of a value proposition by latter authors include what precise benefit or benefits at what price will be offered to what customer group, at what cost. It is thus concerned with how the firm plans to deliver superior value to customers (Webster, 2002). A handful of scholars highlighted the link between superior value propositions and organisational performance. Lusch et al. (2010) and Parnell (2006) argues that firms that develops the most compelling value propositions will have the best organisational performance. Numerous authors e.g., Huang and Hu, 2004; Kaplan and Norton, 2000; Sim and Koh, 2001 posited that more effective execution of value propositions leads to sustained competitive advantage and improved financial performance. Kambil et al. (1996) explored a number of market value leaders and discovered that these companies consistently created superior value propositions and architectures for delivering value to customers, creating unique and defensible positions. Moreover, Cavaleri (2008) argues that reviewing of an enterprise's value proposition is a major way of adjudicating its future success. In the context of banking, value proposition is a promising bank give to their customers. The reason for the importance of value proposition is that, it is a statement that explains of the benefits that a bank offer, and also to acknowledge who will be benefited from it. So, in terms of

Islamic banking value proposition, they are referring to banks plans to deliver superior value to customers in compliance with the Shariah principles. Thus, all decisions to be made by an Islamic bank should flow within the parameters of Shariah.

Value Proposition in IBs Products

Shariah compliance is the core value proposition of Islamic finance. The stakeholders in the Islamic banking and finance industry need to stay abreast of the developments, regulatory requirements and best practices desired of the industry. To achieve this, IBs must establish a process of ensuring that all contract is Shariah-compliant by avoiding main prohibitions of Riba, Gharar and Maysir (Umar et al., 2012). In this context, it can be seen undoubtedly that the Islamic banking and finance industry is on the right track as these processes has been incorporated in the IBs system already.

Value proposition encompasses the processes that add value/benefits in the product and service, which will be delivered to the customers in the form of product and service, hence the various stages of value delivery which starts from idea generation to final launching of the product. In every stage, Islamic banks are adding some value within it and finally, after the approval from Shariah board, they launch it. Thus, there are different steps involved in the value delivery system.

It starts with the product development, which begins with idea generation, screening of it, approval, Shariah compliance, regulatory approval, and pilot test in which, the product is tested in the market and then offer it. This is then implemented throughout the branch network who facilitates the customers and asks for proposals. When the

proposal is promised, they go to different steps of managerial office, for example, branch office, regional office and to the functional head and they approve it and finally, the bank provides financing and accept deposits. Hence, it is a whole chain of networks (Muhammed et al., 2020). Also, as Islamic banking is an assets-based banking system, they are involving assets/commodity as a medium and not deal in cash, as Islamic banks provide financial services to purchase the things needed or requested by customers. Hence, basically, the value proposition in Islamic banking does not deal in cash.

For financing products where the bank provides financing to the client for instance Bank, Given the items for which the bank provides financing to the client, for example, Bank Islam Malaysia Berhad has the Vehicle Financing -I facility, which is a term financing calculated on a set rate. Vehicle Financing-i enables you to own your dream vehicle under the Shariah-compliant Murabahah contract (Murabahah to the Purchase Orderer "MPO"), which is a sale contract that discloses the asset cost price and profit margin to the purchaser (i.e., the Customer).

Prior to the seller (i.e., the Bank) acquiring the asset, the Customer placed an order and made a pledge to purchase under this contract. The Bank appoints the Customer as its purchasing agent in order to purchase the vehicle from the Dealer. whereas the customer irrevocably and absolutely pledges (Wad) and agrees to acquire the automobile from the bank. The customer purchases the vehicle from the dealer on behalf of the bank, and the bank sells the vehicle to the customer at a Murabahah price. On the basis of a late payment, the

customer pays the selling price to the Bank and makes a collateral commitment to the Bank for the car.

Islamic Banks

The major focus of the Islamic banking products is on the value propositions in the Islamic banking system. What we search for in the IBs products in the Islamic banking system not merely to know what the value propositions is, but what we are to be and to do in dynamic and complex situations in order to live better, to be just and good.

