

Wasatiyyah Values Appreciation in the Syariah Governance as Consumer Understanding Education Mechanisme towards Islamic Banking System

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Abstract

The concept and values of wasatiyyah are fundamental in Islamic banking practice as the syariah law has delineated basic muamalat principles as an operation guideline for the banking industry. So that, all kind of extreme characteristics may be prevented. The principles of wasatiyyah prohibit any element which overlooks the permitted limit namely gambling, uncertainty (*gharar*), usury, fraud and so on. These elements have to be avoided in life because they were clearly prohibited by Allah SWT due to their oppressive nature especially towards the unfortunate such as the poor or low-income group. This prohibition is also attached with the heavy intimidation in the hereafter. The Islamic banking system upholds the concept of wasatiyyah through the values of fairness, trust, transparency and accountability which are instilled through the syariah governance system. The appreciation of these values is proposed to be a part of the new curriculum for the financial awareness subject has been presented by the Malaysia government in the 13th Parliamentary session. It is important to educate and enhance the understanding of the public especially the young about the Islamic banking system as an alternative to avoid the prohibited conventional banking system.

Keywords: wasatiyyah values; education mechanisme; syariah governance; Islamic banking system.

INTRODUCTION

In the Malaysia and Indonesia constitution, right in respect of education is guaranteed and Islam is the religion that been given special position. Thus, Islamic education is mandatory for all levels of schooling (Nazri Muslim 2012). At the primary level, every individual is taught to recite the al Quran, and the basic of Islamic attitude; Fardhu 'Ain. While in secondary schooling, students are imparted enhanced knowledge and understanding of what they have learnt during the primary level. However, during both levels little emphasis is given to neither theoretical nor practical part of muamalat or the daily transaction activities according to Islam (Abdul Halim 2001).

This muamalat knowledge should be imparted and disseminated to everyone at a very young age (Assegaf 2007). A new curriculum should be constructed and design to cater to this loophole in the education system. Students should not only be taught theoretical aspects of muamalat but also practical knowledge. When preparing the curriculum, strategist should prepare students for the Information Age that depends on an integrated strategy, that is to provide all-round development with provision for individual abilities, emphasize intellectual, emotional, spiritual, and physical growth, produce a technologically literate work force, democratize education and finally increase the participation of stakeholders.

Current financial landscape has been transformed into various forms due to the existence of new policies pertaining to global financial liberalisation. Business environment that becomes more conducive together with the advancement of the information communication technology and consolidation of international relationship as outcomes from the financial orientation and innovation contribute to this transformation. As a result, the financial landscape becomes increasingly complex and challenging. The statistic has shown that the demand of the consumer is also increasing in line with the change of the socio and demographic. The aspect of consumer education and understanding is capable to design the changes in the financial industry (Zeti Akhtar Aziz, 2006). The government of Malaysia has proposed a bill in the Parliamentary assembly on 5th April 2017, so that the aspect of financial management can be introduced into the national education system (Parliament 2017). It is to enhance the understanding of the public especially the young to manage their finance. At the preliminary stage, it will be implemented in the primary and secondary school.

Wasatiyyah is a concept of moderation which been emphasized by Islam through the al Quran and al Sunah. In fact, the the constitution in the world, was drafted by the Prophet SAW is a reflection of the concept of wasatiyyah (Azyati Azhani 2013). There are lot of Quranic provisions touching this concept, highlighting that this religion prohibits all extreme elements in the social life including oppression, tyranny and fraud. Extremism shall be eliminated so that the concept of wasatiyyah be applied in all aspect of life including politic, education and economy (Abdullah Md Zin 2014).

This article discusses about the existence of the concept of wasatiyyah in the Islamic banking system. The values of wasatiyyah that emphasize moderation value and reject extremism has distinguished the Islamic banking system from the conventional system. Hence, the wasatiyyah concept is giving additional value to the Islamic banking system because it may increase the confident level to people especially the Muslims. Thus, it is proposed that the element of wasatiyyah which is instilled through the syariah governance of the Islamic banking system be included into the proposed financial awareness to the school students. The reasons behind this lack of knowledge about Islamic banking system are extremely important in shaping up a new generation with awareness of Islamic values.

