

THE EXTENT OF THE INFLUENCE OF REENGINEERING FACTORS ON THE PERFORMANCE OF ISLAMIC BANKS IN MALAYSIA FROM THE MAQASID AL-SHARIAH PERSPECTIVE

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ABSTRACT

The population of the study is the Islamic banks Headquarters (HQs) in Malaysia, sixteen (16) organizations, participating in the Islamic banking scheme (Islamic full-pledge & Islamic window of conventional bank) and registered with the Bank Negara Malaysia. In this study, the researchers distributed four (4) questionnaires for every bank, with a total of 64 questionnaires distributed to all Islamic banks HQs. The target respondents were those in top managerial level position with knowledge on the issues addressed and able to represent their organization. The sample was selected using simple random technique and data was collected by means of hand delivery using research assistants from the employees at management cadre representing their respective banks. The data was processed using Statistical Package of Social Science (SPSS), and regression analysis was conducted to test the hypothesis and determine the best BPR factors predictors of Islamic Banks performance in Malaysia. Also, factor analysis was done to reduce the dimensionality of a data set in which there are a large number of interrelated variables, while retaining as much as possible of the variation present in the data set. The result of multiple regression analysis revealed that BPR factors influence overall performance of Islamic banking in

Malaysia. Also, in terms of individual BPR Factors, strategy alignment, management commitment, Information Technology (IT), investment, process redesign and less bureaucratic structure have significant impact on Islamic banking performance in Malaysia. The results indicate that all the positive factors influence the performance of Islamic banking in Malaysia, whereas other factors such as, change management, customer focus and adequate financial resources have insignificant influence on the performance Islamic banks in Malaysia. The outcome of this study provides important insights to both managers and researchers for further understanding of the effects of BPR factors on organizational performance of Islamic banks in Malaysia. It is therefore recommended that, managers should pay attention to building, re-configuring, renewing and deploying intangible resources (BPR factors), so as to deal with business environmental changes to remain efficiently and effectively profitable.

Keywords: Business Reengineering Factors, performance, Islamic Banks, Malaysia.

INTRODUCTION

In a volatile global world, organizations enhance competitive advantage through Business Process Reengineering (BPR) by radically reengineering whole processes. BPR transforms processes that together form a component of a larger system aimed at enabling organizations to empower themselves with contemporary technologies, business solutions and innovations. The BPR concept was first introduced in Malaysia in the 1990s and gained popularity when Malaysia's famous Vision 2020 was revealed by then Prime Minister, Tun Dr. Mahathir Mohammad in the year 1994. Malaysian government has successfully implemented many reengineering projects such as MyKad - a multipurpose digital application card for all citizens over the age of 12, Public Services Network (PSN) – an online network application system that enables users to make payment or renewal of various government agencies' services at the post offices and E-Government (began in 1997 with the launch of the Multimedia Super Corridor's (MSC) E-Government Flagship Application) for the sake of the public and the country by changing the way government interacts with citizens and businesses through new ways of government operations. Aside from this, the rapidity of technological change also promotes innovation and improvements in business processes. Through advanced technology, companies are able to diminish the time available to develop new products and introduce them to the market. In addition, under the Economic Transformation Programs (ETP), the Malaysian Government and Bank Negara Malaysia (BNM) predicted that the Islamic banking sectors would achieve more than 40% of growth towards 2020 ("Islamic Banking To", 2014). Recognizing the importance to the country, Islamic banks are expected to be flexible, take expedient action, and maintain low production. Khong and Richardson (2003) emphasized that Malaysian banking industry should increase the speed, deliver high quality output and reduce its operating cost in order to survive.

Most of the banks have ignored the specific nature of IT infrastructure, and, also, have not fully considered important environmental conditions that influence both relationships. Hence, although the literature in BPR implementation in Malaysia is widespread, it lacks thorough empirical evidence of BPR impact on performance. Therefore, there is a need to relate factors that may contribute to organizational performance within the context of other variables that also affect performance [1, 2]. The financial service industry is one of the early adopters of new IT and the industry evidences that IT effect on firm performance in the service sector is generally inconclusive, unlike in the manufacturing sector [3, 4] Furthermore, based on previous research, managers are not fully aware of the importance of both variables [5, 6] Hence, there is a need to understand the effect of the BPR factors on performance, particularly among Islamic banks. In the current study the Islamic banking performance is

measured using *Maqasid al-Shariah* Framework [7-10] Measuring the performance based on *Shariah* principle is better than common measurement because the Islamic principle further emphasizes the profit and loss sharing and it prohibits the collection of interest [11, 12] Hence, this study's core research objective is to determine to what extent BPR affects performance of Islamic banks in Malaysia based on *Maqasid al-Shariah* perspective?

