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Some Viewpoints of Islamic Banking Retail Deposit Products in Malaysia

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Abstract

This paper attempts to provide an understanding with respect to Islamic deposit facilities in Malaysia. Our illuminations are centered on current accounts, savings accounts and investment accounts. A brief note on negotiable Islamic certificates of deposit (NICD) is also provided. These deposit products are explained in terms of their definitions, features and return calculations. On the same note, some discrepancies between deposit facilities offered by Islamic and conventional banks are exposed. The purpose of such expositions is to provide novice readers a basic but profound explanation concerning the differences between the two categories of deposit facilities. A note on Malaysia Deposit Insurance Corporation (MDIC) is also offered. Importantly, this paper at least provides useful information to create positive understanding amongst novice readers relating to the distinct concepts of Islamic and conventional deposit facilities.

This paper is of importance to exemplify why the two deposit facilities are distinct. Limitations and future works in this area are provided.

Keywords: ***Wadiah***; ***Mudarabah***; **Depositor; Islamic banking institutions; Malaysia; Qualitative; Islam; Comparative**

INTRODUCTION

It is viewed that deposit facilities are the main sources of funds for Islamic banks. According to Yusoff and Wilson (2005), Islamic banks and conventional banks with Islamic counters or branches in Malaysia, offer deposits facilities that rely on profit sharing instead of interest. The authors further clarify that the bank offers demand and savings deposits under the concept of guaranteed custody (*al-wadiah*) and investment deposits under the concepts of profit sharing (*al-mudarabah*). In many banks, the deposit facilities are varied according to bank policies, marketing strategies and the types of operations they are involved in. By and large, deposit facilities help to mobilize the funds from the surplus units to deficit units. The deficit units (e.g. entrepreneurs) have different purposes in employing the accumulated funds obtained from surplus units. Such funds are positioned in different sectors and projects that involve with various types of risks associated with the fund employments. In essence, the initial role of an Islamic bank is to accept deposits and employs some funds for financing purposes or in other profit-making activities. The former is explained in this work.

People view Islamic banks as free from *riba* in every aspect of banking business. This implies that there is no interest charge imposed by the banks on their deposit products. Unlike Islamic banks, conventional banks provide interest income to their depositors. The deposited funds in conventional deposit facilities are secured to earn a fixed interest rate in spite of the performance of the bank. This also explains that a conventional bank compensates depositors with interest income although the bank is at a loss. In contrast, if the bank generates more profit than expected, only a fixed portion of that profit is rewarded to the depositors. This means that such deposits promise a fixed return to depositors once they have chosen them. As such, the return for savings account is particularly guaranteed.

On the contrary, Islamic banks offer no “promises” on return for savings and investment accounts. However, as a “token of appreciation”, Islamic banks reward the customer with a *hiba* that is based on the performance of the bank. *Hiba* is defined as a voluntary gift in the form of currency provided by an Islamic bank to depositors. *Hiba* is rewarded only if the bank generates profit, however but there is no *hiba* is provided if the bank fails to make a profit. This is however dependant on an Islamic bank’s policy. Further, the depositor needs do not be afraid to lose his money if the bank does not generate a profit. Practically and theoretically, the principal amount is returned to the depositor upon his request.

This illumination is factual for Islamic savings account. Concerned with investment account, the same concept is applied, however it employs profit sharing ratio instead of *hiba*. This ratio is based on the performance of the bank, and is not "fixed". If the bank generates a profit, the distribution of profit will be based on the profit sharing ratios. In contrast, if the bank receives loss, so too will the customers lose funds in the bank. However, this scenario is rarely happened in Islamic banks owing to the fact that most of the funds will be invested in *Shariah*-compliant investments especially in government securities (GII) that are safe.

This paper is crafted in the following way: The first section explains the various types of depositing facilities, their definitions and features, as well as how the rate of each of the deposit types is computed. A brief comparative analysis will then follow between deposit facilities offered in Islamic banks and conventional banks in order to improve our understanding with respect to the discrepancies exist in both deposit facilities. Later, a special reference to the Malaysia Deposit Insurance Corporation (MDIC) is made in order to provide readers insights into the government support in supporting the Islamic banking system, whilst working side by side with conventional banking system.

