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Norhaziah Nawai
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Sumaiyah Abd Aziz
Mohd Adha Ibrahim
Syadiyah Abdul Shukor

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E-PROCEEDINGS
THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF2022)

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Norhaziah Nawai, Khairil Faizal Khairi, Suhaila Abdul Hamid, Muhamad Azrin Nazri, Nur Ainna Ramli, Sumaiyah Abd Aziz, Mohd Adha Ibrahim, Syadiyah Abdul Shukor

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Preface

Alhamdulillah, in the Name of Allah SWT, the Most Beneficent and Most Merciful. All praises belongto Allah, the Lord of '*Alamin*. The e-proceeding of 10th Islamic Banking, Accounting and Finance International Conference (iBAF 2022) provides discussion and knowledge derived from current issuesand challenges in Islamic banking, accounting, and finance studies. With the theme "*Future-Proofing for Business Excellence Through Islamic Banking, Accounting and Finance*", this e-proceeding can be used by the academics, undergraduate and graduate students, professional and practitioner, both in the industry and government as a useful source of information.

This e-proceeding consists of six major themes with total of 91 selected papers. The themes are Islamic Banking and Finance, Islamic Economics and Social Finance, Financial Market and Banking, Accounting, Shariah Audit, and Governance, Halal Industry, and Business Management. The topics covered that will benefit the readers ranging from Fintech, Governance, Waqf, Halal and Sustainability.

We would like to thank all contributors for their commitment and diligence in writing the papers for this e-proceeding. We are grateful to Professor Ts. Dr. Sharifudin Md Shaarani, the Vice Chancellor of USIM, for his full support in publishing this e-proceeding.

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Accounting, Shariah Audit and Governance

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Risiko Shariah dalam Penggunaan Kaedah Perakaunan Berasaskan Keuntungan untuk Pelaporan Kewangan Masjid

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Abstrak

Sebagai satu institusi Islam yang menerima sumbangan kewangan daripada orang awam, masjid perlu menguruskan sumber kewangan tersebut dengan cara yang telus, efisyen dan berkesan. Perakaunan dan pelaporan kewangan adalah salah satu aspek penting dalam pengurusan kewangan mana-mana organisasi termasuk masjid. Elemen akauntabiliti terhadap sumber kewangan yang diperolehi untuk diuruskan boleh dizahirkan melalui sistem perakaunan dan pelaporan kewangan yang baik. Umumnya pihak masjid menggunakan kaedah perakaunan dan pelaporan yang biasa digunakan oleh entiti perniagaan dalam penyediaan laporan kewangan mereka. Memandangkan institusi masjid bukan beroperasi dengan bermatlamatkan keuntungan, maka kaedah perakaunan dan pelaporan perniagaan (*business* accounting) dilihat kurang sesuai untuk digunakan oleh pihak masjid kerana objektif pelaporan kewangan (*financial reporting objective*) bagi entiti perniagaan dan masjid adalah berbeza. Artikel ini juga akan membincangkan risiko-risiko shariah yang boleh berlaku sekiranya perakaunan dan pelaporan kewangan perniagaan digunakan oleh pihak masjid untuk menyediakan laporan kewangan mereka.

Keywords: Perakaunan; pelaporan kewangan; masjid; NPO; risiko shariah

1. Pendahuluan

Setiap organisasi yang menerima dan menguruskan sumber kewangan secara dasarnya bertanggungjawab untuk melaporkan semua aktiviti kewangan mereka kepada pemegang taruh yang mempunyai kepentingan terhadapnya. Institusi masjid dan surau tidak terkecuali apatah lagi sumber kewangan yang diuruskan oleh institusi ini datangnya daripada sumbangan orang ramai. Para penyumbang berhak untuk mengetahui bagaimana sumbangan mereka diuruskan dan ke mana sumbangan tersebut disalurkan. Pelaporan kewangan yang telus boleh

membantu meningkatkan kepercayaan di kalangan penyumbang dana dan seterusnya menggalakkan lagi keinginan untuk terus membuat sumbangan pada masa akan datang (Zhuang et al., 2014). Pelaporan merupakan salah satu mekanisma yang boleh digunakan oleh mana-mana institusi untuk menzahirkan akauntabiliti kepada pemegang taruh (Ebrahim, 2003). Melalui pelaporan yang berkesan, pemegang taruh seperti penyumbang dana, boleh mengawasi bagaimana institusi masjid menguruskan sumbangan yang telah diamanahkan kepada mereka. Atas dasar inilah, maka Majlis Agama Islam Negeri-Negeri (MAIN) telah menetapkan keperluan pada setiap masjid dan surau yang diselia oleh mereka untuk merekodkan dan melaporkan semua aktiviti-aktiviti kewangan serta menghantar laporan tersebut kepada pihak MAIN. Sebagai contoh di Negeri Selangor, Majlis Agama Islam Selangor (MAIS) telah mengeluarkan Garis Panduan Pengurusan Kewangan Masjid dan Surau Negeri Selangor sebagai panduan dalam menguruskan dan melaporkan aktiviti-aktiviti masjid dan surau. Aspek akauntabiliti di kalangan pentadbir dan pengurus masjid turut mendapat perhatian Pengarah Bahagian Pendidikan Masyarakat Suruhanjaya Pencegahan Rasuah Malaysia (SPRM) Datuk Razim Mohd Noor dalam satu kenyatan beliau bersama media. Beliau menegaskan bahawa masalah ketirisan dan penyelewengan boleh dielakkan dengan pendedahan yang jelas tentang pengurusan dana masjid dalam kalangan ahli jawatankuasa institusi tersebut. Ujar beliau, ini penting bagi memastikan kepercayaan awam serta kredibiliti masjid sebagai platform masyarakat setempat menyalurkan dana tidak terjejas (Bernama, 2022).

2. Perakaunan dan Jenis Organisasi

Terdapat pelbagai jenis organisasi yang menjalankan aktiviti yang masing-masing berbeza antara satu sama lain. Apabila dilihat daripada sudut matlamat operasi yang berkaitan dengan keuntungan, organisasi-organsasi ini boleh diklasifikasikan kepada dua jenis; organisasi yang bermatlamatkan keuntungan (*for-profit*) dan organisasi yang tidak bermatlamatkan keuntungan (*not-for-profit*). Antara ciri-ciri yang membezakan kedua-dua jenis organisasi ini adalah termasuk status pemilikan (Bois et al., 2004), sumber kewangan dan penerima manfaat operasi (Omura & Forster, 2014). Pemilik organisasi yang bermatlamatkan keuntungan umumnya adalah pemegang saham, manakala bagi organisasi bukan bermatlamatkan keuntungan pula tidak mempunyai pemilik yang mutlak. Manfaat daripada operasi organisasi yang bermatlamatkan keuntungan akan dimiliki oleh pemiliknya, manakala bagi organisasi yang tidak bermatlamatkan keuntungan, manfaat operasinya disalurkan kepada penerima manfaat (*beneficiaries*) yang menjadi sebab penubuhan organisasi tersebut. Dari segi sumber kewangan, modal pemilik, hasil jualan dan hutang atau pembiayaan merupakan sumber utama dana bagi organisasi yang bermatlamatkan keuntungan. Sebaliknya, organisasi yang bukan bermatlamatkan keuntungan menerima dana daripada sumbangan orang ramai.

Perbezaan antara kedua-dua jenis organisasi ini sekaligus memberi kesan terhadap pendekatan mereka dalam melaporkan aktiviti-aktiviti mereka kepada pemegang taruh (*stakeholders*)(Norman, 2020). Bagi organisasi yang ingin memaksimakan keuntungan (*maximising profit*) pemegang saham, akan melaporkan pencapaian mereka melalui tahap keuntungan yang diperolehi. Fokus laporan kewangan mereka adalah pada berapa banyak jumlah lebihan pendapatan berbanding perbelanjaan bagi satu-satu tempoh. Bagi memaksimakan keuntungan, pengurus organisasi akan berusaha untuk meningkatkan hasil pendapatan dan mengurangkan kos perbelanjaan semaksima mungkin. Kaedah perakaunan dan format pelaporan kewangan perniagaan (*business* accounting) adalah sesuai untuk mencapai objektif pelaporan seperti ini.

Berbeza dengan organisasi yang bukan bermatlamatkan keuntungan, pendekatan pelaporan kewangan mereka lebih memberi tumpuan terhadap bagaimana sumber dana yang diperolehi digunakan bagi memenuhi kehendak pihak yang memberi sumbangan (Zhuang et al., 2011) berbanding mementingkan jumlah lebihan perolehan bagi satu-satu tempoh. Bagi mencapai objektif pelaporan yang lebih menekankan aspek kepengurusan (stewardship) dan akauntabiliti, perakaunan dana *(fund accounting*) dilihat sebagai kaedah perakaunan yang sesuai digunakan oleh organisasi seperti ini (Norman et al., 2013).

3. Masjid sebagai Institusi tidak Bermatlamatkan Keuntungan

Dari segi pemilikan, masjid tidak dimiliki secara khusus oleh mana-mana individu. Dari sudut perundangan, MAIN diberikan hak sebagai pemegang amanah tunggal (*sole trustee*) ke atas masjid. Masjid juga dilihat sebagai institusi yang beroperasi menjalankan aktiviti-aktiviti keagamaan dan kemasyarakatan yang mana manfaatnya dinikmati oleh ahli kariah dan juga orang awam yang lain. Sumber utama kewangan masjid adalah daripada sumbangan orang awam dan juga organisasi-organisasi lain. Sekalipun terdapat masjid yang menjalankan aktiviti-aktiviti penjanaan yang bersifat perniagaan, namun hasil perolehan tersebut adalah bertujuan untuk digunakan bagi membiayai lain-lain aktiviti masjid. Sumbangan kewangan daripada orang ramai kepada pihak masjid terbahagi kepada dua jenis; sumbangan untuk tujuan yang khusus (dana khusus) dan sumbangan yang tidak dikhususkan untuk tujuan-tujuan tertentu (dana umum) (Asharaf et al., 2014).