RESEARCH METHODOLOGY

This article is based on the descriptive analysis research which involves library-based method. The method chosen is one of the well-known approaches to get the literature material such as books, articles and journals including the Acts of Parliament. These texts are scrutinized to develop the

concept and scope of analysis. Reference is also made by referring the website of Bank Negara Malaysia, Bank Indonesia and few other websites.

EPISTEMOLOGY OF WASATIYYAH: DEFINITION, CONCEPT AND VALUES

The term wasatiyyah is an Arabic word, *al wastu-wasata-yuwasitu-wasatiyyah*. It simply means moderation (Maan Z Madina 1973). Dewan Bahasa dan Pustaka explains this term as in the middle, equality or equivalent (Kamus Dewan 2005). The word wasatiyyah which has been widely used is also similar with the word *iktidal*, *tasamuh*, *mutawassit* and *tawaazun* (Abdul Rauf 2005). From the conceptual definition, wasatiyyah means ‘the best choice’ (al Salabi 2005) and not extreme or extravagant (Omar Hashem t.th) It includes the avoidance of any extreme behaviour and tend to the middle choices after the consideration of all the available views (Muslim Ibrahim 2011). Qurasih Shibab expresses the term of wasatiyyah means something with noble, good and just value (Quraish Shihab 1996). It is located in the middle of two types of extreme attitudes; *ghuluw* and *tatarruf* (Kamal Mujani 2015). It refers to the attitude, principles or views that are too hard (*ifrat*) or to loose (*tafrit*) (Muhammad Haniff Hassan 2003).

In addition, Tafsir al Manar includes the aspect of excellence in the definition of wasatiyyah. Mahmud Syaltut supports this definition by providing (Abdullah Basmeih 2001):

“Islam is the straight road. Its law; the syariah is lasting forever and suitable (to be applied) for all situations and times. The people before Islam can be categorized into two. The first group is rigid and extreme and the second is negligent and too loose. After the arrival of Islam, a moderate manhaj; wasatiyyah been outlined and implemented into all matters of human daily life”.

In verse 143, Surah al Baqarah, Allah SWT has used the word *wasata*:

“We have made you a moderate Ummah (nation) so that you may testify against mankind and that your own Rasool may testify against you”.

Imam Al Razi had interpreted the word ‘*wasata*’ in this Quranic provision as justice; balance and equal in all affairs (Al Razi 1935). Later, Al Qaradawi particularized the interpretation by adding that the parameter of the moderation is measured by the compliance towards the sources of Islamic law; al Quran and al Sunnah (Al Qaradawi 1997). Due to this, it is proposed that the operational definition to the concept of wasatiyyah in this article refers to a principle of moderation and balanced which rejects any form of extremism measured through the application of the principles underlined by the syariah. Among the values found through the assessment towards the concept and definition of wasatiyyah are of fairness, trust, transparency and accountability (Abdullah Md Zin 2014).

THE VALUES OF WASATIYYAH AS THE BASIS IN THE SYARIAH GOVERNANCE OF ISLAMIC BANKING SYSTEM

The values of wasatiyyah in the perspective of Islamic Banking System is by putting the basis to the al Quran and al Sunnah; complying all the muamalat principles, not exceed the limitation deliniated such as violating what been prohibited. In verse 29, Surah al Nisa’:

“O believers! Do not consume one another's wealth through unlawful means; instead, do business with mutual consent; do not kill yourselves by adopting unlawful means. Indeed Allah is Merciful to you”.