AN OVERVIEW OF ISLAMIC DEPOSIT FACILITIES

In Islamic banking business, the sources of funds are so central in supporting the liquidity requirements of Islamic banks. As noted earlier, the basic bank function is to accept deposits from a community. From the bank's side, these deposits are liabilities, while the community viewed those deposits as their assets. Islamic banks therefore need to maintain the level of deposits in ensuring the sustainability of the routine activities of Islamic banking. It is explained that Islamic banks will find difficult to invest and to supply financing to debtors if the sources of funds (e.g. deposits) are insufficient. Therefore, the role of Islamic banks in generating sources of funds is appeared to be of importance in a contemporary banking business. This is probably deposits are viewed as cheaper sources of funds for Islamic bank. Owing to this argument, understanding Islamic deposit facilities are thus important:

Transaction or current account – Check account

Like conventional transaction account, Islamic current deposit is tailored according to an Islamic principle such as *wadiah* which makes it comply with *Shariah*. In the U.S, current accounts are known as check accounts, meaning that a *cheque* is used to make payments for several purposes such as paying third parties, bills, salaries and administrative costs to mention some. An attachment of the letter of "*i*" at the end of the product name such as "current account-*i*" reflects the products *Shariah*-compliancy, and that its services are in line with the decision of Islamic scholars to denounce *riba*-taking activities. According to Haron and Wan-Azmi (2008), current account is also termed as demand deposit and is designed for those who need money for transaction purposes. This motive can be looked at from the point of view of consumers who want income to meet their household expenditure and from the viewpoint of businessmen who require money and want to hold it in order to carry on their business (Haron & Wan-Azmi, 2008). Therefore, the purpose of deposit facility is for convenience or for making daily commitments (Haron & Wan-Azmi, 2008).

Current account-*i* is governed based on the concept of *wadiah* or the combination between *wadiah* and *mudarabah.* Like the conventional concept, current account-*i* carries no return. Islamic banks do not promise to reward any return to the current account-*i* holder. The reason for this is that the funds received by Islamic banks are not used for investment purposes, or for profit sharing efforts/projects. The funds accumulated under the current account-*i* are used for liquidity purposes and for the short-term transaction needs of the bank.

For those banks that offer current account-*i* based on the concept of *wadiah* or the combination between *wadiah* and *mudarabah,* dividends will directly be credited into the depositor's account, but only at times when the bank generates a profit. In practice, the dividend or *hiba* in this current account-*i* will be rewarded based on the rate of return or *hiba* rate.

The calculation of *hiba* rate is determined as follows;

Daily Average Balance x (number of days/360) x *hiba* rate = Profit (RM, *hiba*);

For example, *hiba* rate from 16 Jun until 15 July is 1.5%, daily average balance is RM25,000, the deposit is kept for one month (Jun 2012) so the *hiba* will be; and

RM25,000 x (30/360) x 0.015 = RM30.82.

In essence, the amount of RM30.82 will directly be credited into the current account holder after the rate and the calculation for the profit has been made. The determination of *hiba* rate is based on the performance of the bank, size of the deposit, period of the saving and the policy of the bank, which may differ from one bank to another.

Savings account – normal account

Islamic banks offer savings account-*i* with an aim of drawing in and persuading depositors to enjoy this safe-keeping facility which is in line with the concept of *wadiah*. Bank customers normally choose savings account because of fulfilling precautionary motives (Haron & Wan-Azmi, 2008). According to Haron and Wan-Azmi (2008), depositors of savings account hold money because of precautionary motives while are simultaneously induced by their investment motives. Savings account-*i* offers *muslims* the ability to mobilize their funds for productive purposes, such as to finance projects and various business transactions. At the same time, such account is of importance for unforeseen circumstances.