The main aim of the foundation of the Islamic banking system is to facilitate Muslims with an Islamic ethical alternative to the conventional banking systems and to prohibit riba (interest) in all forms and intentions (Rahman, 2010). The Islamic philosophy behind the prohibition of usury

(Riba) is that it pushes poor borrowers deeper into financial crises whereas, generating more money for lenders, who are not exposed to any risk related to commercial use of that money (Alqahtani & Mayes, 2017). According to Shariah the financial deals based on usury are unfair, unmerited, and ethically unjustifiable. It is noteworthy that other belief systems like Christianity, Judaism, Buddhism, and Hinduism, are also in fine agreement to consider the interest as an immoral and unethical exercise (Kayed & Hassan, 2011). However, the development of a socioeconomic system based on belief-based good faith ideology is first time appeared in the form of Islamic financial institution.

Ethically, the Islamic banking system is not only responsible to shareholders but also to the whole society (San-Jose & Cuesta, 2019).

The Islamic moral force negates those individuals, groups, or institutions' activities or behaviors that exploit society for self-interest. Along with the modern economic system, the Islamic banking system also reveals a moral code of behaviour and brings economic affairs in terms of the creation and distribution of wealth (Sanusi, 2008; Martin et al., 2011). The social commitment to ethical norms is the characteristic of the corporate governance of Islamic banking, based on an Islamic religion's moral framework (Shibani & De Fuentes, 2017). Good faith is mostly related to the equitable treatment standard, which, as flexible and broad as it is, needs the host state to treat investors and their investments equitably and fairly and which significantly implies good faith (Dajic, 2012). The most important and key feature of the Islamic financial system is socio-economic justice, fairness, and its inflexible obligations towards the comfort of the next generations through caring for society and conserving universal resources. In the Quran, at various places, it was directed to Muslims that they should keep justice in their financial deals and contracts (Dukes, 2011; Al-Quran, 8:55; 11:85). The rationality of the good faith principles of the Islamic financial system is to apply a banking system based on the accumulation/distribution of wealth in a fair and unbiased way, and hence, the socioeconomic balance should be maintained in society (Kayed & Hassan, 2011). That is a way to achieve socio-economic justice among all the individuals irrespective of their positions. Ibn Taymiyyah (d. 1328), a well-known Islamic scholar stated in the same sense: Hence, justice towards everything and everyone is imperative for everyone, and injustice is prohibited to everything and everyone. Injustice is not permissible irrespective of whether it is to a Muslim or

a non-Muslim or even to an unjust person. Anything that departs from mercy to harshness, from justice to oppression, from wisdom to folly and from welfare to misery, has nothing to do with the Islamic banking system (Sanusi, 2008). The real objective of the Islamic banking system is to establish justice between investors and banks and to protect all stakeholders against any injustices, which are impossible without the good faith principle. The Islamic banking system monitors business deals and advances broader ethical and social concerns based on justice and truth (Sanusi, 2008). For attracting investors and building trust, the Islamic banking system places a high priority on the good faith principle of Islamic contract law (Kontot et al., 2016). Justice, confidence, and trust, based on the good faith principle are inherent in Islamic banking and cooperation is becoming increasingly important (Dajic, 2012). Besides, profit and loss sharing may lead to more optimal and efficient resource allocation as compared to the interest-based system. This will ensure justice between the Islamic bank and the investor. Shariah defines the management system with various observers and monitoring tools based on good faith principles.