LITERATURE REVIEW

Performance of Islamic Bank

The performance objectives of Islamic banking should be reflected in economic development, creation of value added services, increased exports, less imports and job creation, among others [13] (Scholars such as, [2, 14] argued that Islamic banking objectives should enable IBs to strive for a just, fair and balanced society. These objectives are community oriented and entrepreneur friendly emphasizing productivity and expansion in real economy, and they promote brotherhood and cooperation. [7] a framework on the ideal objectives of Islamic banking from Abu Zahara's theory of *Maqasid al-Shariah*. The performance measures used are reflective of the responsibilities and obligations expected out of IBs. This study adopted [15, 16] theory of *Maqasid al-Shariah* because it encompasses three broad objectives as shown in Figure 2.0.

Tahdhib al-Fard (Educating the Individual)

The first objective of educating individual was operationalized by education, training research and creating publicity in the individual values for his spiritual development. Hence, Islamic banks must design educational and training programs that should develop knowledgeable and skillful employees with proper moral values. They must also share information that would inform their stakeholders about their products.

Iqamah al-`Adl (Establishing Justice)

The second objective of establishing justice is defined in terms of ensuring fair dealings in all business activities (products, pricing, terms and conditions of contract etc.) of Islamic banks. This is in view of ensuring free, fair dealing, equity and justice.

Jalb al-Maslahah (Promotion of Public Interest)

The third objective, *Maslahah* or public interest, explain that Islamic banks should give priorities to business activities that generate greater benefits to the general public. These include activities in real sector and areas related to the basic needs of the public such as investments in financing of housing projects, and the like.