Practically, *wadiah yad damanah* is the adjusted *wadiah* concept that is applied to the context of Islamic banks. In this sense, the bank itself can employ the funds for investments or financing purposes, where any profits made solely belong to the bank. However, depending on bank policy, the bank can reward the depositor at its own discretion (Bank Islam Malaysia Berhad, 1994). This is also viewed similarly by Rosly and Mohd-Zaini (2008) who explain that an Islamic bank holds prerogative on profit distribution policy in the form of gift (*hiba*) for this type of account.

It is so common for each bank offering savings account-*i* to provide *hiba* as an incentive to attract customers to choose its Islamic banking products. To some extent, savings account-*i* has some similarities like conventional savings accounts, but it differs in terms of debtor-creditor relationship. Once a conventional bank has acknowledged deposits from its customers, it simultaneously builds a relationship between the bank and the customer. The bank is considered to owe the deposited money and views as a debtor, whereas the customer is viewed as the creditor or “short-term lender”. In contrast, this type of relationship does not exist in the Islamic banking system. The concept of savings account-*i*, in Islamic banks, is based on the concept of *rabbul mal* and *mudarib*, where the customer is still viewed as the *rabbul mal*. It is owing to the fact that the customers contribute funds to the bank. On the other hand, the bank is the *mudarib* because the bank employs such funds for various types of *halal* investments in order to generate profits from the business transactions undertaken.

The return by Islamic banks to the savings account holder is normally viewed as a “gift”. It is generally known as *hiba*. *Hiba*, in the context of rewarding profit to the customer, is dependant upon the performance of the bank (Abdul-Rahman, 2005). If the bank generates more profit from its banking business, greater amount of *hiba* is given and is credited to the customer’s savings account. If the bank is running at a loss, no *hiba* is allocated, and the customer does not lose any of the money they have deposited within the bank. This explanation therefore demonstrates how the savings account-*i* is in line with *Shariah Islamiyyah* in contrast of the interest bearing savings accounts offered by conventional banks

The determination of *hiba* can be calculated as follows, and is the same as for the current account-*i;*

Daily Average Balance x (number of days/360) x *hiba* rate = Profit (RM, *hiba*);

For example, *hiba* rate from 16 Jun until 15 July is 2.0%, daily average balance is RM 5,000, the deposit is kept for one month (Jun 2012) so the *hiba* will be; and

RM 5,000 x (30/360) x 0.02 = RM8.33.

In essence the amount of RM8.33 will directly be credited into the current account-*i* holder after the rate and the calculation for the profit has been made. The computation of the *hiba* rate is anchored in the performance of the bank, size of the deposit, period of the saving and the policy of the bank, which may differ from one bank to another (Utusan Online, 2005a).

Investment account – Islamic fixed deposit

Options for the investments of money in Islamic banks are not limited to the above two mentioned accounts, but also extend to Islamic fixed deposits, a substitution to conventional fixed deposits. Unlike conventional fixed deposits, Islamic fixed deposits are based on a “profit-sharing ratio” (e.g. 70:30) and are heavily dependant on the performance of the bank (Utusan Online, 2005b). Bank customers normally choose Islamic fixed deposits in order to fulfill investment needs (Rosly & Mohd-Zaini, 2008). It is generally a sort of account where customer and bank are both known as partners. In this partnership structure, no guarantee is given to capital preservation and fixed income as it runs under equity principle (Rosly & Mohd-Zaini, 2008). Importantly, this facility is offered by Islamic banks to cater for the investment motives of customers who normally have idle funds and are looking for better returns on their money (Haron & Wan-Azmi, 2008). This type of deposit is also termed as a time deposit.

On the contrary, conventional banks offer fixed deposits based on interest charges which are have no bearing on the performance of the bank. As far as conventional banks are concerned, interest rates on fixed deposits may be seen as unjust, are owing to the nature of product, which allows the bank to give interest regardless of whether the bank faces a loss or profit. In the case of profit, the bank only provides a small fraction as "promised" by the bank. In the case of a loss, the bank carries the loss itself, as the customer still receives interest. This is viewed as unfair as the interest has been pre-determined from the day the contract began, until the account is closed. In Islamic investment accounts, the performance of the bank affects the dividend to be credited to the customer. Therefore, there is positive relationship between bank performance and the *hiba* rate to be given to the customer.