The Islamic management system is working with the correlation of different parameters, including planning, implementation, organization, leading, monitoring, evaluation, and intentions. These seven elements are mandatory for all management systems that work within Islamic jurisdiction (Ibrahim, 2015). Accountability (hisbah) is an important form of the Islamic management system that refers to the monitoring system that observes individuals, groups of people, business matters, and society. Besides the refrainment of the

management system, the main advantage of Accountability (hisbah) is to develop a society based on high ethical and moral values and to abstain from the misdeeds. Accountability (hisbah) is a highly effective mean of good faith practices in Islamic financial systems. The Islamic banking system ensures that there is no arbitrary manipulation of the market, checks honesty and accuracy in business transactions, prevents any business activity that could damage the interests of the community, and regulates the social-economic justice and human well-being (Sanusi, 2008). The goal of Islamic banking is to create a fair and balanced society as set by Shariah. Everybody involved in a deal makes informed decisions and is not cheated or misled (Ahmed, 2010). The Islamic financial system highly complies with the principle of equity that provides the environment for the fair distribution of profit and loss to involved bodies in proportion to their contribution. When the principle of justice does not work perfectly, the uncertainty increases in the system that may result in the destruction and devastation of that system. Hence, the beauty of the Islamic banking system is the well-defined principle of justice that works systematically under good faith principles (Khan et al., 2019).

According to Jobst (2007), Islamic finance is a financial relationship involving entrepreneurial investment which is subject to moral prohibitions. Islamic finance is based on principles that prohibit risk-taking, interest-earning, sinful activities, gambling, speculative trade and money lending to customers. It believes in trading based on real goods and services and a reward-sharing contract. It also focuses on providing an ethical financial system with a motive of wealth

redistribution, which will have a long-term effect on poverty alleviation (Hayat, 2009).

In the same vein, Islamic finance operates on the basis of Shari'ah principles by observing the pillars and conditions of contract in the operational mechanism. Its grounding principles are the objectives of Shari'ah (Maqāṣid al-Shari'ah): to realise human well-being (Maṣlaḥah) and to repel harms and difficulties (Mafsadah) in people's lives (Laldin & Furqani, 2012). In addition, Akram (2014) posits that Islamic finance integrates ethics into finance by prohibiting unethical investment practices and activities such as *ribā* (usury), *gharar* (uncertainty), *maysir* (gambling), *zulm* (oppression) and *tadlīs* (cheating), while emphasising justice and fairness ('*adl*) and equality (*Musawah*) in financial transactions. Islamic finance works on the basis of partnership and cooperation among the financiers and investors/entrepreneurs, with risk and reward sharing, which ensure greater market discipline. It inculcates greater transparency and disclosure, and greater fiduciary duties and accountability for the benefit of both the financiers and the customers.

Another valid point that is central to Islamic finance is the fact that money itself has no intrinsic value. As a matter of faith, a Muslim cannot lend money to, or receive money from someone and expect to benefit. This means that interest (known as *Riba* in Islam) is not allowed and making money from money is forbidden. Money must be used in a productive way, by which wealth can only be generated through legitimate trade and investment in assets. The principal means of Islamic financing is based on trading. Any gains relating to the

trading are shared between the party providing the capital and the party providing the expertise. As a result, the Islamic banks have developed four main Islamic financing approaches, which are: muḍārabah, Mushārahah, Ijārah and Murābahah (Akintan et al., 2021).

Islamic banking is a system based on responsibility, accountability, promotion, equity good faith and sustainable development (Khan et al., 2019), however, affinity, responsibility and integrity are the essential part of Islamic banking. Islamic banking system prohibits any kind of delivery which involves usury (riba) (Gilani, 2015). While conventional banking system is an interest-based system. Conventional banking system accept deposits on the basis of loan while Islamic banking system accepts deposits on the basis of Mudarabah (Sharing the profit and loss) and Qard Hasana (interest free loan). Conventional banking system is grounded on cash-to-cash financing, while Islamic banking system is based on assets-based financing. Islamic banking system is risk sharing, if anything happens to the investment than the risk is divided between the investors and the bank, while conventional banking system is a loan contract which the investor has to pay at any cost (Ashfaque et al., 2020).