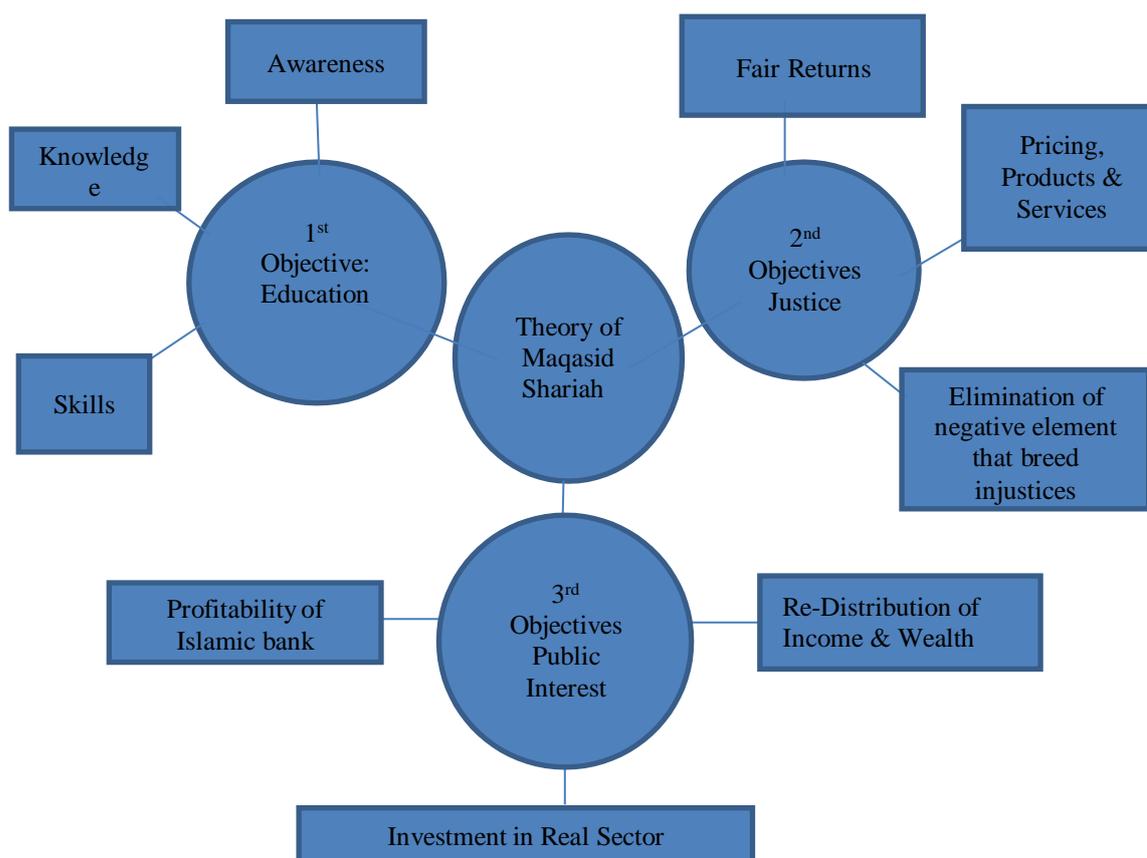


Figure 2.0: Islamic banking performance measures from the theory of Maqasid al-Shariah (PMMS model)
Sources[10]:

Business Process Reengineering Factors

BPR factors in the present study have been adapted based on the scope of study and fit to the framework of the best practices of BPR in Islamic banks is shown in Figure 2.1. These BPR factors are essential elements to the successful transformation process in the organization as discussed:

Change Management

Change management is the discipline of managing change as a process, with due consideration that employees are people, not programmable machines. It is about leadership with open, honest and frequent communication. It must be okay to show resistance, to voice issues, and to be afraid of change. Organizations do not change. People change, one at a time. The better one manages the change, the less pain one will have during the transition, and the impact on work productivity will be minimized. [17] argued that the key challenges for successful implementation of reengineering projects are changing attitudes and culture, ensuring extensive communication and dealing with resistance to change from middle management. [18-20] argued that change management can provide a good setting for fundamental change as a result of BPR implementation through the active involvement of people in redesigning the change process[1, 21-23].

BPR Project Management

BPR project management refers to the extent of the alignment of project strategy with the corporate strategy, effective use of consultants, effective planning and project management techniques and adequate identification of values and performance measures of the project [24]. Successful project implementation is highly dependent on effective project management. New processes would be created to define jobs and responsibilities across the existing organizational functions [23, 25, 26] clarified that strategic alignment is a method to understand the relationship between process and strategy. Moreover, strategic alignment is able to convince the organization to look forward to the future. Other researchers such as, [22] found that there is no significant relationship. It means that, to successfully manage Islamic banking, managers of banks should align all the processes with BPR project to ensure that they are under control.

Top Management Commitment

Top management commitment ensures that employees contribute towards the successful achievement of a remarkable organizational performance as a result of the implementation of projects in the organization. Lack of commitment in organizations may result in lack of resources and funding that in turn, terminates redesigning of the processes. The significance of management commitment was proved based on findings reported by [22]. Effective management commitment toward the management teams of banks will influence the performance and managerial practices and directly affect organizational success. In other words, the commitment from top management will ensure that all of the employees do better and improve the banks performance. Top management leaders should have a clear knowledge about the company's situation. In addition, they should have enough knowledge of the project and a realistic expectation of the results [27-30].

Customer Focus

Customer focus is an external orientation based on customer research, competitive analysis, analysis of customer requirements on products/services, and firms that are able to meet customer demand to achieve a competitive advantage over their competitors [22]. Customer requirements and expectations should be defined and measured, and processes should be defined broadly in terms of customer values. An innovative organization requires customer involvement during BPR [31]. Organizations should gather information from their customers to drive the BPR projects. This helps them to recognize their customers' needs [32]. Previous researchers found that there is a strong relationship between customer focus and performance of Islamic banks. However, the findings from [5, 6] demonstrated that customer focus does not directly influence the overall performance of banks in Nigerian setting. Also, empirical evidence showed that high level of customer loyalty does not lead to increase profitability [33, 34].