4. Dana Khusus dan Dana Umum

Dana khusus (*restricted fund*) adalah sumbangan kewangan yang penggunaannya hanya boleh dibuat untuk tujuan dana tersebut diwujudkan. Garis Panduan Penggunaan Wang Masjid dan Surau (JAKIM, 2011) yang dikeluarkan oleh Majlis Agama Islam Negeri Melaka mendefinisikan dana khusus sebagai:

> *"Wang yang didermakan oleh orang ramai bagi menjalankan aktiviti tertentu seperti Majlis Bacaan Yasin dan Tahlil, Majlis Doa Selamat Pergi/Balik Haji, Majlis Sambutan Hari Kebesaran Islam dan sebagainya wajiblah dibelanjakan kepada aktiviti yang dikhususkan itu sahaja."*

Dari sudut shariah, sumbangan yang dikhususkan untuk tujuan A, misalnya, tidak boleh digunakan untuk membiayai perbelanjaan bagi tujuan-tujuan yang lain samada yang bersifat khusus atau pun yang umum. Ini penting bagi memenuhi kehendak asal pihak yang memberi sumbangan tersebut. Apabila masjid menerima sumbangan kewangan, pihak masjid bertanggungjawab untuk menguruskan dan menggunakan sumber kewangan tersebut mengikut niat mereka yang membuat sumbangan. Sebagai contoh, sumbangan yang dimasukkan ke dalam tabung yang dilabelkan dengan nama "Tabung Pembangunan", hanya boleh digunakan untuk tujuan aktiviti-aktiviti pembangunan masjid sahaja sesuai dengan niat penyumbang. Sekiranya masjid mempunyai tabung-tabung yang bertujuan khusus yang lain, maka pengurusan dana tersebut mesti sesuai dengan tujuan khusus berkenaan.

Dana umum (*unrestricted fund*) pula adalah sumbangan kewangan yang tidak dikhususkan untuk apa-apa tujuan tertentu. Dengan kata lain niat penyumbang tidak diketahui dengan jelas, maka pihak masjid boleh membelanjakan dana tersebut untuk apa-apa tujuan yang umum menurut kebiasaan (*'uruf*) sesebuah masjid. Sekiranya dana ini mempunyai lebihan, ia boleh juga digunakan untuk membiayai aktiviti-aktiviti yang bersifat khusus.

5. Pelaporan Kewangan Masjid

Dari sudut pelaporan, format laporan kewangan yang memaparkan pengasingan dana-dana tersebut boleh membantu penyumbang dan orang awam untuk melihat dengan lebih jelas bagaimana setiap dana yang diperolehi telah digunakan oleh pihak masjid(Asharaf Mohd. Ramli et al., 2020). Walau bagaimanapun, kaedah pelaporan yang diamalkan oleh masjid ketika ini tidak menunjukkan sebarang pengasingan antara dana umum dan dana-dana khusus kerana masjid menggunakan kaedah perakaunan dan pelaporan untuk entiti perniagaan. Jadual 1 menunjukkan format laporan yang biasa digunakan oleh pihak masjid. Sumbangan kewangan yang diterima dilaporkan dalam lajur yang sama. Begitu juga dengan item-item perbelanjaan. Dana umum dan dana-dana yang bertujuan khusus tidak diasingkan dengan jelas. Laporan seperti hanya akan menunjukkan jumlah penerimaan dana, jumlah perbelanjaan dana dan lebihan dana secara keseluruhan sahaja. Pengguna laporan tidak dapat menentukan berapa banyak sumber setiap satu dana telah dibelanjakan oleh pihak masjid dan berapa baki yang sedia ada bagi setiap satu dana.

Jadual 1. Format pelaporan semasa

Masjid X **Penyata Penerimaan dan Perbelanjaan**			
Jumlah Penerimaan	**RM**	**Jumlah Perbelanjaan**	**RM**
Sumbangan orang awam	xxx	Belanja utiliti	xxx
Sumbangan MAIN	xxx	Belanja aktiviti	xxx
Hasil sewa KIOSK	xxx	Belanja pentadbiran	xxx
Sumbangan untuk pembangunan	xxx	Ubah suai tandas	xxx
Sumbangan untuk kebajikan	xxx	Belanja lain2	xxx
Sumbangan untuk Ihya Ramadan	xxx		
		Lebihan pendapatan	xxxx
	xxxx		xxxx

6. Risiko Shariah dan Kekeliruan Pengguna

Penggunaan kaedah perakaunan dan pelaporan perniagaan oleh pihak masjid dalam mengurus dan melaporkan kewangan adalah amalan perakaunan yang telah biasa digunakan kerana beberapa faktor. Bagi mereka yang telah biasa dengan kaedah ini dalam urusan perniagaan, maka mengaplikasikannya dalam konteks masjid adalah sesuatu yang mudah. Pelaporan dalam format seperti dalam Jadual 1 juga adalah ringkas dan mudah difahami oleh pengguna-pengguna laporan kewangan masjid. Namun begitu, amalan perakaunan dan pelaporan seperti ini untuk insitutusi masjid boleh mengundang beberapa risiko shariah di peringkat pengurusan masjid dan kekeliruan pemahaman di peringkat ahli kariah dan orang awam.

6.1 Risiko shariah 1: Potensi silap guna dana khusus untuk tujuan umum

Tanpa pengasingan yang jelas antara sumber dana umum dan dana khusus di dalam laporan kewangan boleh menyebabkan pengurusan kewangan masjid terdedah pada risiko berlaku kesilapan menggunakan sumber dana khusus untuk perbelanjaan yang bersifat umum seperti yang digambarkan dalam Rajah 1. Sebagai contoh, berdasarkan format laporan seperti dalam Jadual 1, pengurus masjid; sebagai salah seorang pengguna laporan juga, mungkin menghadapi masalah untuk melihat baki sebenar yang ada dalam dana umum dan dana-dana khusus. Tanpa maklumat baki sebenar dana, apabila pihak pengurus masjid ingin membuat satu-satu perbelanjaan bersifat umum, dalam keadaan baki dana umum sebenarnya telah susut, dikhuatiri sumber kewangan yang digunakan adalah daripada dana-dana khusus. Sekiranya perkara ini berlaku, ia menyalahi kehendak shariah yang menetapkan bahawa dana yang tujuannya bersifat khusus tidak boleh digunakan untuk tujuan-tujuan yang bersifat umum.



Rajah 1 Risiko shariah 1

6.2 Risiko shariah 2: Potensi silap guna dana khusus untuk tujuan khusus yang lain

Sekiranya pihak masjid mewujudkan lebih daripada satu tabung dana khusus, pelaporan berasingan bagi setiap dana khusus tersebut juga perlu dibuat. Tanpa pengasingan dana-dana khusus, sebagaimana yang ditunjukkan dalam Rajah 2, risiko yang mungkin wujud adalah kesilapan menggunakan sumber dana khusus A untuk membiayai pebelanjaan aktiviti khusus B, dan sebaliknya. Risiko ketidakpatuhan shariah ini bertambah besar dengan bertambahnya bilangan tabung dana khusus yang diwujudkan oleh pihak masjid.



Rajah 2 Risiko shariah 2

6.3 Kekeliruan pengguna 1

Apabila masjid-masjid menggunakan kaedah perakaunan dan pelaporan perniagaan (*business accounting)* dalam melaporkan aktiviti kewangan seperti dalam Jadual 1, maklumat yang dilaporkan akan menggambarkan seolah-olah masjid beroperasi seperti organisasi perniagaan yang menekankan aspek keuntungan. Penggunaan format laporan seperti ini boleh menyebabkan seseorang menilai pencapaian satu-satu masjid berdasarkan kemampuan masjid menjana lebihan yang lebih tinggi bagi setiap tempoh. Seharusnya sebagai institusi yang menerima amanah menguruskan kewangan daripada orang awam, masjid perlu dinilai pada sejauh mana ia mampu menguruskan dan menggunakan sumber kewangan tersebut secara efektif dan efisyen, bukannya berdasarkan pada lebihan pendapatan. Namun penilaian seperti ini sukar untuk dibuat oleh pengguna laporan yang terdiri daripada ahli kariah dan orang awam, jika masjid terus menggunakan kaedah perakaunan dan pelaporan perniagaan yang mereka telah amalkan selama ini.

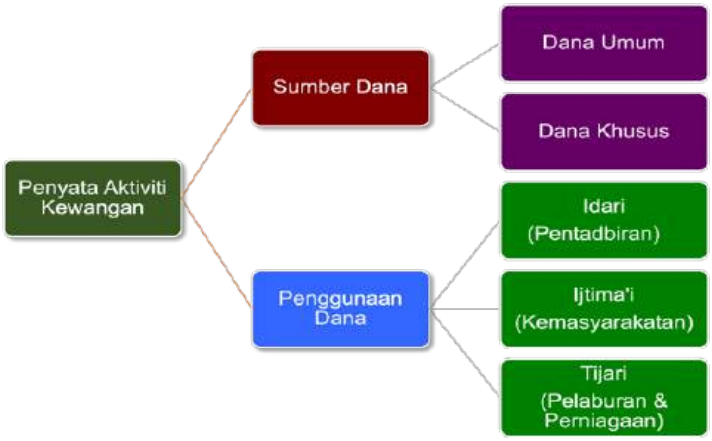
6.4 Kekeliruan pengguna 2

Dalam amalan perakaunan dan pelaporan kewangan semasa, dana umum dan dana-dana khusus masjid tidak dilaporkan secara berasingan. Kekeliruan yang mungkin akan timbul di kalangan ahli kariah dan orang awam ialah, anggapan bahawa pihak masjid mencampurkan adukkan sumber kewangan dan perbelanjaan dana-dana tersebut. Ketiadaan maklumat yang jelas dalam laporan tentang baki sebenar bagi setiap dana umum dan khusus, turut menyumbang kepada berlakunya silap faham di kalangan orang ramai tentang bagaimana masjid menggunakan sumber kewangan tersebut. Seringkali kedengaran rungutan dan komen-komen orang awam di platform-platform media sosial yang mempersoalkan cara masjid menguruskan sumber kewangan mereka (Mohamad Muhaimin Mohamad Zaki, 2022). Ramai yang kecewa apabila kebajikan ahli kariah tidak dinaiktaraf sebaik mungkin sedangkan masjid mereka memiliki lebihan pendapatan yang besar seperti yang dilaporkan. Mungkin ada masjid yang mempunyai sumber dana yang besar dan tidak mahu membelanjakannya tanpa sebab yang munasabah. Namun terdapat juga masjid yang diamanahkan dana yang besar, namun sebahagian besar dana tersebut adalah untuk tujuan-tujuan yang bersifat khusus. Sekalipun baki keseluruhan dilihat besar oleh ahli kariah, namun pengurusan kewangan masjid terikat dengan tujuan khusus dana-dana tersebut dan pihak masjid tidak boleh membelanjakan untuk tujuan umum atau tujuan khusus yang lain seperti yang diharapkan oleh ahli kariah dan orang awam. Oleh kerana laporan kewangan yang dipaparkan kepada umum tidak menyatakan dengan jelas pengasingan setiap dana dan baki-baki setiap dana, kekeliruan di kalangan ahli kariah dan orang awam seperti ini tidak dapat dielakkan.