The Islamic finance principles emphazises corporate governance, structural strength, transparency of the information disclosure and strict compliance with the Islamic law rules (Bank Negara Malaysia 2012). The foundation of Islamic banking system is based on the Islamic faith and must stay within the limits of the syariah in all of its operations and activities. Amongst the governing principles of the system are, the avoidance of interest-based (*riba*) transactions, economic activities involving oppression (*zulm*), uncertainty (*gharar*), fraud and so on. On the other hand, conventional banking is essentially based on the debtor-creditor relationship between the depositors and the bank on one hand, and between the borrowers and the bank on the other. Interests are considered to be the price of credit, reflecting the opportunity cost of money. Islamic law considers a loan to be given or taken, free of charge, to meet any contingency. Thus, in Islamic banking, the creditor should not take advantage of the borrower. When money is lent out on the basis of interest, more often that it leads to some kind of injustice. The first Islamic principle underlying for such kind of transactions is *"deal not unjustly, and ye shall not be dealt with unjustly"* [2:279]. From this basis, the products and facilities of Islamic banking were produced such as *Wadiah Yad al Dhamanah, Mudharabah, Musyarakah, Bai' Bithaman Ajil, Ijarah, Murabahah, Al Qardhu Hasan, Al Kafalah* and *Hiwalah*.

To ensure the effectiveness of supervision in providing the atmosphere that always complies with the syariah, the framework of the syariah governance was established (Bank Negara 2005). It is an organizational arrangement for the operation of all Islamic banking institutions. In tandem with market developments, the Malaysian regulatory authorities have been at the forefront in supporting the industry’s growth with robust regulatory frameworks, legislations and Shariah guidelines in order to preserve the sanctity of the Shariah-compliant transactions and boost the public’s confidence in the sector (Munawar Iqbal 2002)

Apart from that, in Malaysia, section 30(1) of the Islamic Financial Services Act 2013 has compelled any banking Institutions that provide the Islamic banking facilities to establish a syariah committee for purposes of advising the institution in ensuring its business, affairs and activities comply with syariah (Chapra 2002). Meanwhile in Indonesia, the obligation to establish Dewan Pengawasan Syariah with the same function as Syariah Committee is provided by virtue of Undang-Undang No 21 Year 1998 about banking and section 34 of PBI No. 11/3/PBI/2009. As a result from this, in both countries, Bank Negara Malaysia and Bank Indonesia have established a two-tiered syariah governance structure, comprising an apex syariah advisory body at the federal level and a supervisory syariah committee formed at the respective Islamic financial institutions (Bank Negara 2002). It is a necessary mechanism for the Islamic banking system to operate in a manner consistent with muamalah principles, with a clearly defined institutional arrangement within Islamic banking institutions regulated by the Bank.

The term syariah governance is a modern term which cannot be found in any classical *fiqh* texts. Accounting and Auditing Organization for Islamic Financial Institutions (herein after been refer as AAIOFI)⁶ does not come up with the particular definition for this term in the publication of *Governance Standard No 1-5 (AAIOFI 2005)*. Meanwhile, via *Guiding Principles on Syariah Governance System in Institutions Offering Islamic Financial Services (IFSB 2010)*, Islamic Financial Services Board (herein after been refer as IFSB)⁷ has provides an exclusive definition for syariah governance;

“The set of institutional and organisational arrangements through which an Islamic Banking Institutions ensure that there is effective independent oversight of syariah compliance over each of the internal structures and processes”

In Malaysia, the Malaysian Central Bank Act 2009 (herein after been referred as CBMA 2009) and Islamic Financial Services Act 2013(herein after been referred as IFSA 2013), and the Law of Republic of Indonesia No. 21 Year 2008 relating to Islamic banking are the regulatory acts which govern the operation of Islamic banking industry. All the given written laws as aforementioned do not explain regarding the definition of syariah governance. However, under the provisions of IFSA 2013 and the Regulation of Bank Indonesia No.8/4/PBI/2006 show a clear relationship between the aspect of syariah governance with the aspect of syariah compliance.