All of products offered by IBs are been monitored by the Shariah Advisory Council of Bank Negara Malaysia (SAC), who is authorised to ascertain Islamic law in respect of Islamic banking, Takaful business, Islamic financial business, Islamic financial development or any other business, based on the principles of Shariah and overseen and governed by Bank Negara Malaysia (BNM, 2020). The banking industries can be classified into individual and company sectors that require various products to meet their needs. Contrary to

the conventional banking system, Islamic banks and their customers are partners, which are based on sharing risk and profit from both sides of financial intermediation. In the majority of Islamic products an alternative to conventional products has been introduced. Looking at the changing and vibrant climate, Islamic banks must innovate and create new products in order to stay competitive. The products need to be appealing and alluring to customers and businesspeople. Not just that, but technology development and financial markets are demanding the timely introduction of new products/services (Aris et al., 2013).

Products Offered by IBs

In order to survive in the current environment, IBs offered unique features on its products and services to appeal their targeted customers. IBs are launching a variety of financial products and services to meet their individual and institutional customers' different types of financial and investment requirements. In addition, the Shariah compliance and approval by Shariah board is mandatory. For example, the Bank Islam Malaysia Berhad offers several products, grouped into personal banking and business banking products according to its official website (BIMB, 2020).

Personal Banking Products are designed for individual customers, and the various types of personal products offered by BIMB are as follows:

Table 1. The Various Types of Personal Products Offered by BIMB

<i>Deposit Products</i>	<i>Issues Similarity and Higher Price Solution</i>
<p><i>Bank Islam offers deposit products for a safekeeping of money.</i></p> <ul style="list-style-type: none"> • <i>Basic Saving Account-i</i> • <i>Basic Current Account-i</i> 	<ul style="list-style-type: none"> • <i>This account is eligible for Individual, Joint and Trust. While for children below 12 years old, the account needs to be opened with parents/legal guardian.</i> • <i>This enables to use the cheque book facilities, together with their debit card.</i>
<ul style="list-style-type: none"> • <i>Term Deposit-i (Tawarruq)-Special</i> 	<ul style="list-style-type: none"> • <i>It is a term deposit product with a fixed profit rate, the term deposit account is based on the Shariah concept of Tawarruq / Commodity Murabahah (i.e., purchase of an asset on a deferred basis either through Musawamah or Murabahah and subsequently sells the asset to a third party on a cash basis).</i>
<ul style="list-style-type: none"> • <i>Qard Saving Account-i & Qard Current Account-i.</i> 	<ul style="list-style-type: none"> • <i>Under the Qard contract, these two products provide hassle free safekeeping of money and allows easy access for withdrawals whenever needed. All are those products are protected under the PIDM up to RM250,000 for each depositor.</i>
<i>Financing Products</i>	<i>Issue's similarity and higher price. Solution</i>

<ul style="list-style-type: none"> • Personal Financing-i Package. 	<ul style="list-style-type: none"> • <i>Customer can improve their cash flow by applying for the first type of financing products.</i>
<ul style="list-style-type: none"> • Baiti Home Financing & Vehicle Financing-i 	<ul style="list-style-type: none"> • <i>Vehicle Financing-i is based on Murabahah (Murabahah to the Purchase Orderer "MPO"), to alleviate burden while owning their dream vehicle. For most vehicle models, the financing margin can reach up to 90% of the OTR price.</i>
<ul style="list-style-type: none"> • Bank Islam Credit Card-i, 	<ul style="list-style-type: none"> • <i>This is the first credit card that is purely Shariah based contract issued in Malaysia to Muslims and non-Muslims. This card is free of riba & ghararar.</i>
<ul style="list-style-type: none"> • ASB Financing-i. 	<ul style="list-style-type: none"> • <i>Customer can use this product to purchases shares in ASB to gain the return in the future (Hakim et al., 2011).</i>
<ul style="list-style-type: none"> • Business Banking Products are offered to corporate clients. Trade Finance Product Trade Working Capital Financing-i (TWCF-i), 	<p><i>It allows to settle payment in a convenient way and makes it easier to manage cash flows. It provides up to one hundred percent financing of the invoice value and guarantees that no fluctuations in the base finance rate will affect the sale price.</i></p>
<ul style="list-style-type: none"> • Letter of Credit-i • Accepted Bills-i. 	<ul style="list-style-type: none"> • <i>These two products offered to the corporate client for improving and helping their businesses to move forward. Under the accepted Bills-i, the bank provides two types of its which is</i>