7. Model Imarah Masjid - Kaedah Pelaporan Alternatif

Bagi mengatasi risiko-risiko shariah dan kekeliruan di kalangan ahli kariah kesan penggunaan kaedah perakaunan dan pelaporan kewangan perniagaan oleh masjid, satu kaedah pelaporan alternatif patuh shariah telah dibangunkan sekumpulan penyelidik Univerisiti Sains Islam Malaysia (USIM) yang dinamakan Model Imarah Masjid (Asharaf Mohd. Ramli et al., 2020). Model ini mengadaptasi kaedah perakaunan dana (*fund* accounting) serta menekankan aspek pengasingan antara dana umum dan dana khusus, dari sudut pengurusan kewangan masjid dan juga dari sudut pelaporan. Penyelidik juga turut membangunkan satu sistem perakaunan dan pelaporan berkomputer secara atas talian yang dinama E-MIMAS[1] yang menggunakan Model Imarah Masjid bagi meningkatkan lagi tahap keberkesanan dan kecekapan pengurusan kewangan masjid yang patuh shariah.

[1] Sistem E-MIMAS boleh dicapai melalui laman sesawang https://emimasv1.imarah.org



Rajah 3 Model Imarah Masjid

Model Imarah Masjid mengesyorkan aktiviti-aktiviti kewangan masjid diuruskan dalam dua sudut; pengurusan sumber dana dan penggunaan dana. Rajah 3 menunjukkan sumber dana masjid terdiri daripada dua jenis iaitu dana umum dan dana khusus. Manakala penggunaan dana boleh diklasifikasikan kepada tiga jenis iaitu perbelanjaan pentadbiran (*Idari*), kemasyarakatan (*Ijtima'i*) dan pelaburan dan perniagaan (*Tijari*). Setiap satu jenis perbelanjaan perlu dipastikan untuk tujuan yang sama dengan sumber dana yang diperolehi. Sebagai contoh, sekiranya dana khusus kebajikan diwujudkan, maka perbelanjan pentadbiran dan kos-kos aktiviti berkaitan kebajikan perlulah menggunakan sumber dana kebajikan tersebut. Dana kebajikan tidak boleh digunakan untuk sebarang tujuan lain termasuk yang bersifat umum seperti membayar gaji pengurus masjid misalnya. Rajah 4 menunjukkan contoh pelaporan kewangan masjid dengan mengadaptasi Model Imarah Masjid. Kaedah pelaporan ini memaparkan dengan jelas sumber bagi setiap dana, jumlah penggunaan/perbelanjaan dan baki bagi setiap jenis dana.

Dari perspektif pihak pengurusan masjid, pelaporan dalam format seperti dalam Rajah 4 ini mampu membantu mereka menilai dan menguruskan sumber kewangan dengan lebih mudah. Potensi risiko shariah yang berkaitan dengan kesilapan percampuran dalam penggunaan dana umum dan khusus dapat dielakkan apabila maklumat baki setiap dana dapat diketahui dengan lebih jelas.

Format pelaporan seperti dalam Rajah 4 ini juga berpotensi mengurangkan isu-isu silap faham di kalangan ahli kariah tentang cara masjid menguruskan kewangan. Sebagai contoh, dalam Rajah 4, sekalipun secara keseluruhannya masjid X mempunyai lebihan pendapatan yang tinggi iaitu RM31,100 namun lebih 77% sumber kewangan tersebut adalah terikat pada tujuan khusus A dan tidak boleh digunakan untuk tujuan umum atau tujuan-tujuan khusus B dan C. Apabila maklumat seperti ini dipaparkan kepada ahli kariah dan orang awam, tindakan mempersalahkan pihak pengurusan masjid dapat dielakkan daripada berlaku.

8. Penutup

Masjid merupakan institusi tidak bermatlamatkan keuntungan yang menerima sumber kewangan daripada awam dan pengurusan kewangannya dari sudut shariah adalah tertakluk pada niat penyumbang. Sumber dana masjid terdiri daripada dana umum yang boleh dibelanjakan mengikut adat kebiasaan pengurusan kewangan masjid, dan juga dana khusus yang hanya boleh digunakan untuk tujuan tabung tersebut diwujudkan sahaja. Kewujudan dua jenis sumber dana yang berbeza ini menyebabkan pihak masjid perlu berhati-hati dalam isu penggunaannya dan pelaporannya supaya pengurusan kewangan masjid selari dengan kehendak shariah. Di samping itu, maklumat yang jelas dan kaedah penyampaian yang berkesan dan cekap kepada ahli kariah dan orang awam boleh mengelakkan berlakunya sebarang kekeliruan. Penggunaan kaedah perakaunan dan pelaporan alternatif berasaskan Model Imarah Masjid mampu membantu mengelakkan berlakunya risiko shariah seperti kesilapan menggunakan dana khusus untuk tujuan umum atau tujuan khusus yang lain. Paparan yang menunjukkan pengasingan dana umum dan dana-dana khusus dalam kaedah alternatif ini juga memudahkan ahli kariah dan orang awam untuk memahami dengan lebih jelas bagaimana setiap satu jenis dana diterima dan

Penyata Pendapatan dan Perbelanjaan Masjid X
Bagi tahun berakhir 31 Disember 2021

	Dana Umum	Dana Khusus A	Dana Khusus B	Dana Khusus C	Jumlah
Sumber pendapatan					
Sumbangan orang awam	10,000	500	1,000		11,500
Peruntukan Majlis Agama Islam Negeri		5,000		2,000	7,000
Sumbangan organisasi	5,000	20,000	3,000		28,000
Jumlah pendapatan	15,000	25,500	4,000	2,000	46,500
Perbelanjaan					
Pentadbiran	2,500	200	1,000	500	4,200
Kemasyarakatan	6,000	1,200	3,000	1,000	11,200
Perniagaan & pelaburan					-
Jumlah perbelanjaan	8,500	1,400	4,000	1,500	15,400
Baki dana	6,500	24,100	-	500	31,100

Rajah 4 Penyata kewangan Model Imarah Masjid

digunakan oleh pihak masjid. Penyampaian maklumat yang berkesan kepada pemegang taruh terutama ahli kariah dan orang awam berkenaan pengurusan kewangan masjid adalah amat penting bagi mengekalkan kepercayaan awam terhadap institusi masjid seterusnya menggalakkan lagi sumbangan berterusan daripada orang awam.

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A systematic Review of the External Auditor Reliance on Internal Audit Function

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Abstract

Purpose: this systematic literature review provides the external auditor reliance on internal audit function.
Methodology: using PRISMA technique.
Originality: because of the deficient reasons of reliance decision on internal audit function, auditors could not rely upon perfectly among the audit process. Therefore, they still use classical reliance methods.
Limitations: throughout the audit operations, auditors may face challenges of reliance decision, resulting in the boundaries and restrictions. On the other hand, reliance on internal audit function could provide easier way of processing and analysis of information.
Practical implications: this research identified 58 studies related to auditing and auditor reliance studies.
Findings: the investigation represents beneficial prudence in several fields by determining research suppositions and questions that needs to be identified through the future research to obtain wide conception about the external auditor reliance on internal audit function.

Keywords: External audit; reliance decision; internal audit function; Prisma methodology

1. Introduction

The audit's reliance has been a topic of debate for the past couple of decades. Internal audit function competence is critical since it influences stakeholders' decision-making. Because the Internal Audit Function plays a larger consultative responsibility, it's necessary to evaluate its efficiency (Alzeban and Gwilliam, 2014). According to the standards of auditing 560, Statement No. (ISA 560; SAS No. 136; SAS No. 135; SAS No. 133; SAS No. 122), In the auditing process of financial statements, this part discusses auditor's duties when it comes to subsequent incidents and newly uncovered evidence. Whether the auditor's decision reissued in the past published financial statements which would be viewed according to comparative criterion a coming date of financial statements audition attached, it also discusses auditor's responsibility form outcome of the following proceedings and thence uncovered realities. On the other hand, as in (ISA 610; SAS No. 65) one person or more that conduct internal audit tasks make up the internal audit feature. Internal auditors must be autonomous of the operation they do as part of their independent assessment process and control setting. Monitoring the validation of a firm's controls is one of the internal audit task's most significant responsibilities (ISA 610; SAS No. 65). Internal auditors, on the other are called client staff and are responsible for providing management and those in charge of governance with reports, reviews, guarantees, suggestions, and other details (ISA 610; SAS No. 65).

In recent years, the external auditor's reliance on the work of internal auditors has gotten a lot of coverage (Desai et al. 2017; Pike et al. 2016). External auditors have more opportunities to collaborate with internal auditors due to the increased involvement of the internal audit feature (Mihret 2014). External auditors may use the internal audit function's work to obtain audit proof, as stated by the International Auditing Standard (ISA 610). Internal auditors may also be used directly to assist when operating beneath guidance, oversight, and external auditor analysis (ISA 610, 2013). The latter point implies that internal auditors will gain status, thus legitimizing the internal audit function's increasing significance as corporate governance essential part (Chen et al. 2017). The decision of an external auditor to rely on and use the work of internal auditors may have financial implications as well as external audit consequences performance and quality (Pizzini et al. 2015).

Internal audit functions in many firms have shifted from quality assurance to advisory services (Soh and Martinov-Bennie, 2015), which increased internal auditing importance in organizations (Speklé et al., 2007), as being more consultative internal audit functions might have stronger ability to improve corporate governance meanwhile doing the required work (Hazem and Roberts, 2018). This systematic literature review aims at

answering that to what extent is the external auditor reliance on internal audit function, what are the main issues that auditors can exhibit during the reliance decision, how reliance decision can influence the quality of external audit and identify gaps in the form of research questions that can be explored by future studies to provide better understanding of constrains effect of external auditor reliance on internal audit function.

2. Methodology

This study conducted a systematic literature review using PRISMA technique (Moher et al., 2015) to find a link among external auditor reliance on internal audit function. The study's explicit objectives were specified, which aided in the recognition of theorized and relevant publications for the systematic review, which concluded in the production of new recognition and a meaningful synthesizing of current research in terms of the paradigm (Hsieh and Shannon, 2005). Gathering related papers, filtering investigations, and conducting a systematic literature review are the three phases of data gathering and analysis.

