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## Issues and Challenges of Islamic Trade Finance Faced by Islamic Banks in Malaysia (Conference Paper)

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### Abstract

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Trade financing is one of the facilities offered by Islamic banks in Malaysia. However, as the products are considered to be complex and ever-evolving, the portion of Islamic trade finance in Malaysia is very small. Therefore, this study intends to analyze the issues and challenges that hinder the growth of Islamic trade finance in Malaysia. Most of the literature studies and reports basically mentioned on the general issues and challenges such as political risk, legal risk, currency and foreign exchange risk, financial crisis, and the most common issues which is Shariah issues pertaining to the operations and contracts used in ITF. However, the above-mentioned issues and challenges are defined generally for all countries. The question is, does all the issues and challenges mentioned relevant in the context of the Malaysian ITF industry? This research adopts qualitative method as the main research methodology. The data collection method was done through questionnaires interview given to three selected Islamic bank's practitioners who were directly involved in the operation of ITF. The findings portray that indeed all the issues mentioned are significant to Malaysia and legal aspect is considered as one of the big challenges in Islamic trade finance. Consequently, further study needs to be conducted in order to explore in details on the highlighted issues and its impact towards the development of Islamic trade finance in Malaysia. © 2021, The Author(s), under exclusive license to Springer Nature Switzerland AG.

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