	<p><i>Accepted Bills-i Purchase and Accepted Bills-i Sale.</i></p> <p><i>Whereby AB-i (purchase) is a customer financing facility for the purchase of tradable goods including commodity material, semi-finished and finished products. While the AB-i (Sales) provides funding for sales and exports of products on credit terms which include raw materials, semi-finished goods and finished goods.</i></p>
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Table 2. BIMB three Products’ Services, Financing, Deposit, and Investment

<p>BIMB 2/11/2020 <i>Product Disclosure Sheet</i> (Vehicle Financing-i (Sales))</p>	<p><i>BIMB Vehicle Financing-i GradHitz.</i></p>
<p><i>Value proposition</i></p> <ul style="list-style-type: none"> • <i>Compared to a conventional auto loan: Interest is determined based on the principal amount borrowed the duration of the loan period.</i> • <i>This product offers a lower interest rate. The amount you pay each month is "fixed."</i> • <i>Even if you opt to pay more for one month, the extra</i> 	<ul style="list-style-type: none"> • <i>Financing margin is up to 90% for the ordinary application and 100% for the special package.</i> • <i>Profit rate i.e., fixed rates for Vehicle Financing-i for National vehicles is from 2.35 percent to 3.30 percent yearly & for Non-National vehicles ranges from 2.35 percent to 2.55 percent yearly.</i> • <i>If financing is settled early, the bank agrees to give the customer an Ibra' (rebate) equal to the deferred Profit at the time of settlement.</i>

<p><i>payment is recognised as a future payment and does not reduce the interest on your car loan.</i></p> <ul style="list-style-type: none"> • <i>Default in repayment of installment consideration is given to some extent based on the principle of Maslahah.</i> <p><i>If this is persistent, then bank resort to charging Ta'awid for the loss of time resources and efforts suffered in this transaction or Gharama it only for charity.</i></p>	
<p><i>BIMB Product Disclosure sheet TDT/PDS /2019, Term Deposit-i (Tawarruq)-Special Value proposition</i></p> <ul style="list-style-type: none"> • <i>Value proposition of this product include Accepting premature withdrawal.</i> • <i>50% off brokerage fees charged by any third-party commodity trader for sale and purchase of the commodity.</i> 	<ul style="list-style-type: none"> • <i>It is term deposit product with a fixed profit rate.</i> • <i>A capital guaranteed deposit account that allows the flexibility of managing funds according to short or long-term needs.</i> • <i>The profit is derived from the commodity purchase and sale transactions based on the fixed profit rate determined upfront under that Shariah compliant concept of Tawarruq.</i>