3. Data Collection

During the first phase, Scopus was searched for papers with the term ("external audit" or " internal audit function" or " reliance decision"). The search resulted in a number of 1753 publications being gathered. Scopus returned findings from all of the subject headings that were specified in the query. As a result, the findings were narrowed down to only publications relating to the "accounting and auditing" topic category, yielding 1753 studies. In the supporting information, you'll find a list of the journals that were chosen. Publications from the journals "Corporate governance models and applications in developing economies, Unique Journal of Business Management Research, Global Review of Accounting and Finance, and Auditing: A Journal of Practice & Theory" are not included in the Scopus source titles. Those journals were hand-searched in Google Scholar using the keywords "external audit", or "internal audit function", and "reliance decision".

4. Inspecting Prior Studies

Each study's title and abstract were reviewed and chosen based on one factor: emphasis on the external auditor reliance on internal audit function. And for review of the literature, it supplied a total of 1753 publications. Table 1 presents the twenty-eight accounting journals and the number of thirty-nine Scopus indexed studies that were chosen for systematic review. The research's aim is to show the external auditor reliance on internal audit function. In order to expound the reliance decision, fifty-eight papers were chosen. The selected studies were from auditing, accounting, economics, management and finance journals (e.g., Audit. J. Pract. Theory, Procedia Economics and Finance, Procedia - Social and Behavioral Sciences, and Auditing: A Journal of Practice & Theory).

Table 1. List of Scopus indexed journals and numbers of studies.

Journal name	Chosen studies number
Accounting and Business Research	1
Accounting Review	1
Advances in Accounting	1
Cogent Business and Management	1
Corporate Governance (Bingley)	1
EuroMed Journal of Business	1
European Accounting Review	1
International Journal of Accounting and Information Management	1
International Journal of Accounting Information Systems	2
International Journal of Accounting, Auditing and Performance Evaluation	1
International Journal of Auditing	4
International Journal of Business Continuity and Risk Management	1
International Journal of Business Science and Applied Management	1
International Journal of Economic Policy in Emerging Economies	1
Journal of Accounting and Public Policy	1
Journal of Asian Finance, Economics and Business	2
Journal of Contemporary Accounting and Economics	1
Journal of Financial Reporting and Accounting	1
Journal of International Accounting, Auditing and Taxation	1
Management Accounting Research	1
Management Science Letters	1
Managerial Auditing Journal	7
Meditari Accountancy Research	1
Quality - Access to Success	1
Research in Accounting Regulation	1
Review of Managerial Science	1
Scientific Journal of King Faisal University	1
Society and Economy	1

5. Extract Information for Systematic Literature Review

Lastly, chosen publications were evaluated in light of the systematic review's aims. A sum of 1753 publications were chosen and used to gain a better understanding of the goals. There were 58 publication research reports. In a systematic literature review, the initial abstract of each study is investigated, and then the details of each research are analyzed to acquire a greater understanding of the review's goal. The major findings from each research are then documented and utilized in the creation of a systematic literature review. The external auditor reliance on internal audit function was highlighted by the systematic review. Figure 1 depicts the systematic literature review procedure. According on the justifications and conclusions employed in each research, the picked publications are categorized into two groups. Table 2 lists two attributes as well as publications that are associated to them.

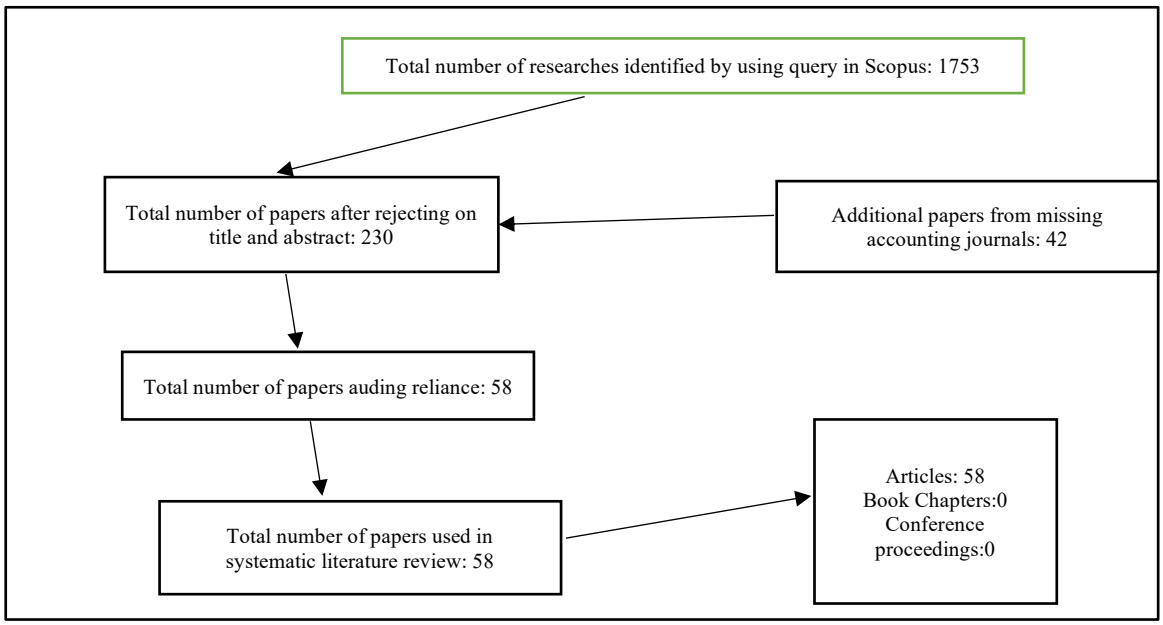


Figure 1. Systematic review procedure

Table 2. Articles used in the systematic review.

Group	Concerning studies
External audit reliance on internal audit function	AICPA, 1991; Alktani and Ghareeb, 2014; Alqudah et al., 2019; Axén, 2018; Azzam et al., 2020; Baatwah et al., 2019; Bame-Aldred et al., 2013; Brody, 2012; Čular et al., 2020; Desai et al., 2010; Desai et al., 2011; Desai et al., 2011; Desai et al., 2017; Dzikrullah et al., 2020; Hay, 2013; IFAC, 2012; Lee and Park, 2016; Messier et al., 2011; Mubako and Muzorewa, 2019; Mustapha and Lee, 2020; Noh et al., 2017; PCAOB 2007; PCAOB, 2013; Petherbridge and Messier, 2015; Quick and Henrici, 2019; Rabóczki, 2018; Saidin, 2014; Schneider, 2010; Weisner and Sutton, 2015.
The quality of internal audit function	Al Mater Asiri, 2020; Alaraji, 2020; Albawwat et al., 2021; Chang et al., 2019; Chen et al., 2020; Farkas et al., 2019; Gamayuni, 2018; Hillebrandt and Ratzinger-Sakel, 2021; Ismael, 2019; Jiang et al., 2018; Jizi and Nehme, 2018; Krichene and Baklouti, 2020; Muliati et al., 2021; Oussii and Boulila Taktak, 2018; Singh et al., 2021; Vadasi et al., 2020.

A reference list which was employed in the systematic literature review to support assertions.

The focus of the current study is evolving the external audit and its reliance on internal audit function. Furthermore, two main audit reliance issues i.e., external audit reliance on internal audit function, and the quality of internal audit function, which represented in figure 2 given framework, consists of two levels: the external audit and its reliance on internal audit function and the reliance two components. The objective of the framework is to explore the extent of external audit reliance on internal audit function. Therefore, the current study is an endeavor to accomplish this gap.

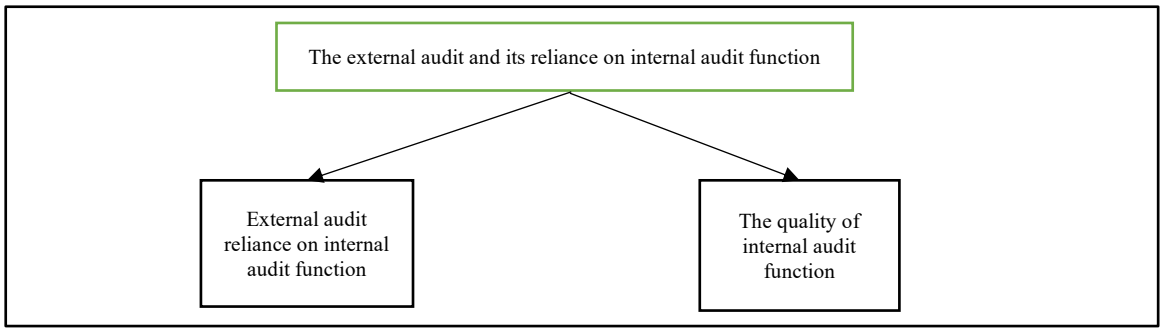


Figure 2. Conceptual framework
Source: Author adapted framework from the literature.

5.1 External Audit Reliance on Internal Audit Function

There are three key standards (PCAOB, ASB and IAASB) that govern external auditors in terms of their dependence on internal auditing (PCAOB, 2013). When it assumed the typical function of public corporations, PCAOB enacted AS 2605 to consider Internal Audit task (PCAOB, 2013). In addition, this research is based on the International Audit Standards (ISA) 610 about the usage of internal auditor's work. This ISA provides guidance for external auditors in their efforts to collect audit proof and for frontal support to intern auditors. Accordingly, researchers examine how external auditors increase audit performance, using internal auditor's practices, in accordance with both of ISA 315 and 610 in the year 2016 (Lee and Park, 2016). Their findings showed that more internal auditors are available, the higher of their commitment to the audit of the financial statement, thereby increasing the audit performance (Lee and Park, 2016). Their results also show that the role of internal auditors, financial auditors and law experience is used by external auditors to increase audit performance (Lee and Park, 2016).

According to Alqudah et al. (2019) findings demonstrate that the collaboration of external auditors, upper management capacity and autonomy of internal auditors are the elements that have a substantial and favorable effect on the outcomes of internal auditors. Good connection amidst the function of other auditors being dependent on and the profit-for-project mistake of observers, meaning that audit efficiency of combined financial statements is reduced by more reliance on other auditors (Alqudah et al., 2019). But these ties are often found poorer if the major auditor belongs to one of the big four auditing companies or a business specialist, because they can supply superior audit duties (Noh et al., 2017).