Section 28(2) of IFSA 2013 states that a compliance with any ruling of the Syariah Advisory Council in respect of any particular aim and operation, business, affair or activity shall be deemed to be a compliance with syariah in respect of that aims and operations, business, affair or activity. Other than that, section 30-36 of the act provides the procedures in order to achieve syariah compliance in the Islamic banking operations; it is mandatory to establish an internal syariah committee in each of the Islamic banking institutions. The establishment of syariah committee also is mandatory in accordance with the Regulation of Bank Indonesia No.8/4/PBI/2006.

By referring to the provisions of the regulatory laws in Malaysia and Indonesia, it is clearly understood that the system of syariah governance is an important mechanism to ensure that that principles of muamalat been inscribed into the implementation of syariah banking activities. This system emphasizes the values of wasatiyyah such as fairness, trust, transparency and accountability (Bank Negara Malaysia 2016). Bank Indonesia also has included the aforesaid values into the Guidelines of Good Governance in section 1(6) of the regulation of the Central

⁶ Accounting and Auditing Organization for Islamic Financial Institutions (AAIOFI) was established in 1991 and based in Bahrain, is the leading international not-for-profit organization primarily responsible for development and issuance of standards for the global Islamic finance industry. Amongst its most remarkable achievements is the issuance of 94 standards, so far, in the areas of Shari’ah, accounting, auditing, ethics and governance. Its standards are adopted by central banks and regulatory authorities in a number of countries, either on a mandatory basis or as basis of guidelines.

⁷ Islamic Financial Services Board (IFSB) is based in Kuala Lumpur, was officially inaugurated on 3rd November 2002 and started operations on 10th March 2003. It serves as an international standard-setting body of regulatory and supervisory agencies that have vested interest in ensuring the soundness and stability of the Islamic financial services industry, which is defined broadly to include banking, capital market and insurance. In advancing this mission, the IFSB promotes the development of a prudent and transparent Islamic financial services industry through introducing new, or adapting existing international standards consistent with *Shari’ah* principles, and recommend them for adoption.

Bank of Indonesia. These values are stressed by the previous Governor of the Central Bank of Malaysia, Tan Sri Zeti Akhtar Aziz as they are capable to strengthen the confident levels of the consumers (Sekreter 2013).

Based on the above discussion, the fundamental distinction between Islamic banking and conventional finance is in the former's adherence to principles of syariah through the values of wasatiyyah that advocates a close link between financial transactions and the real economy.

Fairness

Fairness is a universal wasatiyyah value. The word 'fairness' in Malay is 'adil' which is derived from Arabic. According to Kamus Dewan, in its 4th Edition, 'adil' means 'belongs to the right side or holding on to the truths' (Dewan Bahasa dan Pustaka 2005). In Arabic, the word 'adil' is called *al-'adl*. *Al-'adl* is defined as 'the thing in between, it is not biased or does not take sides' (al Munawwir 1997). According to Ahmad Azhar Basyir, fairness is 'putting something where it belongs or to its rightful place' or 'giving someone what he rightfully gets' (Basyir, 2000). Hailani Muji Tahir on the other hand, explained that fairness is one of the wasatiyyah values because it is described as accuracy in making considerations and be against injustice (Tahir, 1974). In the Quran, the word *al-qist* also denotes the same meaning as *al-'adl*. It is pertinent to note that *al-'adl* has been mentioned in the Quran 35 times whereas the word *al-'qist* is 24 times (Al-Baqiy, 1981). In Surah An-Nisa', verse 135, Allah commands;

"O you who believe! Be maintainers of justice (fairness), bearers of witness of Allah's sake, though it may be against your own selves or (your) parents or near relatives"

Fairness is the main wasatiyyah value since the opposite of this value is the attribute that goes beyond moral boundaries i.e. atrocity, tyranny and oppression. Islam always upholds social fairness which bring fairness in our action and equality regardless of social ranking, gender, race and religion (Juhaya, 1995). One of the biggest contribution of Islam towards humankind is the principle of social fairness and its application in every aspects of human life. Islam provides a discipline that can be applied by all mankind and every member of the society is recommended to improve their material life in the social system with fairness. In the perspective of *fiqh*, fairness refers to equity, balance, and putting something where it belongs (Daud, 1991). Social fairness and economy in property utilization and division is applied in Islamic banking system (Engku, 2013). It is also a fundamental characteristic that distinguishes Islamic and conventional banking system.