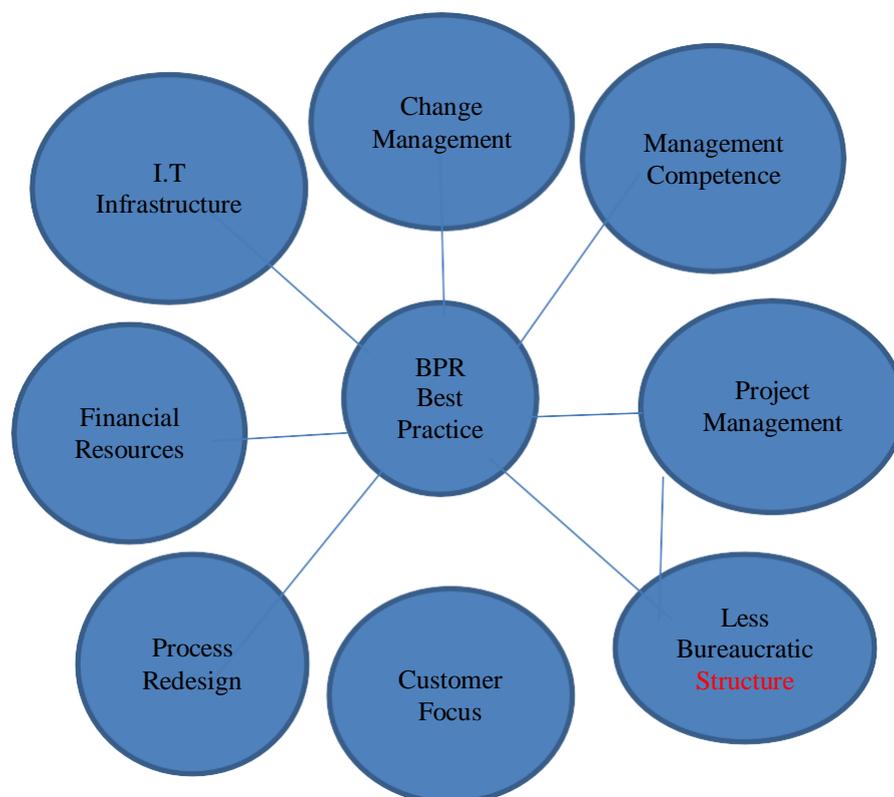


Figure 2.1: The framework of the best practices of BPR in Islamic banks
Source: [19, 20]

IT Infrastructure

This study defines IT infrastructure as the extent of the organization's expenditure on IT infrastructure, IT personnel training, IT consulting, IS maintenance, computers and software, effective alignment of IT infrastructure and building an effective IT infrastructure, proper IS integration, effective reengineering of legacy IS, increased IT competency, and effective use of software tools, which are the most important factors that contribute to the improvement of operational performance of a bank. An organization requires IT infrastructure because IT integrates and connects departments together and minimize the errors and puts all systems together [4, 15, 16, 32-37]. By integrating and linking the systems together, every process and activity can be timely resolved. Furthermore, [15, 16, 27] stated that IT is very vital to help organization craft and execute BPR as a strong technique in management.

Process Redesigns

Process redesigns of the organization process orientation includes: appropriate level of process knowledge, documentation of existing processes, appropriate selection of core processes and use of prototypes that are critical to process redesign and have a direct impact on customer value and cost to help banks improve performance [17, 24, 33, 34, 38, 39].

Financial Resources

The recapitalization of banks was aimed at ensuring adequate financial resources for the banks to conduct their business effectively. A weak capital base cannot adequately provide a cushion for the risk of lending to entrepreneurs without collateral. BPR is normally an expensive project and requires a huge amount of money [16] In order for BPR to happen successfully, the organization needs to have an adequate amount of funding, sufficient to implement change and to back up unpredictable circumstances.

Less Bureaucratic or Flatter structure

The organizational structure should be flatter to enable BPR in terms of its encouraging of creativity and innovativeness in the organization, as well as the need for less bureaucracy, and more participation and empowerment in the organization. [8] suggested that organizations could implement less bureaucracy to encourage innovativeness. This premise was also supported by who suggested ways to achieve successful results in BPR implementation by significantly changing the organization’s structure, with emphasis on cross-functional work teams. Organizational structure should be flexible in order to avoid the failure of BPR implementation, as discussed in [18, 28, 40]

Theoretical Framework

Following the discussion throughout the literature, [21, 37] that absence of established BPR theory capable of producing a result significant for business practice has led to a model based on developed constructs. They added that organizations were not emphasizing some of the most important goals and objectives recommended in reengineering literature. They argued that the lack of organizational emphasis to achieve the desired objectives is the major reason for many failed reengineering projects. Therefore, reengineering has become the weapon for corporate organizations that are seeking to improve their performance and achieve cost leadership strategy in their operating industry and environment. A framework was therefore developed to examine the effect of BPR factors on performance of Islamic banks in Malaysia. Accordingly, the research framework was derived from a review of the model, concepts, BPR factors and organizational performance.