Moreover, the context in which reliance decisions must be made by external auditors is complicated, involving multiple aspects which should be evaluated at the same time (Bame-Aldred et al., 2013). In addition, a changing set of audit standards include various intermediary judgements essential for external auditors to rely on the internal audit activities before and throughout this procedure (Bame-Aldred et al., 2013). Furthermore, our assessment shows that we continue to have insufficient knowledge of how and in what way external auditors are evaluating the quality components of internal audit activities (Bame-Aldred et al., 2013). Likewise, though we discover that the kind and breadth of internal auditors is determined by account risk, involved risk and source of internal audit task, it is not entirely known how external auditors select task environment (i.e., income reconnaissance against salary), and what sorts of checks should be used within such task settings (Bame-Aldred et al., 2013).

Likewise, Lee and Park (2016) report that the internal auditors' number is connected with the number of external audit hours, according to the number of workers. This conclusion shows that, as internal auditors become more available, their financial statement audit contribution will be increased and the audit efficiency improved (Lee and Park, 2016). External auditors use internal auditors' efforts to increase audit efficiency by improving accounting and legal competence (Lee and Park, 2016). There is some proof of that, more available internal auditors were more successful at the start of external audit commitments (Lee and Park, 2016).

As mentioned earlier, audit standards of (ISA 610, SAS 65,5) enable external auditors to depend on internal audit function's task to a certain level. External auditors have to be confident with efficiency of the internal audit activity when depending on.

In planning audit processes, external auditors need to use their expert judgements (AICPA, 1991). An evaluation of the reliability of internal auditors' work is one of the considerations to be weighed for determining whether to focus on the function of internal auditors (AICPA, 1991). Furthermore, appraisal of the skill and truthfulness of the internal audit division of firms is essential to this assessment (AICPA, 1991). Otherwise, in the Auditing Standard No. 5 of the Public Company Accounting Oversight Board enables external auditors to depend on internal audit activities when internal audit operations fulfill specified requirements and external auditors determine that their job is efficient (PCAOB 2007).

Moreover, the intensity of the internal audit role has become more important due to stricter regulations on internal management assessments since the Sarbanes–Oxley Act (2002) (Desai et al., 2011). If internal audit task

is solid, external auditors will depend on their job (IFAC, 2012). According to Bame-Aldred et al. (2013) conclusions, the outcomes of previous investigations into the assessment of the internal audit work vigor of the external auditors was jumbled and indecisive. The literature emphasized the need for further studies on the dependency the external auditor puts on the internal auditor's operation (Weisner and Sutton, 2015).

On the other hand, there is a proof indicates that greater external audit charges are related with the employment of an internal audit function (Axén, 2018). Also, as corporation supervision tool, the scale of internal audit department has a beneficial connection with the volume of external auditor costs, quality of audit, and the propensity of corporations to hire large auditors such as big four firms (Axén, 2018). Furthermore, this research reveals that internal audit had inverse impact on organizations' willingness to consent audit judgments about going concern (Dzikrullah et al., 2020). Likewise, meta-analyzes enable an additional link between investment in the external and internal audits in the condition of financial audit (Hay, 2013). Moreover, dependence on internal audits has no influence on the reduction of external audit charges and external audit task for the local governments in Great Britain. But the rise in external audit charges helps to reduce it (Saidin, 2014).

Researchers find that there is a lack of study into the impact of internal audit dependence on the quality of external audit (Bame-Aldred et al., 2013). As Schneider (2010) collects data on various aspects of internal audit competence, objectivity, and work done, as well as other non-internal audit factors that influence reliance. These features and considerations are incorporated into internal auditing reliance decision. At the same time, findings of Desai et al. (2017) show that in all cases no aspect dominates the measurement of power. Furthermore, the unfavorable proofs are less severe than the Desai et al. (2010) paradigm for external auditors. If data on the three variables diverges, it is difficult for external auditors to consistently integrate it in the determination of their overall assessment of strength (Desai et al., 2010). Auditors appear to be more susceptible than positive proof to negative (Desai et al., 2010). Furthermore, it is difficult to distract auditors from their negative positions with positive evidence, rather than to exclude them with negative evidence from a favorable position (Desai et al., 2010).

In response to and often dynamically with reported earlier factors, the findings of this studies indicate that conflict management styles and two established interactions challenges have an effect on reliability choices: company engagement in internal audit, fiscal challenges and perceived risk has been illustrated (Brody, 2012). There is a proof that auditors refer to the customer's internal audit pledge (Brody, 2012). Auditors rating the internal auditor's job more useful if the customer provides the internal audit service with extra tools (Brody, 2012). Auditors favor acting patterns like tussle management that affect their decisions, but differ from them under reasonable assumptions (Brody, 2012). Importantly, however extremely interactively, suspected obstacles to networking and operating systems relying on certain background (Brody, 2012). We have not seen expertise or ranking results in any review whereas anticipating future practice, impacts or otherwise assured chief auditors and management (Brody, 2012). Although our managers considered slightly reduced threats because of mistake or abnormality, they did not rate the importance of the record in any analysis as they analyzed separately or in association with the risk perception (Brody, 2012).

External auditors shared their disappointment with the role of internal audit personnel, the shortage of education services and the deficient organizational situation of internal audit divisions (Alktani and Ghareeb, 2014). In a holistic approach to Public Company Accounting Oversight Board (PCAOB) examination, auditors are not affected by the risk of engagement with their dependence on an internal audit feature. But where the emphasis is on efficiency in the PCAOB testing process, auditors are more relying on an internal audit feature when their risk of involvement is limited than if it is heavy (Petherbridge and Messier, 2015).

Within internal audit activity, a robust system of internal control may mitigate for deficiencies in company management in terms of external auditors' credibility (Quick and Henrici, 2019). In addition, the kind of audit method affects auditors' desire to depend on internal auditing and amplifies the adverse influence of the company's business risk upon this relying choice by the intrinsic risk of the audited event (Quick and Henrici, 2019). Moreover, prior experiences of external auditors including an internal audit role have a major influence on their choice of dependability (Quick and Henrici, 2019). There are restricted interactions between both internal and external auditors, which may not make extensive use of the internal audit role by external auditors (Mubako and Muzorewa, 2019). The auditors' interaction is sometimes stressed and that management activities do not really assist the promotion of achievable and positive auditors' engagement (Mubako and Muzorewa, 2019).

The externalization or co-sourcing of the internal audit feature may influence the final dependence decision (Desai et al., 2011). and the impact of the administrative testing area usage of the internal audit unit (Messier et al., 2011). Partially, there is evidence of the complementing role among external and internal audit (Rabóczki, 2018). Otherwise, the external and internal audit activities interact significantly with regard to audit adequacy when the foreign internal audit activity provider is a Big four auditor (Baatwah et al., 2019). Whenever the inherent risk is large, external auditors could depend further on the function of foreign internal auditors than of internal auditors existing within organization (Mustapha and Lee, 2020). In addition, the degree to which internal auditors adhere to professional standards is a significant element in determining whether or not external auditors rely on them (Mustapha and Lee, 2020).

Indeed, the internal audit department delivers risk management counseling under the supervision of a robust audit committee, external auditors place the greatest trust in it (Čular et al., 2020). It is lesser if the internal audit department basically gives assurances (whether underneath a strong or weak audit committee), then it is lowest only if it offers consultation under a weaker audit committee (Čular et al., 2020). Jordanian auditors praised the collaboration among internal and external auditors in improving financial reporting quality (Azzam et al., 2020). For example, the findings demonstrated that objectivity has a favorable and significant influence on improving the level of collaboration among internal and external auditors, resulting in improved quality of financial reporting (Azzam et al., 2020). Furthermore, the technical competency of internal audit's practice and job treatment have had a favorable influence on the effectiveness of financial reporting (Azzam et al., 2020).

5.2 The Quality of Internal Audit Function

The quality of the internal audit task is favorably linked to business efficiency (Chen et al., 2020). Competency in the internal audit task promotes firm business efficiency however the association between independence of the internal audit task and business effectiveness is minimal (Chen et al., 2020). Internal audit activity can directly or indirectly boost business efficiency through the promotion of company internal quality control (Chen et al., 2020).

On the other hand, the quality of internal control is substantially and favorably linked with the skills of internal auditing, the quality assurance level of internal audit, follow-up procedure and engagement of the audit committee in the internal audit program review and its outcomes (Oussii and Boulila Taktak, 2018). Likewise, the dedication to effective application of corporate governance or its concepts would enhance the performance of internal control and audit activity, reflecting the reaction of the reliability and objectiveness of the figures reported in the financial statements (Alaraji, 2020).

Similarly, the positive link between the competence of the internal audit function and the complexity of the company reinforces the necessity for complex companies to monitor and advise and therefore to have a larger requirement of formal controls (Jiang et al., 2018). Additionally, the quality of internal audit functions has a favorable relation with the supervision of the board and the audit board but also with that of the CEO, suggesting that the quality is impacted by other major corporate governance actors of internal audit functions (Jiang et al., 2018). As far as environmental variables are concerned, we show the positive link between internal audit quality and industrial rivalry which means a motivation for an elevated internal audit function is improved in front of increasing environmental uncertainties (Jiang et al., 2018).

Furthermore, the professional development of internal audits has an impact on internal audit effectiveness, as the contribution of internal audit to corporate governance is better for those institutions that are in line with internal audit function and are professional certified by internal auditors (Vadasi et al., 2020). Moreover, improved internal audit quality impression led to more agreement with recommendations of the internal auditors; improved impression of reporting quality led to increased adoption of the treatment methods advised by internal auditor (Farkas et al., 2019).

Accordingly, internal audit quality is linked to the independence, policy and openness of universities (Al Mater Asiri, 2020). Likewise, the effectiveness of internal audit has been linked to management support, interdepartmental collaboration and support and acceptance of auditors. The data further indicate that the internal audit quality was also linked to autonomy, objective nature and expertise which considered as the effectiveness of internal audit three basic components (Singh et al., 2021). Moreover, increased Autonomy Boards and Audit Committees with greater effectiveness require better audit quality, therefore paying excessive audit fees to guard the interests of shareholders against potential misuse of authority by the CEOs, who are also chairmen (Jizi and Nehme, 2018).

Before and after audit era, there are no differences in earnings quality. This study shows no difference between the big four and other audit firms in terms of audit quality, which means that the credibility of management's accounting information for stakeholders does not depend solely on autonomous auditors (Muliati et al., 2021). Also, there is possible significant relationship with internal audit quality but with a varying degrees of internal auditor knowledge sign-up, reporting autonomy, conformity with internal audit standards, external audit relations, personal connections of internal auditor, reach to the data and internal auditing involvement domain (Krichene and Baklouti, 2020).