Conventional banking system is a system based on money lending service facility offered to the customers. (Amsyar, 2013). The bank gains profits by imposing interest over the loan obtained. However, transactions which are based on interest or elements of *riba* is prohibited and declared *haram* in Islam since these elements are oppressive and atrocious to the customers. Surah Al-Baqarah verses 278-279 state;

"O you who believe! Be careful of (your duty to) Allah and relinquish what remains (due) from usury, if you are believers. But if you do (it) not, then be apprised of war from Allah and His Apostle; and if you repent, then you shall have your capital; neither shall you make (the debtor) suffer loss, nor shall you be made to suffer loss."

The practice of *riba* in the conventional banking system has made it difficult for wasatiyyah value to be upheld. This practice is considered as oppressive, capitalistic and in disregard of the less fortunate group of people. Apart from that, the interest rate offered by conventional banks is based on Base Lending Rate (BLR) that may vary depending on the economic situation of the country and global economic climate. For example, during the economic crisis which hit Malaysia in 1997, BLR percentage ratio had skyrocketed and this had caused all conventional bank customers to endure with the payment of loan facility at an extremely high interest rate. Therefore, banking system that practices usury or interest has exploited our economic system that eventually results in the imbalance of resources and wealth distribution.

Every Muslim is under obligation to practice Islamic teachings in all aspects of life. The Islamic principles of Syariah can be applied across all fields including political, social as well as economic. Thus, Islamic banking system has been introduced in Malaysian banking and finance system and began its implementation in 1983 when Bank Islam Malaysia Berhad was established under the Islamic Banking Act 1983. This effort was initiated in response to the demands of the Muslim society especially in this country who desperately needs a Muslim-friendly property financing facility such as vehicles and houses which is Syariah-compliant and free from any element of usury. Syariah governance framework in Islamic banking system in Malaysia has taken into account various roles played by Islamic banking institutions in providing a fair service to all stakeholders, including minority shareholders and investment account holders (Zeti Akhtar, 2005). In light of the principle of fairness, every entity responsible to uphold the application of Syariah in Islamic banking system in Malaysia which includes Syariah Committee in banks or Syariah Advisory Council in Bank Negara shall be entitled to be 'put in their rightful position' to optimize their roles. Failure to maintain fairness in the execution of their duties will cause an adverse effect to the performance of our banking institutions.

Trust

The word 'trust' brings the meaning of 'believable' and 'honest' (Kamus Dewan, 2005). Prophet Muhammad SAW decreed;

"One's faith is imperfect if he is dishonest" (Narrated by Ahmad)

Trust is one of the utmost wasatiyyah values that is very admirable and highly commendable. In fact, it should be habitually practiced in our daily life and day-to-day dealings with others. The opposite meaning of trust is treachery or corruption. In Syariah governance aspect, trust shall be one of the noble principles applicable in the Islamic banking system and its application is evident from the independence of the supervisory instrument in its operation in Islamic banking institutions. Lack of independence would create difficulties and encumbrances on the part of the supervising party to instill trust value in its decision-making process because the decision or action taken may have been unduly influenced by any interested parties.

According to the aforementioned definition of Syariah governance, the Islamic Financial Service Board (IFSB) emphasizes on the importance of the element of independence in the supervisory instrument. An effective supervisory system refers to a process in the organization and institution that guarantees the monitoring or supervisory instrument is independent and free from any undue influence in ensuring Syariah compliance in the Islamic banking system.