<ul style="list-style-type: none"> • <i>Auto renewal for the same deposit amount and tenure, auto renewal for the same deposit amount plus profit and tenure.</i> • <i>Bank bears the brokerage fee, and the underlying asset for a commodity Murabaha transaction is crude palm oil (CPO) or another commodity authorized by Shariah.</i> • <i>Capital is guaranteed and there is lot of risk sharing between bank and customer in that bank will absorb the brokerage fee, and 50% if charged by third-part commodity trader.</i> • <i>Shariah compliant nature of transactions and product gives a satisfying feeling and knowing that whatever happens, there is coverage by PIDM of up to RM250,000 is in itself assuring and reason</i> 	<ul style="list-style-type: none"> • <i>Coverage by Malaysia Deposit Insurance Corporation/Perbadanan Insurans Deposit Malaysia (MDIC/PIDM) up to RM250,000 per customer.</i> • <i>Minimum Deposit Placement is RM1,000 for 1 month and RM500 for 2 months and above.</i> • <i>Term Deposit-i (Tawarruq) – Special, the tenure is negotiable ie 1 month to 60 months.</i> • <i>Profit Rate is the fixed rate determined upfront, upon deposit placement whilst Profit Payment Frequency is upon maturity (tenure up to 1 year) or half-yearly profit payment (tenure above 1 year). TDI is offered to individuals aged 18 years old and above as well as no individuals such as trustees, schools /universities, society, mosque, partnership, company etc.</i>
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<p><i>enough to ditch the conventional banks whose ultimate reason for existence is to maximize profit and would not go to these environments in the name of customer service / satisfaction.</i></p>	
<p><i>Product Disclosure sheet WAFIYAH /PDS /2019/ ENG, Wafiyah Investment Account (Wakalah) (Wafiyah Wakalah), under the “Shariah contract of Wakalah bil istithmar”.</i></p> <p>Value proposition</p> <ul style="list-style-type: none"> • <i>“Tenure” which ranges from one (1) month to twenty-four (24) months.</i> • <i>It offers “high returns” of up to 4% for 24 months & is “flexible” by allowing to choose investment tenure.</i> • <i>It allows for “premature withdrawal” from the customer anytime necessary & has an “auto renewal” feature which allows for the</i> 	<ul style="list-style-type: none"> • <i>This product is appropriate for both individuals over the age of 18 and non-individuals.</i> • <i>it can create moderate returns over an agreed-upon investment period.</i> • <i>It offers stable income over funding and financial assets to assure that the investment is within the fund's investment objective by having an asset allocation that safeguards the investment and managing the investment return in a manner consistent with IAH's investment objective.</i> • <i>Viewing the periodical performance reports of the investment on the Bank's website allows for proactive management of the retail financing asset.</i> • <i>This product's expected rate of return ranges between 3.60% & 4.60 % from</i>

<p><i>same placement amount for the same tenure, further allow for the placement amount plus profit and for the same tenure.</i></p> <ul style="list-style-type: none"> • <i>Underlying assets are invested in Housing Financing and Packaged Personal Financing.</i> • <i>The minimum investment ranges from RM1000 for one (1) month tenure to RM500 for two (2) months and above tenure.</i> 	<p><i>one month to 4.40 per month for a period of 24 months.</i></p> <ul style="list-style-type: none"> • <i>if the actual Profit Rate exceeds (or is equal to) the Expected Profit Rate, the Bank will pay the Expected Profit Rate to the IAH, with any excess retained by the Bank as a performance incentive. If the actual Profit Rate is less than the Expected Profit Rate, the Bank is required to pay the actual Profit Rate to the IAH, and any losses (if any) must be carried by the IAH, provided that such losses are not the result of the Bank's misconduct, negligence, or breach of specified terms.</i>
<p><i>Al- Awfar Investment account under Shariah Contract of Mudarabah.</i></p> <p><i>Al-Awfar product's value proposition:</i></p> <ul style="list-style-type: none"> • <i>Offerings of prize drawing under the Hibah Shariah contract.</i> • <i>Cash prizes are credited to Al-Awfar account within 14 business days of the date the bank announces them.</i> • <i>An active account must be</i> 	<ul style="list-style-type: none"> • <i>Investing in low-risk IA that encourages savings, including individual, member, trust, association, partnerships, limited liability partnerships, sole owner, religious bodies, mosques, school/university, club and other types of bank-described accounts.</i> • <i>A minimum investment sum of RM100 Investments without a set minimum or maximum tenure while the possibility for winning prizes through monthly, quarterly and regional drawings.</i>