Organization’s scale and operation’s cash flows proportion are positively related with performance features of internal audit task (Ismael, 2019). This suggests that an internal audit role of high fineness is a key means of compensating for lack of immediate supervision and of controlling agency dangers inside an organization (Ismael, 2019). It also revealed that maintaining a high-level internal audit task is an expensive procedure; the amount of debt had a strong negative correlation with internal audit activity quality (Ismael, 2019). Further, it demonstrated a favorable and statistically significant connection between the efficacy of the audit committee and the quality features of the internal audit task (Ismael, 2019).

The efficiency of the internal audit department is influenced by internal auditor competency and impartiality, as well as managerial support (Gamayuni, 2018). In addition, the competency and impartiality of internal auditors, as well as the performance of the internal audit department, have a substantial impact on the quality of financial reporting (Gamayuni, 2018).

Internal audit productivity by both processes and adherence are being improved with a bigger internal audit department, however internal auditor competency is highly related with internal control effectiveness over adherence but not processes (Chang et al., 2019). Furthermore, the participation of employee deputies on the audit committee has been shown to have a negative impact on audit quality, unless if they have accounting skills (Hillebrandt and Ratzinger-Sakel, 2021).

Internal audit activity efficacy is influenced by all of the investigated character qualities of internal auditors (Albawwat et al., 2021). Character qualities have an indirect impact on the quality of financial reporting through the performance of the internal audit department, according to the findings (Albawwat et al., 2021). These findings show that internal auditors who rank high on emotional stability, openness to experience, and conscientiousness are through the most important participants to the effectiveness of the internal audit process (Albawwat et al., 2021). The outcomes also show that the character features of internal auditors might be viewed as an intangible source that improves the efficacy of internal audit department (Albawwat et al., 2021).

Table 3. Main results, suppositions and future research investigative questions.

Main results	Suppositions	Future research investigative questions
• Historically, external audit is older than internal audit with more than two hundred and fifty years. • The activities of internal audit function should participate to improve the effectiveness of three processes: governance; risk management; and control processes.	Supposition 1: the role of internal auditors, financial auditors and law experience is used by external auditors to increase audit performance. Supposition 2: audit efficiency of combined financial statements is reduced by more reliance on other auditors. Supposition 3: external auditors use internal auditors' efforts to increase audit efficiency by improving accounting and legal competence.	• How could external auditors use the role of internal auditors to increase audit performance? • Does audit efficiency reduced by more reliance on other auditors? • Does improving accounting and legal competence increase audit efficiency?
• Evaluation of the reliability of internal auditors' work is one of the considerations to be weighed for determining whether to focus on the function of internal auditors. • Auditors are more relying on an internal audit feature when their risk of involvement is limited than if it is heavy.	Supposition 4: internal audit had inverse impact on organizations' willingness to consent audit judgments about going concern. Supposition 5: dependence on internal audits has no influence on the reduction of external audit charges and external audit task for the local governments. Supposition 6: there is evidence of the complementing role among external and internal audit.	• How internal audit affect organizations' going concern? • What is the nature of the complementing role among external and internal audit?
• The quality of the internal audit task is favorably linked to business efficiency. • The quality of internal control is substantially and favorably linked with the skills of internal auditing. • The participation of employee deputies on the audit committee has a negative impact on audit quality, unless if they have accounting skills.	Supposition 7: the professional development of internal audits has an impact on internal audit effectiveness. Supposition 8: increased autonomy of the boards and audit committees with greater effectiveness require better audit quality.	• How could the professional development of internal audits affect the internal audit effectiveness? • Why the increased autonomy of the boards and audit committees require better audit quality?

6. Conclusion

This research investigated the external auditor reliance on internal audit function. Furthermore, it highlighted the most common two sectors which demonstrated by the prior studies. The framework consists of two levels: the external auditor reliance on internal audit function and the internal audit quality. The objective of the framework is to explore how external auditor influence internal audit function. Therefore, the current study is an endeavor to accomplish this gap. In addition, the current study discussed the two main reliance decision issues: external audit reliance on internal audit function, and the quality of internal audit function. Moreover, systematic review represents that reliance on internal audit function own impact and association on the external auditing. Lastly, future research questions are distinguished to give superior recognition of the external auditor reliance on internal audit function.

Table 3 exhibited the future research questions according to the supposition extracted from a systemic literature review. The future research questions list may be not comprehensive but provides the initial start for future research to search around the external auditor reliance on internal audit function.

The proof about the practical implementation of external auditor reliance on internal audit function is highly exclusive, although almost of the prior studies focused on the theoretical viewpoint, advantages and threats of reliance decision. The existing study objective was to present systematic literature review by presenting the association between external auditor reliance and the internal audit function, not to make meta-analysis according to the current researches due to the deficiency of tentative investigations on the internal audit function. Therefore, this study concentrated only on systematic review.

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Internal Control Practices in Malaysian Higher Learning Institutions: An Exploratory Study on Education Waqf Reporting

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Abstract

According to the Ministry of Higher Education, Waqf is one of ten shifts highlighted in the Malaysia Education Blueprint 2015-2025 (MoHE). The goal of these changes is to reduce the reliance of higher learning institutions (HLI) on government funding sources. Several universities have already implemented education waqf on their campuses. However, implementation differs by institution. Because the waqf is a public fund, it is critical to investigate the internal control practices used by waqf managers in HLIs in order to meet the waqf's true objectives. The goal of this study is to gain a better understanding of the current state of internal control practices in Malaysian HLIs for waqf management. Library searches and documentation reviews on relevant documents on education waqf will be conducted as part of this study. Internal control is essential in all organizations because it has evolved into one of the most important financial management practice mechanisms. Its functions include risk mitigation, coordination of organizational activities, and decision support for management. Previous research has understated the significance of internal control in managing waqf at HLIs. This study is expected to lay the groundwork for the development of a guideline on internal control practices in Malaysian HLIs.

Keywords: Education waqf; waqf management; internal control practices; public funding

1. Introduction

Most universities currently have mechanisms in place to support revenue generation activities. Fundraising for waqf is one type of income generation activity. In order to realise this goal, the Malaysian Ministry of Higher Education (MoHE) created the Purple Book on Enhancing University Income Generation, Endowment, and Waqf, which serves as a useful guide for navigating university income generation activities. One of the Purple Book's goals is to promote and improve the implementation of the waqf model as a viable and sustainable source of funding for universities (MoHE, 2017). In line with MoHE efforts, universities need to have their own policies on all income generation activities to uphold good governance, integrity and reputation of the universities. Public universities must accept that under the existing Malaysian legal provisions, the State Islamic Religious Council (SIRC) is the sole trustee of waqf in its respective state. Thus, in establishing a waqf, universities must acquire the legal status as waqf administrators from the respective SIRC. In other words, the SIRC will act as a sole trustee

(*Mutawalli*) and universities as the waqf administrator on behalf of the waqf giver (*al-waqif*) before it is distributed to the waqf beneficiaries (*Mauquf Alaihi*).

Waqf is a type of Islamic socioeconomic fund-raising that serves as a source of funding and a catalyst for community development. Waqf assets can take the form of cash or real estate (such as land or buildings) and are used to fund Shariah-compliant projects (such as mosques, learning institutions, hospitals or public amenities). Waqf is distributed in accordance with the wishes of the giver. Waqf is divided into four tenets: (1) the Givers, (2) the Clear Statement, (3) the Designated Assets, and (4) the Beneficiaries. Once established, a waqf cannot be given as a gift, inherited, or sold (MoHE, 2017)

One of the key success factors for sustainable waqf is an assurance that the documentation of all waqf activities must be reported on a regular basis. Of which, the Waqf Management Committee must demonstrate transparency and accountability to uphold the waqf objectives. The development of waqf in higher education can be intensified by effective fund management, strong legislation, good governance, marketing efforts and identify appropriate waqf management model to be applied (Mustaffa & Muda, 2014). In that case the management of waqf has to make sure that the internal control mechanism is in place and well-functioning at the institutions level. Internal controls are the mechanisms, rules, and procedures that a company implements to ensure the integrity of financial and accounting information, as well as to promote accountability and prevent fraud. As a result, this study is being carried out to investigate one aspect of internal control practise, namely the reporting of education waqf in Higher Learning Institutions (HLIs).

2. The History of Waqf in Education

Waqf in education began with the establishment of religious schools such as Sekolah Agama Rakyat (SAR), the School of Religious Affairs (SAN), madrasah, and cottages (Asmak, 2009; Mustaffa & Muda, 2014, Ahmad, Baharuddin, Wan Yusoff, Syed Abdullah & Soon, 2016). Waqf in education is not a new concept, as it has been practised in both Muslim and Western countries (Ahmad et al., 2016). Waqf in education is rapidly expanding, and it has now reached HLIs. Several studies have revealed that higher education institutions are now committed to implementing waqf activities at their institutions (Mustaffa & Muda, 2014; Ahmad et al., 2016 & Hussin & Abdul Rahman, 2018). Education is becoming more expensive due to rising costs of operating quality education (Mujani, Mohd Taib, & Rifin, 2016), which will be exacerbated by the arrival of pandemic COVID-19 in early 2020, causing many to suffer for survival.

There are various types of waqf instruments available in which cash waqf is more conveniently used for various types of activities such as; education, food, justice, maintenance of waqf buildings and mosques, social services, water and workers (Mat Nor, Omar, Abd Aziz & Abdul Hamid, 2021). Cash waqf is believed to be more efficient then the immoveable waqf as it would be able to fulfill the current needs of the waqf receivers.

2.1. Internal Control Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) has developed a framework to meet three categories of internal control objectives: (1) operations, (2) reporting, and (3) compliance. The framework also addresses five integrated internal control components: (1) the control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Internal controls are an important mechanism for increasing accountability in any organisation (Ayedh, Jamil & Zainuddin, 2021). A lack of internal controls may result in fraudulent activities, which may impede the achievement of organisational goals (Islamiyah, Siraj & Osman, 2020). This study will look into reporting, which is one of the internal control objectives. In which related information reported will be observed through the HLI Education Waqf websites.

Table 1. Internal Control Mechanism.

Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring Activities
1. Commitment to integrity & ethical values	6. Specifies suitable objectives	10. Select & develop control activities	13. Uses relevant information 14. Communicates internally	16. Conducts ongoing evaluations
2. Exercise oversight responsibility	7. Identifies & analyses risk	11. Selects & develops control over IT	15. Communicates externally	17. Evaluates & communicates deficiencies
3. Establishes structure, authority & responsibility	8. Assesses fraud risk	12. Deploys through policies & procedures		
4. Commitment to competence	9. Identifies & analyses significant change			
5. Enforces accountability				

2.2. Reporting Education Waqf by the Malaysian Higher Learning Institutions

One of the goals of internal control, according to The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2013) is reporting. In which reporting is one of the mechanisms used to improve an organization's accountability and transparency. In this case, reporting education waqf to stakeholders and interested parties via reporting or communication channels on the development and use of donated waqf funds by HEIs is critical (Bahari & Ahmad Shukor, 2017). According to a recent study by Kamaruddin, Mohd Hanefah, & Masruki (2021), the reasons for poor waqf reporting practises include the absence of standardised waqf reporting standards, a lack of reporting or disclosure awareness among waqf management, limited reporting channels from state authorities to national authorities, diversification in the governance structure, and the reluctance of waqf administration to disclose waqf reporting in Malaysia.

The implementation of education waqf should be addressed through reporting so that the related waqf administrator, the university community, the SIRCs, and the waqf givers can monitor it. Reporting, on the other hand, ensures that internal controls of financial reports are trustworthy and consistent with existing standards, as well as that the organization's activities are carried out effectively and efficiently (Radianto & Laturette, 2020). As a result, it is recommended that the institution periodically report and disclose the performance and progress of their fund (Johan et al., 2016).

3. Research Methodology

The waqf education report published on the website by Malaysian HLIs was observed and analysed to achieve the research objectives. Waqf education was chosen for this study at four HLIs: Universiti Kebangsaan Malaysia (UKM), Universiti Putra Malaysia (UPM), Universiti Islam Antarabangsa Malaysia (UIAM), and Universiti Sains Islam Malaysia (USIM). As of July 31, 2022, their websites had been visited and observed.

4. Findings and Discussion

The results of the observation on the four HLIs' websites (UKM, UPM, UIAM and USIM) are tabulated in Table 2 overleaf:

Table 2. Results of observation on waqf education in HLIs websites.

Name of HLIs:	UKM	UPM	UIAM	USIM
1. Website address	https://give2ukm.ukm.my	https://wazan.upm.edu.my	https://www.iium.edu.my	https://pwz.usim.edu.my
2. Name of trustee	Available	Available	Available	Available
3. Collection method(s)	Available	Available	Available	Available
4. Amount Collected	Available	Available	Available	Not Available
5. Amount Disbursed	Available	Not Available	Available	Not Available
6. Waqf Education Activities	Available	Available	Available	Available

According to the observations, all of the HLIs in this study published an annual report on their waqf education information and activities. However, the information provided on the websites varies in content. In their website, UIAM has transparently reported information on waqf collection methods, amount collected, amount disbursed, total number of recipients, and waqf education activities. Unfortunately, USIM's website does not include information on waqf amounts collected and disbursed. Some information may not be available on the website because it is only accessible to their relevant stakeholders.

The study proposed that the information listed in Table 2 be made available on the HLI websites because it is an effective platform for disseminating information to potential waqf givers and the general public. It is one form of free marketing used by HLIs to promote waqf education to potential waqf givers or the HLIs community. Indeed, it demonstrates the HLIs' transparency and accountability in reporting their waqf education fund collection and distribution for the benefit of potential and current recipients. As a result, it indicates that the HLI's internal control system for waqf is in place and well-functioning.

5. Conclusion and Recommendations

As an assurance to key success factors of sustainable waqf, all waqf activities must be reported on a regular basis. To uphold the waqf objectives, the waqf administrator must ensure that the internal control mechanism is

in place and functioning properly at the institution level. Waqf is public money, so it must be reported in a transparent manner. Anyone should be able to access it through a published report. A published report on waqf collection methods, amount collected, amount disbursed, total number of recipients, and waqf education activities demonstrates how transparent and accountable HLIs are in reporting their waqf education fund for the benefit of potential and current recipients. As a result, it encourages the waqf administrator to implement a sound internal control system in the HLIs. Future study should investigate how the waqf administrator practices other mechanism of internal control in their institutions.

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Bibliometric Analysis and Review of Shariah Audit

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Abstract

The aim of this research is to draw a map on shariah audit since 2009 to 2022. The potential citations, keywords, authors, affiliations, country will be exposed in this paper. A content analysis are used in this study from 78 articles related to shariah audit which published by Scopus Database as a reference to derive imperative findings. This study finds that Darmadi, S. is the most authors, Journal of Humanomics is the most published journal, Malaysia is the most published country, corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks is the most cited article, and Universiti Putra Malaysia is the most affiliated institutions. This analysis addresses the literature gaps on measuring the compliance, determinants and the growth of shariah audit. Future research is expected to include articles which published by WoS (Web of Science) database. A root on shariah audit discipline is exposed and can be used as reference for practitioners in various Islamic financial institutions. To the best of the authors' knowledge, this is the first article that discuss on shariah audit field using a systematic literature review.

Keywords: Shariah Audit; Islamic Finance; Bibliometric

1. Introduction

The conduct of a Shariah Audit (SA) must be in accordance with all applicable laws and regulations in Malaysia as well as the fatwas, regulations, and guidelines issued by the Shariah Supervisory Board (SSB), the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and national accounting standards and practices. This means that in addition to complying with Islamic law, the SA must also do so in accordance with civil law. Without compromising the criteria of the conventional, SA techniques are primarily intended to boost the institution's financial element that emphasizes shariah compliance and improve the report's credibility (Kasim & Sanusi, 2013). Thus, strengthening shariah compliance and enhancing the integrity of Islamic Financial Institutions (IFI) are the primary goals of the need for SA techniques.

Since the early 2000s, the Islamic banking sector has quickly expanded (Safiullah and Shamsuddin, 2018). Global investment in assets subject to Sharia law climbed from $1.4 trillion in 2014 to $1.5 trillion in 2015 (IFSB, 2017). It is assumed that this increase happened since the growing up of people's awareness of practisoners /bankers on the importance of adopting shariah audit. The evolution of Islamic finance across 60 countries of 14

jurisdictions has concomitantly amplified its complexity in size and activities (Shabsigh et al., 2017). With this positive development, Shariah audit could play crussial role in supporting the development of Islamic finance institution.

1.1. The Importance of Shariah Audit (SA)

The existing empirical studies have mainly focused on countries such as Malaysia (Mohd Ali et al., 2018; Najeeb and Ibrahim, 2014) and Indonesia (i.e., Suryanto and Ridwansyah, 2016). The existing review research discussed shariah auditing from various aspects based on the narrative theoretical and critical review (Alahmadi et al., 2017; Khalid and Sarea, 2021; Najeeb and Ibrahim, 2014). Recently, to the best of the authors' knowledge, there is a previous study on Shariah audit by Handoko, Luqman Hakim and Mardian, Sepky (2021), which acknowledge about a "Mapping the Knowledge of Islamic Accounting Studies on Shariah Audit: A Bibliometric Analysis". Therefore, we want to make further research related to SA and explore the sustainability of research related to SA.

To get intended, the result of this study will conduct bibliometrics to analyze 78 articles derived from Scopus database. Expectedly, the study will expose the continuity of research since 2009.

2. Literature Review

According to AAOIFI's Auditing Standard for Islamic Financial Institutions No. 1 (ASIFI 1), the objective of an audit of financial statements of IFIs "… is to enable the auditor to express an opinion as to whether the financial statements are prepared, in all material respects, in accordance with the Shariah Rules and Principles, the accounting standards of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and relevant national accounting standards and practices in the country in which the financial institution operates" (AAOIFI, 2010).

The research on SA would be interesting to analyze since it has been a recent subject to discuss. On the other hand, the regulation in SA has a different perspective to conventional audit. However, the differences emerge based on some SA standards (Yahya, 2018). To achieve the objectives of the study, a systematic literature review approach was used. For example, the conventional audit uses International financial reporting standards (IFSB) and IAS (broadly any set of generally accepted accounting principles - GAAP), while the SA using Islamic finance standards as the shariah principles and rules.

The literature extensively deals with shariah scrutiny from the perspective of agency, while it has not given sufficient consideration to other theories such as the Maqasid al Shariah and Islamic accountability theory.

The previous study reveals that the current review provides a comprehensive systematic evaluation of the growing literature on shariah auditing from various aspects such as geographical distribution and theoretical lens. The study presents many opportunities for researchers to fill the gaps in the future by accurately identifying research gaps and presenting future proposals to researchers.

The SA performs the developing, monitoring and evaluating the organization's compliance with the provisions and principles of Islamic shariah and related controls (Khalid et al., 2017). SA can be interpreted as a process to ensure that the activities carried out by Islamic financial institutions do not violate shariah or a comprehensive shariah compliance test for shariah activities. Every shariah financial institution that operates must of course be in accordance with sharia principles and good governance according to the rules that have been set. SA is one of ways to maintain and ensure the integrity of sharia financial institutions in implementing sharia principles. Therefore, if there is a failure in the SA, there will have a bad impact on the fulfillment of sharia principles itself.

Numerous investigations have noted that the words "Shariah review", "Shariah auditing", and "Shariah supervision" are frequently used interchangeably with little distinction made between their technical distinctions (Sultan, 2007; Alomrani, 2015). By obscuring the distinctions between the terminologies, it may cause concepts to become unclear, which may then result in a misinterpretation of the requirements for the position of the Shariah auditor. By distinguishing the concepts, shariah auditing will be defined more fully and precisely, allowing for an accurate evaluation of its efficacy.

The effectiveness of SA refers to the extent to which the auditors can achieve the objectives of institutions through the process of verifying their commitment to the provisions of Islamic shariah. It is, therefore, crucial to have factors such as independence and efficiency to enhance the effectiveness of the audit process. Shafii et al. (2014a) focused on the need to build the auditor's competency through training courses. This is in line with Khalid et al. (2017), who stressed that efficiency in shariah auditing enhances audit quality through professional certificates providing the shariah auditor with skills that improve the ability to perform tasks more professionally.

Aziz et al. (2019) suggested that shariah auditing does not completely reject all of the methods and procedures of conventional auditing because they can be applied to gauge compliance with shariah. Furthermore, Yahya (2018) said that the socioeconomic framework and culture of Islamic society can benefit from auditing approaches learned from traditional auditing in the financial industry. Internal shariah auditing has a similar goal to

conventional financial institutions' auditing processes. But there are discrepancies depending on the national accounting standards, the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) standards, and Auditing Standard No. 1 for Islamic Financial Institutions (ASIFI).