The dependent variable in this study is the Islamic banking performance. This refers to the bank’s effectiveness of activities in terms of financial and non-financial outcomes. This study considers multi-dimensional performance measures as they offer more complete measurement than the unidimensional approach. The conceptual framework is shown in Figure 3.1.

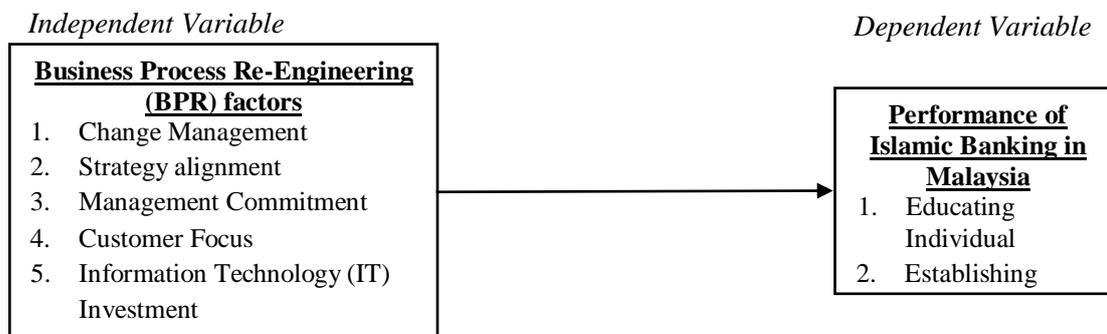


Figure 2.3: The conceptual framework

Meanwhile, the independent variables of this study comprise of the BPR factors. The BPR factors were derived from previous studies by [12, 22]. The BPR factors include change management, management commitment, customer focus, information technology investment, process redesign, adequate financial resources and less bureaucratic structure.

RESEARCH METHODOLOGY

Research and Sampling design and Data Collection strategy

This study used non-experimental design (survey) and probability sampling techniques, with the quantitative method of administering the questionnaire and analysis. The organization is used as the unit of analysis because this study is focused on measuring the organizational performance [41]. The population of the study is the Islamic banks Headquarters (HQs) in Malaysia. The total population consists of sixteen (16) organizations participating in the Islamic banking scheme (Islamic full-pledge & Islamic window of conventional bank) and registered with the Bank Negara Malaysia. In this study, researchers distributed four (4) questionnaires for every bank. In parallel with other researchers' opinion [17, 20, 29-31, 39, 42] multiple respondents were selected to avoid bias, balance the perspective of BPR variables, and obtain negative or positive feelings about the research topic (Cheng & Chiu, 2008). Hence, 64 questionnaires were distributed to all Islamic banks HQs. The target respondents are those who are in the position of top managerial level and are knowledgeable on the issues addressed and thus, able to represent their organizations. The respondents also have experience and understanding about BPR

In an attempt to get the completed questionnaires returned as quickly as possible, the hand delivery and collection method was adopted; this is also expected to give a high response rate. Hand delivery and collection is an efficient method in an environment, where a research culture is not sufficiently developed. For instance, research has shown that the rate of return of mailed questionnaires is between 3 and 4 percent. Furthermore, a representative sample in the probability sampling design guarantees the equal and independent representation of data being chosen. The advantage of this sampling method is that there is no bias of the researcher against the choice of It is also regarded for its high generalizability [21, 22] The selection of the sample size of banks was made based on simple random sampling technique.

Measurement Instruments and Operationalization of Variables

Questionnaires are considered one of the most appropriate data collection instruments for survey research [28] Hence, a structured questionnaire, which consists of closed-ended questions, was used. However, in order to ensure the adaptation of the questionnaire was done properly, the researcher conducted face validity before a pilot test. The adapted questionnaire measures the influence of the independent variables namely, BPR factors (change management, management commitment, IT infrastructure, less bureaucratic structure, project management, customer focus, effective processes redesign, and adequate financial resources) on the dependent variable - organizational performance (Maqasid Al-Shariah Framework). The six-point type rating scale was used in measuring responses for the questions. Literature shows that a scale between 5 to 7 points is more reliable and valid than shorter or longer scales [43] best method in scale construction - although one may be better for one research problem, it may not good for another.