<p><i>eligible for the prize award for each investment Holder of the investment account may withdraw from the Al-Awfar account or increase it.</i></p> <ul style="list-style-type: none"> • <i>It allows for flexible withdrawal and Profit-Sharing Ratio (PSR) Customer (2%) Bank (98%).</i> 	<ul style="list-style-type: none"> • <i>A secure retail financial asset, complying with regulatory/legislative requirements for operating its banking business in Malaysia.</i>
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To sum up having touched on the specifics on value proposition and reasons for selection criteria of Banking Products, customers choose Islamic Banking Products because they are Shariah compliant products, products and services offerings accommodate their financial needs/returns, Islamic Product Pricing is competitive to conventional products and services, the Delivery Channels are fast and user friendly, Islamic Banks have excellent Customer Service delivery with quick turnaround time such as in Private Banking & Online / Internet Banking services, excellent product structuring and packaging and Know Your Customer (KYC). Also, research have shown that in Malaysia, 35% of Non-Muslim population choose Islamic Banking because of attractive features of Islamic Banking Products, reasonable treatment of penalties for default payment, simple terms and conditions as per conventional products, and the fact that Islamic Banking Products is for ALL (Muslims & Non-Muslims). Finally, Muslims choose Islamic Banking Products because it creates greater awareness of Shariah requirements in banking, comfort of being involved in

Shariah compliant business, Fairness in product terms and conditions and prefer “simple to use” products

METHODS

Present study is a qualitative and library based as adequate articles are reviewed that are related to the subject matter of this research, while it referred to various relevant points to support this work. Likewise, Bank Islam Malaysia’s website was accessed to explore their product and services offerings, nonetheless the value proposition of the said products. Secondary data collection was used throughout to accumulate this research linked to benefits derived from products and services to the beneficiaries and bank alike, core competencies, ethical banking practices, value delivery stages and service-based ethical value propositions. Same method is also cited by Khan et al. (2019).

RESULT AND DISCUSSION

The findings of this study can be elaborated in two folds as follows:

The value propositions of IBs products and services:

Islamic banks have been providing their customers with many benefits, contracts, and services. Needs of customers are met by offering products such as deposit products, financing products, and investment products through contracts of mudharabah, musharakah, ijarah etc.

With the conventional banking running the mainstream for decades and the world being accustomed to their products and services, Islamic banks have to keep up with the modern technology to keep

their customers satisfied. Some of the services and products Islamic banks provide are ATM, checkbook, online banking, funds transfer. Islamic banks also offer ATM cards which they have three levels to; platinum, gold, and blue. Islamic banking also provides with the mobile app which makes banking much easier for all of their customers. Some of the services a customer can access from the mobile app are bill payment, withdrawal, bank statement and many more. All of these products are to make daily life transaction easier for all of their customers. With these products being easy to handle, secure, and quickly accessible, the products are also in compliance with Shariah rules and regulations. This is the value proposition IBs provides their non-Muslim and Muslim customers through their products.

Islamic banking gives benefit to the entire society through its variety of customers from individuals to corporations. By supplying multiple contracts free from the usuary, uncertainty, speculation etc. Islamic banks can help their customers through various ways whether that is through deposit, investment, or finance. IBs particularly offer three types of account as follows:

Islamic banks offer tawarruq term deposit with a fixed profit rate. The value proposition of this contract is that it is a Shariah compliant product. While this contract is Shariah compliant for the majority of the customers, it is also capital-guaranteed (until 250,000 and after that the bank is not responsible).

Unlike their conventional counterparts', Islamic banks offer investment account known as Al-Awfar investment account. It is available for individuals as well as businesses. This account can be

opened by anyone. The unsecured nature of this account will drive the customers away as the capital is not guaranteed. However, Islamic banks follow and abide by their ethical value in which they ascertain that bank cannot produce money from money without providing any kind of services. Islamic banks also offer vehicle financing facilities to its clients based on the contract of Murabahah to the purchase order (MPO) and give rebate (Ibra) to the customer if the amount is paid before the maturity date.

In addition, the application of Shariah supporting contracts in Islamic banking product enriches the value of contemporary banking contracts and services such as Wakalah , Waad, Kafalah, Rahan, Ibrah, Hawalah, Ta'wid(Compensation). Similarly, the products are also covered by Takaful protection. (Ashfaque, Ali Shah, Sultan, Khalil, & Hussain, 2020) (BIMB, Product Disclosure Sheet- Vehicle Financing-i, 2020) (BIMB, Term Deposit-i Tawarruq, 2019) (BIMB, AL-AWFAR ACCOUNT, 2019).