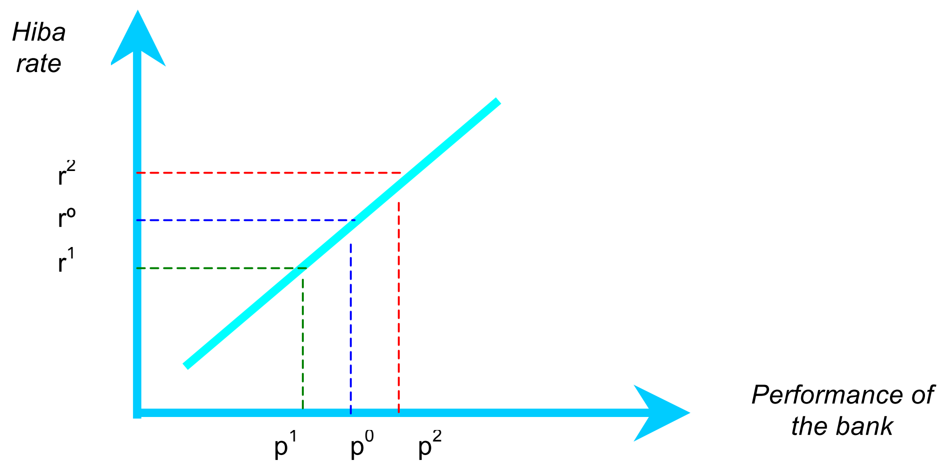

Figure 1: Relationship between Islamic bank performance and *hiba* rate

As viewed in Figure 1, it is clear that investment account-*i* promotes justice to both parties namely the bank and the depositor (e.g. the customer). If the performance of the bank reaches p^2, the *hiba* rate to be given to the customer will be r^2, which promotes a healthy relationship between the transacted parties, the customer and the Islamic bank.

Unlike the savings account-*i*, the investment account-*i* is priced higher and is more focused on long term saving. The main purpose of the investment account is to generate maximum profit during the period in which it is invested. During that period however, the customer may also lose his money if the investment by the bank is at a loss. In practice, this phenomenon rarely happens. It is likely dependant on the bank's policy. In the context of the Islamic investment account or simply investment account-*i*, there are two products offered in contemporary Islamic banking in Malaysia. The first is a General Investment Account-*i* (GIA) and second is a Special Investment Account-*i* (SIA). These products apply similar principles to that of *mudarabah*, profit sharing. Concerned with *mudarabah*, the customer is regarded as the provider of capital or investor, whereas the bank is the *mudarib,* and is responsible to employ the money to be invested in the *Shariah*-compliant business. Like conventional fixed deposits, the investment account-*i* deposit must be kept for a period ranging from 1 to 60 months on a fixed basis.

An earlier exit can only be made in certain circumstances (e.g. such as emergencies), but this is still based on the policy of the bank. In this case, there will be no profit is allocated prior to the maturity of the certificate. In terms of profit, the depositor entitles for dividend. Such dividend is only credited to the depositor once the deposit has reached the maturity date.

The profit sharing ratio is based on the policy of the bank, its marketing pattern, the size of the total deposit and the period over which the investment is made. Typically, the ratio varies as follows; 60:40, 90:10 or 50:50 depending on the performance of the bank. In this context, if the profit sharing ratio is 60:40, the profit distribution is of 60% to the customer and 40% is to the bank.

The calculation of the dividend is determined as follows;

Daily Average Balance x (number of days/360) x profit rate = Profit (RM, dividend);

For example, dividend rate from 16 Jun until 15 July is 2.18%, daily average balance is RM15,000, the deposit is kept for one month (Jun 2012) so the dividend will be; and

RM15,000 x (30/360) x 0.0218 = RM27.25.