The questionnaire designed for this study consists of three (3) main sections. Section A consists of questions regarding the degree of BPR factor's implementation

(independent variables), adapted and modified mainly from the findings of, Section B of the questionnaire measures the dependent variable (organizational performance) by an adapted instrument Section C consists of demographic data on personal and organization background of the respondents.

Data Analysis Technique

Statistical Package for Social Science (SPSS) version 21.0 was used to process the data for cleaning. Before the researcher proceeded with multiple regression analysis, preliminary assumptions including linearity, normality and homoscedasticity needed to be examined. Another assumption is the ratio of independent variables and outliers and this needs to be examined before conducting regression analysis [22]

FINDINGS AND DISCUSSION OF RESULTS

Validity and Reliability Analysis

The validity and reliability analysis was conducted to ensure the questionnaire of this research was valid, based on measurement of validity for dependent variables and independent variables. Overall measurement for dependent and independent variables were valid because this study adapted the former from [8-10, 29, 30, 33, 39, 41, 43-46] Other previous researchers also used the same measurement in the same scope and they evidenced the instrument's validity for dependent and independent variables.

Reliability analysis is important to measure the data consistency. Reliability is measurement technique to ensure consistency on repeated application [42](Weiner, 2007). Cronbach's Alpha procedure was used to test the reliability of the questionnaires. [31] emphasized that alpha value which was closed to 1 indicate that the research data has high level of reliability (Cronbach's Alpha = > 0.90), and value lower than 0.6, indicate that the research data has low reliability (Cronbach's Alpha = < 0.60).

The reliability result for this study is shown in Table 4.9. Based on analysis result, the reliability test for dependent and independent variable in this study was acceptable and very good. For dependent variable, Cronbach's Alpha value for Islamic banking performance is 0.893, while the Cronbach's Alpha for overall independent variable (BPR factors) is 0.930.

Table 1

Reliability Statistics for the Data Gathered from Survey

Items	Number of Items	Cronbach's Alpha
Dependent variable (DV)		
Islamic banking performance	18	0.893
Independent variable (IV)		
BPR factors	45	0.930

Multiple Regression Analysis and Hypothesis Testing

Multiple regression analysis was conducted to analyze the relationship between independent variables and dependent variables. Independent variables (IV) were BPR factors while dependent variable (DV) was Islamic banking performance in Malaysia. This analysis is important as it analyzes whether the independent variables were able to influence the dependent variables. The analysis was also conducted to answer the research objectives and hypotheses of this study.

Hypothesis was tested by using multiple regression analysis. The t value should be more than 1.645 ($t > 1.645$) and the significant value should be less than 0.05 ($p < 0.05$). The results of analysis show that R Square value was 0.612 or 61.2% of variance. The F value = 5.131 and significant value was 0.001 ($p < 0.05$). The hypotheses were accepted, which means that BPR factors influenced the overall performance of Islamic banking in Malaysia.

Furthermore, in terms of individual variables, strategy alignment, management commitment, information technology (IT) investment, process redesign and less bureaucratic structure have significant impact on performance of Islamic banking in Malaysia with the values of $\beta = 0.0483, 0.011, 0.005, 0.002$ and 0.002 respectively. Meanwhile, the value of $t = 2.078, 2.741, 3.051, 3.402$ and 3.45 respectively. This means that, all the positive factors evidence influence on performance of Islamic banking in Malaysia. The remaining factors namely, change management, customer focus and adequate financial resources were rejected with the values of $\beta = -0.444, 0.452$ and 0.246 respectively. Any change in the three factors will not affect performance of Islamic banking in Malaysia. Table 4.11, illustrates the summary of hypothesis.