When exercising its respective duties, every member of Syariah board, be it Syariah Committee or Syariah Advisory Council, shall always maintain high morality and intellect and most importantly, professional independence. The principle of independence shall be applied in all circumstances to avoid domination or manipulation of other parties. The term ‘professional independence’ that we suggest here means ‘the ability to exercise sound judgment after fair consideration of all relevant information and views without undue influence from management or inappropriate outside interests’ (Islamic Financial Services Board 2009).

Accountability

Accountability is a sense of responsibility towards an action or decision issued as well as readiness to provide explanation and justification for it (Malay Literature Reference Centre 2008). Syariah governance framework shall specify the functions of the components and structures to ensure accountability of each authority by separating the appropriate powers to prevent conflict of interest.

Accountability is closely related to integrity (Kamus Dewan, 2005). Integrity and honesty are the main essence of the Syariah governance in Islamic financial transactions which are dependent on mutual trust between parties. The importance of accountability and integrity is clearly stated in the Quran and Sunnah. In Surah Al-Anfal verse 27;

“O you who believe! Be not unfaithful to Allah and the Apostle, nor be unfaithful to your trusts while you know.”

Besides, as Prophet Muhammad decreed which means,

"There are four habits, in whosoever they are found, he will be a complete hypocrite. If any one of these habits is found in a man, he will have one of the hypocrite attributes, till he gives it up, when something is given to him in trust he commits dishonesty, when he talks he tells lies, when he makes a promise he deceives, and when he quarrels he dismisses the truths". (Al-Bukhari)

As a public fund consumer, a banking institution shall act honestly and be accountable for the benefit of the stakeholders. The application of the principle of accountability in the present Islamic banking is evidently seen through Syariah Advisory Council, not only when issuing resolutions for certain Syariah-related issues that have been brought before it, but it extends to the aspects of contentions and arguments in its submissions, referencing to Islamic sources, and methodology as well. Every Syariah resolution issued by the Syariah Advisory Council contains decision and fundamental considerations such as acceptable Islamic sources which substantiate the decision issued (Syariah Resolution in Islamic Finance 2nd Edition, 2010). For instance, Syariah Advisory Council in the first meeting dated on 8 July 1997 has decided that banking facility based on *bai' al- 'inah* transaction is permitted. With the decision, the sources which have been referred to form the decision and *hukum* was attached. The resolution quoted verse 275 of the Surah al-Baqarah and the views of Islamic *fiqh* scholars from Syafie and Hanafi Schools. In addition, Syariah Advisory Council also applied the principle of accountability by issuing guidelines for the implementation of *bai' al- 'inah* that requires the procedures to comply the requirements of *syarak*. Such requirements were outlined in the reports made at the 16th meeting of Syariah Advisory

Council on 11 November 2000 in order to determine the parameters of a legal implementation of *bai' al'inah* transactions in accordance with Syariah principles.

Transparency

Transparency is defined as a state of frankness and no undisclosed or suspicious matter (Malay Literature Reference Centre 2008) and its opposite word is 'concealment' (*al-kitman*). This type of wasatiyyah value is crucial to be applied in the operations and activities of Islamic banking especially the disclosure of information in the reports of such activities such as financial performance report (Sekreter, 2013). Other examples like comprehensive details of status of contracts in banking products shall be mentioned clearly in the report. In fact, any irregularities and issues raised in any Islamic banking products and transactions shall not be concealed.