Particularly, the amount of RM27.25 will directly be credited into the current account-*i* holder after the rate and the calculation for the profit is decided. The determination of profit rate is based on the performance of the bank, the size of the deposit, the period of the saving and the policy of the bank, which may differ from one bank to another. The rate given for investment account-*i* is greater than that given to saving account-*i,* due to the associated risk when the bank undertakes an activity that may affect the profit of the bank. If the bank generates profit, the ratio can also differ, thus affect the determination of the profit rate for the bank. As explained by Rosly and Mohd-Zaini (2008), returns received by *mudarabah* depositors are generally higher relative to that of fixed depositors who avoid risk. However it is dependant on current performance on Islamic banks. For instance, between 1996 and 1988, interest rates on fixed deposits have been consistently higher than dividends on Islamic investment deposits in both commercial and finance companies (Rosly & Abu-Bakar, 2003). However in 1999 Islamic deposits for commercial banks gave a higher return at 4.67 percent compared with 4.17 percent in Islamic banks and mainstream banks, respectively (Rosly & Abu-Bakar, 2003).

Negotiable Islamic certificate of deposit

In this paper, a brief note on Negotiable Islamic certificate of deposit (NICD) is offered. NICD is one of the most popular Islamic financial debt instruments. Islamic banks use the concept of *bay al-inah* when offering NICD. For instance, A (the customer) wishes to place RM1 million in NICD with an Islamic bank. In this transaction, the bank sells a specific asset worth RM 1million (e.g. such as share certificates) to A (the customer). Consequently, the bank now secures a RM1 million as a new deposit. A (the customer) then sells the share certificates back to the bank at a deferred price, which is based on a profit rate of (for example) 7.5% for a duration of 6 months. The selling price is at RM1,037,500 where A (the customer) earns RM37,500. The issue of the NICD is undertaken as evidence of the RM1,037,500 debt that the bank owes A (the customer). Upon maturity, the NICDs are redeemable at par value where A gets back the RM 1million deposits, plus a profit of RM37,500.

The calculation of profit is determined as follows:

Assume that Nasrullah & Nasrudin Company wishes to invest RM2 million in NICD; the following information shows the exact transaction:

Profit rate: 6.5% for duration of 3 months.

a. What is the selling price?
   Principle RM2,000,000 + RM2,000,000x (0.065/4) = RM2,032,500

b. What is the profit earned by the Company?
   RM32,500

c. If the duration changes to 6 months, how much will the selling price be, and what of the profit?
   Principle RM2,000,000 + RM2,000,000x (0.065/2) = RM2,065,000
   Profit=RM65,000

Moreover, NICD also runs based on the principle of *bay bithaman ajil* (BBA). NICD under this contract refers to an amount of money, say RM50,000 that is deposited in the bank, which issues a NICD. The bank, as a debtor, will payback the depositor or investor at the stipulated date plus the profit margin agreed on in advance. The common maturation period for NICD ranges from 1 month to 10 years. NICD is viewed appropriate as either a short or long-term deposit investment.

ISLAMIC DEPOSIT FACILITIES VS. CONVENTIONAL DEPOSIT FACILITIES

In order to bring to light the discrepancies between Islamic and conventional deposit facilities, the following elucidation are provided:

Income for the depositor

For conventional savings account, the interest income commonly practiced is between 0.5 to 1 percent, based on the policy of the bank. In this sense, the depositor's income is based on the interest income that is sometimes small and fixed regardless if a bank makes a huge amount of profit. However for an Islamic deposit account, the *hiba* is given at the banks discretion, if the account is a savings account-*i* or a current account-*i*. As for fixed deposits, the conventional banks charge the rate according to the market rate as well as the performance of the nation. Regularly, the bank charges in the range of 3.0-3.5 percent according to the order by Bank Negara Malaysia (BNM). During inflation, the rate will be higher say 3.4 percent, and during deflation the rate will be lower say 3.1 percent according to the economy. In contrast, Islamic fixed deposits are tailored according to *Shariah* compliant investment income. If the investment is at a loss, the depositor will earn nothing, and the bank will lose time in monitoring the investment.

As noted earlier, this does not occur very often. In brief, the income for the depositor in a conventional bank is interest income derived from interest rates. Islamic deposit facilities offer *hiba* for saving and current accounts and dividend for investment accounts.