Table 2

Multiple Regression Analysis for Hypothesis 3 (N=35)

BPR factors and Islamic banks Performance	Variables	R ²	F	P	(β)	Sig.	t
Independent Variables Statistic Summary	performance Islamic banks	0.612	5.131	0.001 ^b	0.493		
	1. Change Management				0.166	0.444	0.777
	2. Strategy alignment				0.552	0.048	2.078
	3. Management Commitment				-0.693	0.011	2.741
	4. Customer Focus				-0.114	0.452	-0.764
BPR factors	5. Information Technology (IT) Investment				0.749	0.005	3.051
	6. Process redesign				-0.694	0.002	-3.402
	7. Adequate Financial Resources				0.188	0.246	1.187
	8. Less Bureaucratic Structure				0.588	0.002	3.451

Discussion of Results: BPR factors and Performance of Islamic Banking in Malaysia

The multiple regression analysis shows the significant effect of BPR on performance of Islamic banking. According to [1, 2, 9, 10, 14, 18, 21, 34, 37, 40, 41, 44-48] clarified that strategic alignment is a method to understand the relationship between process and strategy. Also, strategic alignment is able to convince the organization to look forward to the future. However, other researchers such as, Cheng and Chiu (2008) found no significant relationship. In order to successfully manage Islamic banking, manager of banks should align all the process with BPR project to ensure that they are kept under control.

[11, 23, 49, 50] emphasized the significant relationship between management commitment and banking performance. The significant relationship show that the higher the management commitment, the more enhanced will be the banks performance. Effective management commitment was also significant based on the Added to this, effective management commitment toward the management teams of the banks will influence the performance and managerial practices and in turn, directly affect the banks success . In other words, the commitment from top management will ensure that all of the employees do their best to enhance banks performance.

An organization requires IT infrastructure because IT integrates and connects departments together, minimizes the errors and integrates all the systems together By integrating and linking together, every process and activity, the problems will be solved immediately stated that IT is very vital for the organization to craft and execute BPR as a robust technique in management.

Process redesign is also one of the important factors for successful management of Islamic banking. viewed the effective process redesign as the ability of finding a new way of adding value to customers. It means that, every redesign should have a direct impact on customer value and cost It will help banks to improve their performance.

[6]With regards to organizational bureaucracy,[51] suggested that organizations could implement less bureaucracy to encourage innovativeness. This finding was also supported by[38, 49, 50, 52] who suggested ways to achieve successful results in BPR implementation by significantly changing the organization's structure, with emphasis on cross-functional work teams. This study found process redesign to have a significant impact on performance.

The remaining factors namely, change management, customer focus and adequate financial resources have insignificant influence on performance. Based on previous researchers, change management includes communication, motivation, empowerment, training, reward, and education, where all the items were found not to influence the overall banks performance. According to[33, 34] insignificant relationship exists between change management and bank performance.[22] also examined the relationship between change management (training and development) and enhanced performance. Similarly, the result of this study showed no relationship between change management and organizational performance.

In terms of customer focus, almost all the previous researchers found a strong relationship of the variable with performance of Islamic banks. Nevertheless, this study found an insignificant relationship between the two variables. Specifically, findings from [5] demonstrated that customer focus did not directly influence overall performance of banks in Nigerian setting. Customer focus did not have a significant influence on the performance of Islamic banking although the relationship is positive. Empirical evidence showed that high level of customer loyalty did not lead to increased profitability [48]

The last variable is adequate financial resources, where this study found an insignificant influence with Islamic banking performance in Malaysia. In reference to the results, financial resource is not one of the top factors that influence performance.

The insignificant relationship between adequate financial resources and performance relationship might be as a result of the weak inter-correlation values between variables. This could cause an insignificant result in multiple regressions [41]

Recommendations and Contributions of the Study

Based on the research findings, the researcher demonstrates some efforts and attention required from managers of Islamic banking in Malaysia. In order to improve the performance of Islamic in Malaysia, management of Islamic banking should implement BPR, because based on the research findings, the independent variable generally has a significant influence on the performance of Islamic banking.

Furthermore, managers of banks should focus on BPR factors, particularly, strategy alignment, management commitment, Information Technology (IT) investment, process redesign and less bureaucratic structure, while for IT capability, managers should obtain knowledge about IT because it has a significant impact on performance of Islamic banking in Malaysia.

In general, this research contributes to knowledge enhancement and provides principal value to the academicians about BPR on Islamic banking in Malaysia. Nowadays, knowledge is becoming a meaningful resource all over the world. This study shows that internal resources (BPR factors) influence the performance of Islamic banking in Malaysia.