The importance of transparency in banking operations is to ensure that Islamic banking customers are able to obtain true and precise information relating to the products offered to them so that they are able to make an informed decision. Moreover, transparency will also be able to smoothen the banking operation and thus, safeguarding the interest of the parties involved including the shareholders and customers (Zeti Akhtar Aziz, 2005). For example, the investment account holders will find it really helpful if they can have access to these relevant information such as the strategies of investment, the income of the investment and the rate of returns etc. so that they are able to form an investment decision. Lack of transparency can cause a negligent misrepresentation of relevant information about certain Islamic banking products that eventually will prejudice the interest of the stakeholders. For example, when dealing with prospective customers, if the marketing executive fails to provide all relevant and material facts about the products of Islamic banking, the transactions and how it is to be executed, or sometimes the bank fails to educate customers on the issue of Islamic banking products which are allegedly more expensive due to its fixed returns compared to conventional banking products which are more flexible based on the fluctuation of market scenario, it could cause severe losses to the customers if they rely on these very limited information.

The application of transparency also can be seen clearly in the issuance of Syariah Advisory Council's resolutions. The resolutions are directly accessible via Bank Negara website. A proposal to issue Sijil Hutang Boleh Niaga (SHBN) based on *bai' al'inah* was brought before Syariah Advisory Council. Under this facility, the Islamic banking institution will sell its assets to the customers in cash and it will re-purchase such assets from the customers in credit at a higher purchase price. The difference of the selling and purchase prices will be the 'profit' obtained by the customers. However, the application of *bai' al'inah* as one of the Islamic banking facilities has triggered hot debates on the issue of the transaction in *hukum syarak* to the extent that the Islamic banking institutions in Malaysia have been criticized as prioritizing to solely gain profits rather than complying *syarak* (Rizal, 2009).

As we discussed before, Syariah Advisory Council has allowed *bai' al'inah* transaction in its first meeting on 8 July 1997. Syariah Advisory Council, as aforesaid, has also provided trail of Islamic sources referred by it to ascertain *hukum* and the legality of the transaction in the resolution such as verses from the Quran and the scholarly views from prominent Mazhabs (Bank Negara Malaysia, 2010). By virtue of this decision, not only the *bai' al'inah* transaction is acknowledged as legal and valid to be applied in any Islamic banking product, but it also installs confidence to

the society about its legal status in Syariah and use the products worry-free. Therefore, as we can conclude that, Syariah Advisory Council has applied the principle of transparency in its resolutions by disclosing all material information for the Muslim society to refer to especially the methods of ascertainment of *hukum* in its decision-making process to remove the elements of doubt and uncertainty in the transactions in Islamic banking system. Moreover, Finance products under the concept of *bai al-'inah* has been well-celebrated and accepted by the customers than the other concepts such as *bai' bithaman ajil*, *al-rahnu*, etc (Bank Rakyat, 2002).

CONCLUSION

Wasatiyyah is one of the valuable attributes that has been emphasized frequently in Islam. The value of wasatiyyah focuses on maintaining moderation within the parameters specified by the Quran and the Sunnah in various aspects of human life, be it social, political and economic. In Islamic banking system, to ensure that the products of Islamic banking continue to comply with Syariah, the Islamic banking institutions must also ensure the best practice of effective Syariah governance and in so doing, they must apply the principle of wasatiyyah or moderation. Bank Negara Malaysia has outlined four important values as the underlying principles for a good governance i.e. fairness, trust, accountability and transparency.

The discussion on the concept of wasatiyyah and its good values is vital especially in the context of syariah governance in Islamic banking system towards the development of Islamic banking industry to be viable and competitive as well as in parallel with the values and principles as required by *syarak*. Therefore, the application of this good values enumerated by the concept of wasatiyyah will ensure the operation of Islamic banking fulfills the requirements of *syarak*, act as a guiding mechanism to enable the ultimate objective of good syariah governance in Islamic banking system in Malaysia can be achieved i.e. to ensure a comprehensive syariah compliance.

As a response for the proposal of the government of Malaysia during the Parliamentary session on 5th April 2017 to include the aspect of financial awareness into the national education system, it is highly suggested that the appreciation of the values of wasatiyyah as been inscribed into the syariah governance of the Islamic banking system be a part of that new curriculum. It is to educate and enhance the understanding of the public especially the young about the Islamic banking system as an alternative to avoid the prohibited conventional banking system.

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