Burden to the bank

Conventional banks may find their offered deposit facilities are of advantages to the depositors but at expense to themselves. This is owing to the fact that the fixed interest income is credited to the depositor's account regardless of whether the bank generates profit or is at a loss. In contrast, Islamic banks view their facilities as being just for both the bank and also the customer. The bank can earn profit based on a profit sharing ratio, and need not give any return to saving and current account holders - although in practice the bank offers *hiba* as part of the "banking business" agenda. In summary, Table 1 and 2, outline the key discrepancies between the depositing facilities from Islamic and conventional banks:

Table 1: Conventional savings account and savings account-*i*

Components	*Savings account-i*	*Conventional savings account*
Form of returns	A bank gives *hiba* but is not promised by the bank	A bank gives interest charges that are promised
Bank-customer	A bank is regarded as a trustee; therefore it is compulsory for the bank to return the fund as requested by depositors	A bank is regarded as borrowing the money from its depositors
Profit and return relationship	A bank's high profit means depositors can earn more *hiba*, if the bank is at a loss, less *hiba* will be rewarded	Interest is constantly paid regardless of whether the bank is generating a profit, or running at a loss

Source: The author's viewpoint

Table 2: Conventional fixed deposit account and investment account-*i*

Components	*Conventional fixed deposit account*	*Investment account-i*
Form of returns	Interest charges	Dividend
Investment scope	A bank will pool the depositors' money and invest in strong and well-established companies to gain profit regardless of whether it is *halal* or non-*halal*	The accumulated deposit will only be invested in companies which are *Shariah*-compliant
Profit and return relationship	Interest is constantly paid regardless of whether the bank is generating a profit, or running at a loss	If a bank gets profit, the distribution of return will be based upon the agreed and predetermined ratio, if at a loss- the provider is also at a loss

Source: The author's viewpoint

MALAYSIA DEPOSIT INSURANCE CORPORATION (MDIC)

One of the significant developments relating to depositing facilities in Malaysia is the introduction of MDIC. It is incorporated on 11st August 2005 under the MDIC Act of 2005 in order to protect depositors against the loss of their deposits in the unlikely event that a financial institution is unable to meet its obligation. The need of MIDC is quite optimistic in order to reduce bank panics by bank customers (Mishkin & Eakins, 2006). Historically, Malaysia has faced with some financial and banking crises in the industry. For instance, the collapses of Bank Bumiputra Malaysia Berhad (BBMB) and SimeBank have sparked public concern in regards to customer protection and the stability of the industry. This has resulted a need to invent a specific regulatory framework to tackle such predicament. However, these issues are handled well by the BNM in order to avoid bank panic. This is occurred prior to the introduction of MDIC. The introduction of MDIC will help to strengthen the stability of banking system including Islamic banking industry.

MDIC has several roles. Firstly, it provides depositors with a reasonable level of insurance protection, by administering a deposit insurance system. Secondly, it assesses and collects premiums from member institutions, and manages the deposited insurance funds. Thirdly, it reimburses depositors should a member institution fail, and all its transactions must comply with *Shariah* tenets in respect to Islamic deposits and funds. Last but not least, it implements on-going public awareness and education initiatives (MDIC, 2005).

These functions serve the Malaysian financial system well, and benefit the banks members for several reasons. MDIC promotes public confidence in Malaysia's financial system by protecting depositors against the loss of their deposits. It also reinforces and complements the existing regulatory and supervisory framework by providing incentives for sound risk management in the financial system, as well as minimizing costs to resolve failing member institutions. Lastly, it contributes to the stability of the financial system by dealing with member institution failures expeditiously, and reimbursing depositors as soon as possible.

Fres-Felix (1991) defines the deposit insurance system as follows:

> "Deposit insurance is a mutual insurance system supported by the insured banks themselves and administered either through a government-controlled agency or a privately held one. While it seeks to maintain a sound and efficient banking system, it is not by itself a guarantee for these ends"

Fres-Felix (1991) finds that the deposit insurance system can promote a sound financial system, whilst constantly moving towards the improvement of quality banking and its management particularly if it is administered through a single either government-controlled agency or a privately held one.