Moreover, measurement performance for this study is based on Maqasid al-Shariah, which includes educating individual, establishing justice, and public interest as the dimensions of the performance measurement [9, 10] This study does not only provide significant evidence of the relationship between BPR factors and overall performance, but it also provides evidence of individual three dimensions of performance, which are educating the individual, establishing justice and public interest. The results evidenced that the overall relationship of BPR factors has a positive correlation with banking performance.

Similarly, this study found empirical evidence to support the resource-based view. The resource-based view suggests that the performance of a firm is influenced by its internal resources. In the context of this study, BPR factors (change management, BPR strategy alignment, management commitment, IT investment, customer focus, adequate financial resources) were regarded as resources.

However, the evolutionary approach into resource-based theory of the firm is unable to provide a satisfactory theory of the firm due to lack of spirituality foundation to sustain contribution of these resources. Thus, this study explores an Islamic approach, which is based on [15, 16] theory of al-Maqasid Shariah because it encompasses three broad objectives: Tahdhib al-Fard (educating the individual); Iqamah al-`Adl (establishing justice); Jalb al-Maslahah (promotion of public interest). Also, the study used performance measurement model developed from theory. The study obtained views through questionnaire administration from managers of Islamic banks in Malaysia.

Apparently, the academic field is rife with the latest knowledge collection of BPR researches and their contribution is undeniable. The study can be used as a guideline and sources of literature about the linkage between BPR and performance of Islamic banking. The researcher believes and hopes that this research will provide assistance to the readers to improve their understanding and knowledge of the topic and attract them to conduct further studies in this field.

Limitations of the Research

Under this title, several limitations are pointed out by the researcher and they include:

The study is only focused on full-fledged Islamic banking and Islamic window of conventional bank without involving the norm of Islamic finance company under Islamic banking. Therefore, the sample size is small and limited.

This study adopted a cross sectional design where the survey obtained the perception of respondents at one point in time. This study is not an evidence of the longitudinal relationship

This study only focused on survey questionnaire method without combining the method with interview. The limitation of data collection method is one factor that could limit the strength of the results.

The findings cannot be generalized to a larger context across the cultures of other countries, and business environments as these contexts may provide different relationships between BPR factors and organizational performance.

Suggestions for Future Research

Although there have been several investigations about BPR factors and organizational performance, reviews on banking sector are still lack in the academic review, especially when it comes to the performance of Islamic banking. Lack of literature in this area has made a gap that is problematic to practitioners and academicians. On the other hand, based on the observation by the researcher, researches on the relationship between BPR and performance of Islamic banking are still new and almost non-existent. Thus, this topic can be an interesting topic to explore in the future.

The present study involved the analysis of information based on quantitative techniques because of the small sample. Therefore, the researcher suggests that future studies apply the mixed-mode of study as the results will be more meaningful in terms of the relationship between BPR and performance of Islamic banking.

Moreover, the future researchers may also involve Islamic finance companies because this research only focused on full-fledged Islamic banking and Islamic window of conventional banks. By involving Islamic finance companies, the total number of population will also increase.

Conclusion

The purpose of this research is to investigate the relationship between Business Process Re-Engineering (BPR), and performance of Islamic banking in Malaysia. The population and sample of this study comprised of managers and executive level positions, which possess an understanding of BPR knowledge and BPR implementation. The setting for this study is Islamic banks in Malaysia and to achieve the objective, the study analyzed 35 sets of questionnaire.

The overall result shows that the BPR factors influence the overall performance of Islamic banking in Malaysia. However, for individual factors, the analysis using multiple regression indicated that only strategy alignment, management commitment, Information Technology (IT) investment, process redesign and less bureaucratic structure significantly impacted the performance of Islamic banking in Malaysia.

Finally, the research model was developed, with the key variables being the BPR factors and performance of Islamic banks. The top significance of this study is that it proposed the objectives of Islamic banking from the Maqasid al-Shariah perspective. It also suggested a methodology that could be used to measure Islamic banking performance based on the Shariah framework. This study goes against conventional trends of measuring performance of Islamic banks. Islamic banks must move towards Maqasid al-Shariah as this would allow them to identify their objectives and measure their performances based on the Shariah. The researcher suggests to the all bank

managers to be more focused on BPR factors to enhance banking performance. The study also provides new empirical evidence about the implementation of BPR factors for enhanced Islamic banking performance, especially in Malaysia. Henceforth, the researcher hopes that this study will provide assistance to other potential future researchers to exhaustively extend and explore this topic area.

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