

## **1. Introduction**

Many foreign countries, especially, the West think that Malaysian economic development is " a miracle ". When they say " a miracle ", they mean it is impossible for Malaysians to develop their country so fast and comprehensive in various perspectives in such a complex multi-racial society. When the country became one of the newly industrialised nations, they reserved to believe it was a reality. Hence, unless " a miracle " happened in the country, otherwise it might be another fanatic fad. When former British Prime Minister Lady Margaret Thatcher visited Malaysia in 1992, she had to clear the air and said that Malaysian economic success was not "a miracle" but was the result of determination, hard work and the right policies for growth (New Straights Times, 1992).

M. Thacher said: "the record was remarkable indeed, Malaysia's example offers many lessons for others to follow." Since then, when people talk about Malaysian Economy, they always refer it to as "a miracle." Even though one is not sure whether "a miracle" has positive or negative implications. However, what is certain is that the country is offering some good examples for others to follow, one of them is the Islamic banking system.

The successful story of Bank Islam Malaysia has been proudly rejoiced not only by all Malaysians, but also by the Muslim world at large.

When Bank Islam Malaysia spearheaded the country's break into Islamic Banking System over a decade ago, there was perhaps more than a hint of doubt as to how it would function and grow in a multi-racial and multi-religious Malaysia. Some people thought that it was too ideal, religious ideological and too fanatic. The non-Muslims in the country were watching on how that Islamic Banking System would work and survive in such a competitive capitalistic market where the interest dominated every respect of financial activities. They thought that the Islamic Banking System would be another political fanatic and no way to compete with conventional banking system if it would operate under non-interest reward system. The Muslims too, even though they were strong enough in their faith, but the challenges that they were facing from reality were also very strong to break down that hope. They could not afford to fail the system they were trying to implement in the country. If Bank Islam Malaysia failed, it would not only be a failure of a financial institution, but rather than it would be a failure of the whole Muslim community in the country. The West, traditionally, have an unfavourable attitude towards the Muslim world ( Mahathir 1996). Under such presumed condition and expectation, it is no longer merely a matter of implementing a Islamic