The Malaysian deposit insurance system is designed specifically to meet Malaysian needs. Among the unique features of the system, is the coverage of both conventional and Islamic deposits consistent with *Shariah* principles under one organization. MDIC also benefits the Islamic banks by increasing public confidence about the banking institutions. The high losses received by BIMB for a sum of RM456 million, one of the largest losses recorded in Malaysian banking history. For this reason, MDIC has been extended to Islamic banks, in order to protect them from future mismanagement of the banking institutions. Further, how to determine the protected deposited money in both Islamic and conventional banks? For the purpose, Table 3 describes such concern. Based on Table 3, say for example, Muhammad Nour Imran owns the following accounts:

Table 3: Islamic vs. conventional accounts

Type of deposit	Amount (RM)	Insured (RM)
Conventional savings	130,000	
Conventional current	150,000	
Total conventional	280,000	250,000
Islamic savings	130,000	
Total Islamic	130,000	130,000
Total deposits	410,000	380,000

Source: The author's viewpoint

Based on Table 3, Muhammad Nour Imran's total insurance coverage is RM380,000 comprising of RM250,000 on his conventional deposits and RM130,000 on his Islamic deposits. Islamic and conventional deposits are eligible for a separate coverage up to a limit of RM250,000 each.

CONCLUSION

The availability of different types of Islamic deposit products is aimed at meeting a diverse consumer's financial needs such as transaction, emergency and investment purposes. These diverse needs are captured through checkable account-*i,* savings account-*i* and investment account-*i,* as details as follows:

1. Current or transaction account is entitled check privileges, but there is no profit rewarded;
2. Savings account gain a small amount of profit based on the banks income; and
3. Investment account-*i* follows the conventional rule but stressing the importance of profit sharing mechanism.

Whilst conventional depositing facilities use the same sources of funds, they are differed on how the products are rewarded financial income on the deposited principle funds. In conventional deposits, a person is rewarded a fixed income or promise once they have entered the contract. The amount is apparently fixed based on the percentage of interest over the principle that is regardless the performance of the bank.

Fully Islamic depositing facilities and conventional depositing facilities are viewed to be diverse. The discrepancies are viewed in the form of income earned by their depositors. For example, those who have savings accounts in Islamic banks are entitled to earn *hiba* instead of *riba* whereas those who have savings accounts in conventional banks are entitled to earn 'interest income' (e.g. this is *riba*). It is viewed unlawful in *Shariah Islamiyyah* is because of inequity, where the depositors gain more than that of the banks.

In addition, the deposited funds in Islamic banks are invested in *Shariah*-complaint investments, whereas funds deposited in conventional banks are invested in both sectors, *halal* or non-*halal* investments. In real situation, this is seen so uncertain.

This paper however does not provide empirical analyses of Islamic deposit facilities to support our viewpoints. A study by Kader (1995) however provides empirical findings pertaining to *muslim* behavior on deposit products. This study discovers that 61.4 percent of *muslim* depositors hold accounts in the mainstream banks for reasons related to the financial deepening factors. It is also reported that *muslims* hold accounts in the mainstream banks mainly due to convenience such as the availability of more branches, ATM machines and location. The study by Kader (1995) however does not offer views directly on Generation Y and why they are selecting Islamic deposit products are largely untapped. Future researches are expected to tackle such limitation and offer new insights into understanding of factors selecting checkable account-*i,* savings account-*i* and investment account-*i.* On the same note**,** the present paper is also lacking in terms of expositions of Islamic deposit facilities offered in other countries promoting Islamic banking system such as Brunei and Indonesia. These two countries model their Islamic banking system based on a Malaysia's framework. Future researches are anticipated to provide greater views of Islamic deposit products in these nations. In addition, this paper derives from the current author's viewpoints and such viewpoints may vary when compared with authors. Future researches are anticipated to capture this little flaw and bring new insights on the Islamic deposit products. Despite these shortcomings, this paper at least has outlined some viewpoints pertaining to Islamic banking deposits in Malaysia. Consequently, this paper is expected to inflate the knowledge of novice and interested readers on the subject matter. Most fundamentally, Allah S.W.T. knows the best.

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