Islamic banks providing competent products and services to customers to fulfil their financial needs:

Islamic banks are offering different products and services for the separate segments of society. Such as, for corporate customers, salaried person, housewife's, teens, kids, businesspersons, and SMEs, they are providing distinct products and services. However, for the saving purpose, IBs are targeting housewives, salaried persons, and self-employed.

Similarly, it is founded that from small business to vendors, and school kids below eighteen are being targeted through many products and services. Such as ATM services to teen in this service guardians

get involved, so that they can get benefits and save money for their children.

Islamic banks are opted to focus on middle-level community and target low-level customers and high network clients. As an Asan account is for small businesses, who do not have any business proof, where they can make a transaction from 20 thousand to hundred thousand. Furthermore, business proof customers are also being targeted by IBs to provide them latter of credit for their imports.

To compete with the existing banking system and to bring the solution for the ever-increasing financial needs of the customer Islamic banks are providing cost-effective technology services such as online resources, SMS services, free ATM services. Further, services like application for the check book; balance check and fund transfer are also offered online.

It is evident that the customers are price conscious, and they look to the price; this is also the competency of Islamic banks that they are providing products in a low price and their rates are competitive as compared to the conventional banks.

However, to examine the practical aspect of currently offered banking products and services the study has analyzed Bank Islam website and studied the products one by one. Finally, the researchers are on the view that the contemporary Islamic banking products and services are sufficient to provide the solutions for the financial needs of the customers. The products comprise of investment, financing, and deposit, for instance, Al- Awwaf investment Product, Wafiyah

Investment Product, Vehicle Financing-i, and Term Deposit-i and so on.

Based on the above-quoted experiences it can be highlighted that Islamic banking system is targeting to all segment of the society and it is obvious that the contemporary products and services of Islamic banks are sufficient to full fill the financial needs of the society (Khan, Yong, & Han, 2019) (Ashfaque, Ali Shah, Sultan, Khalil, & Hussain, 2020) (BIMB, AL-AWFAR ACCOUNT, 2019) (BIMB, Product Disclosure Sheet- Vehicle Financing-i, 2020) (BIMB, Term Deposit-i Tawarruq, 2019).

CONCLUSION

This paper has addressed the value propositions and the nature of the Islamic banks' products and services in providing the solution for the financial needs and investment requirements of their retail and business customer segments. Where it touched upon how IBs can be better in providing solutions to its customers. This study adopted qualitative approach by using library research, content analysis, research articles. Journals, conference papers and websites. The findings revealed that the currently offered banking products and services have adequate value proposition.

It is also discovered that IBs' products and services, provides solutions for the financial needs and investment requirements of their retail banking customers at large. Such as, IBs create wealth through deposit, investment account, and property financing. Similarly, it provides Islamic wealth management solution that consist of various type of Shariah compliant investment products with different risk-

rewards and profiles. Additionally, Islamic banks are efficiently preserving the wealth through Takaful and its distribution is done through Gifts (Hibah), Waqaf, Wasiat and Trusts. ATM and financial services by purchasing and consuming goods and services. IBs's products give different benefits to their beneficiaries in the form of convenience, safety, quick and accessible money dealings, balancing, easy payment and funds transfer. These are the value IBs provide to their customers for them to satisfy and fulfil their needs and desires. The findings of this study have significant implications for different parties. like, regulators researcher, practitioners, and society significantly. Firstly, academicians can build up their research based on the findings of this paper to further explore the potential of IBs to offer a higher value proposition. Practitioners can capitalize on the findings of this study in terms of enhancing their upcoming practices. Moreover, the findings of this study will increase awareness among members of society about the value propositions of Islamic banking services and products. It is recommended that IBs should remain these value propositions in their products and services to demonstrate their genuineness as compared to their conventional counterparts.

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