Even though both tasks were carried out by the same department, AAOIFI consolidated the scope of SA and shariah review and gave each a distinct level of accountability within the organization. The system and departments that are a part of the supervisory process should not be referred to as shariah supervision. The name "shariah auditing department" or "shariah review department" for the overseeing division would be more fitting (Hameed and Mulyani, 2007).

Additionally, Abubakr (2013) advises that to make sure that Islamic finance is headed in the right direction, administration of shariah oversight should be given great attention. According to Alomrani (2015), the law and its articles must give the fundamentals that encompass all relevant topics and spell out the process of its work in order to arrange the work involved in shariah supervision and shariah auditing.

3. Methodology

This study aims to investigate the topic of SA by tracing its evolution over a ten-year period using a comprehensive bibliometric analysis of 78 publications from journals between 2009 and 2022. The research in the previous section showed that since shariah audit was first conceptualized, the number of publications related to it has grown dramatically. Out of the number of articles, the most cited article in the SA subject is "Corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks" Darmadi, S. (2013) which has 47 citations. Additionally, In terms of the total number of citations received, Darmadi, S. and Ullah, H. are the most dominant authors, with 47 and 37 citations. Then, the International Islamic University Malaysia is in the top list, while for the total citations received, the University Putra Malaysia is the highest in the rank with a total citation of 41, followed by the International Islamic University Malaysia with a count of 24. Additionally, according to the overall number of citations, Malaysia, which has a count of 283, is the most prominent nation, followed by the United Kingdom, which has a count of 88. The findings paint a picture of the most important factors that have a substantial impact on SA and highlight the growing interest in SA by prominent scholars and institutions globally. Moreover, based on the results of a co-citation analysis, it reveals that Darmadi, S. and Ullah, H. are the two most frequently cited authors in the subject of SA. This result means the concept of SA has broader aspects that researchers could explore. Meanwhile, other encouraging keywords considerably could shape the future works of SA.

4. Result and Discussion

In this part, the results of the analysis using the techniques of bibliometric analysis are elaborated. Firstly, it would present the citation analysis results, sequentially followed by analyses of co-citation and co-occurrence of author keywords. There are items to be reviewed in this citation analysis, such as the number of publications per year, most cited documents; most dominant authors; most dominant journals; most dominant institutions, and most dominant countries.

As depicted Table 1, it shows a total of 78 articles from 71 journals, written by 199 authors affiliated to 150 institutions from 99 countries, with a total number of references cited of 540. These general results give a portrait of all the articles being reviewed on the subject of shariah audit.

Table 1. General Results.

Criteria	Quantity
Articles	78
Journals	71
Authors	199
Institutions	150
Countries	99
Cited References	540

Furthermore, the next most cited article is the work of Darmadi, S. (2013). In this article, the author revealed that Bank Muamalat and Bank Syariah Mandiri, the county's two largest and oldest Islamic commercial banks, score higher than their peers. Disclosure of the sample banks on some dimensions, such as board members and risk management, is found to be strong. On the other hand, disclosure on internal control and board committees tends to be weak.

Table 2. Most cited documents in Shariah Audit Literature.

Rank	Document	Authors	Citations
1	Corporate governance disclosure in the annual report: An exploratory study on Indonesian Islamic banks	Darmadi, S.	47
2	Shari'ah compliance in Islamic banking: An empirical study on selected Islamic banks in Bangladesh	Ullah, H.	37
3	Corporate governance quality of Islamic banks: measurement and effect on financial performance	Ajili, H., Bouri, A.	30
4	An evaluation of corporate governance practices of Islamic banks versus Islamic bank windows of conventional banks: A case of Pakistan	Bukhari, K.S., Awan, H.M., Ahmed, F.	30
5	Governance, religious assurance and Islamic banks: Do Shariah boards effectively serve?	Haridan, N.M., Hassan, A.F.S., Karbhari, Y.	29
6	Governance mechanisms and efficiency: Evidence from an alternative insurance (Takaful) market	Karbhari, Y., Muye, I., Hassan, A.F.S., Elnahass, M.	26
7	Does corporate governance affect the performance of Islamic banks? New insight into Islamic countries	Aslam, E., Haron, R.	24
8	Did corporate governance mechanisms affect earnings management? Further evidence from GCC Islamic banks	Kolsi, M.C., Grassa, R.	24
9	Professionalizing the role of Shari'ah auditors: How Malaysia can generate economic benefits	Najeeb, S.F., Ibrahim, S.H.M.	21
10	Shari'ah governance of Islamic Banks in Bangladesh issues and challenges	Abdullah, M.F., Rahman, A.A.	20
11	Exploring auditor independence: An interpretive approach	Hudaib, M., Haniffa, R.	20
12	Conceptualizing the duties and roles of auditors in islamic financial institutions what makes them different?	Othman, R., Ameer, R.	19
13	Relationship between internal Shariah audit characteristics and its effectiveness	Khalid, A.A., Haron, H.H., Masron, T.A.	18
14	Competency and effectiveness of internal Shariah audit in Islamic financial institutions	Khalid, A.A., Haron, H., Masron, T.A.	16
15	Problems of Shariah governance framework and different bodies: An empirical investigation of Islamic Banks in Bangladesh	Alam, M.K., Mustafa, H., Uddin, M.S., Islam, M.J., Mohua, M.J., Hassan, M.F.	12

As depicted in Table 3, It displays the shariah audit subject's most influential authors. The number of publications the authors have written regarding shariah audit and the number of citations each of them has gotten are used to determine the authors' influence. The writers with the most citations overall are Darmadi, S., and Ullah, H., with 47 and 37 citations, respectively.

Table 3. Most Dominant Authors (in terms of total citations received).

Rank	Authors	Documents	Citations
1	Aslam, E	4	30
2	Alam, M.K	2	12
3	Endri	1	11
4	Ridwan, R	1	10
5	Aribi, Z.A	1	9
6	Sulub, S.A	2	7
7	Savitri, E	1	5
8	Ali, N.A.M	1	5
9	Khalid, A.A.	7	4
10	Al-Hunnayan, S.H.	1	4

As depicted in Table 4, it shows the most dominant journals have narrated about the concept of shariah audit where the International Journal of Islamic and Middle Eastern Finance and Management has a higher rank with the number of published articles of 5 and followed by Humanomics with the number of published articles of 4. On the total number of citations received, the Humanomics attests as the most dominant journal with a total of citations of 47, followed by the International Journal of Islamic and Middle Eastern Finance and Management with a total citation of 37.

Table 4. Most Dominant Journals (in terms of the total article published).

Rank	Journal	Articles	Citations
1	Humanomics	4	47
2	International Journal of Islamic and Middle Eastern Finance and Management	5	37
3	International Journal of Islamic and Middle Eastern Finance and Management	5	30
4	Management Research Review	1	30
5	Journal of Management and Governance	2	29
6	Journal of International Financial Markets, Institutions and Money	3	26
7	Corporate Governance (Bingley)	3	24
8	International Journal of Islamic and Middle Eastern Finance and Management	5	24
9	Pacific Basin Finance Journal	1	21
10	Journal of Islamic Economics, Banking and Finance	2	20

As depicted in Table 5, the most significant organizations that have written about shariah audits are included in Table 5. The institutions are depicted based on the authors who have written for those publications, earned citations from them, and have affiliations there. The International Islamic University Malaysia is at the top of the list for total papers published, however the University Putra Malaysia is ranked best for total citations received, with a total of 41, followed by the International Islamic University Malaysia with a count of 24.

Table 5. Most Dominant Institutions (in total citations received)

Rank	Institutions	Documents	Citations
1	Universiti Putra Malaysia	5	41
2	International Islamic University Malaysia	20	24
3	Universiti Sultan Zainal Abidin	4	20
4	Universiti Sains Malaysia	4	18
5	Universiti Teknologi MARA	8	-
6	Universiti Sains Islam Malaysia	7	-
7	Universiti Pendidikan Sultan Idris	7	-
8	Universiti Kebangsaan Malaysia	5	-
9	Ahlia University	4	-

The most popular nations with highly cited works on shariah audit are included in Table 6. Malaysia is the most prominent nation, according to the overall number of citations, with a count of 283, followed by the United Kingdom with 88.

Table 6. Most Dominant Countries (in total citations received).

Rank	Country	Documents	Citations
1	Malaysia	52	283
2	United Kingdom	7	88
3	Indonesia	6	73
4	Tunisia	3	55
5	Bangladesh	6	53
6	Pakistan	5	35
7	Nigeria	3	28
8	Saudi Arabia	4	17
9	Bahrain	5	14
10	Australia	2	2

5. Conclusion

This study attempts to complement the existing works on SA by providing insightful content that adopts a systematic review. Each of the studies has limitations, including for this study despite the significant contribution of this study. This study's use of a single source or database for data collecting and synthesis poses one restriction. Although prior bibliometric studies avoided duplication by using a single database, there may be additional methodologies that can be used to analyze the literature about shariah audits. Another drawback is the inability to fully reflect the broader and deeper context of the articles' citation structures. However, this study has adequately outlined several additional citation formats for the SA literature.

The study has some significant implications. Among others, it gives some important information on the dominant contributors to SA, providing information on the most influential research, journals, and organizations that contribute to the SA subject. The report also demonstrates the evolution and advancement of the SA topic over time as well as disclosing the key research themes that emerge from the literature of SA and describes a comprehensive insight on the concept of SA that can be used as a reference for any strategic initiatives.

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The Relationship of Board Characteristics on Corporate Social Responsibility Disclosure in Palestinian Companies: A Conceptual Model

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Abstract

There is little doubt that social responsibility and corporate governance are of current interest, as many Palestinian studies have addressed the issue of social responsibility and corporate governance for Palestinian companies listed on the Palestine Stock Exchange. The poor financial performance of companies may refer to the fall of social responsibility. The financial performance of Palestinian companies has fluctuated due to the Israeli occupation of the West Bank and the Gaza Strip since 1967, which has caused political and economic instability. The Palestine Stock Exchange is trying to attract investments by promoting the principles of governance and transparency. The characteristics of the board of directors are considered one of the most crucial factors affecting the disclosure of social responsibility and a means to help improve the company's reputation. However, previous studies document inconclusive results regarding the characteristics of the board of directors and social responsibility. This study aims to provide a discussion that allows for a better understanding of the role of the independence of the board of directors and the size of the board of directors on the disclosure of social responsibility and aims to make constructive suggestions to guide future research.

Keywords: Palestine; Corporate social responsibility; BOD Independence and BOD Size

1. Introduction

Increased interest in CSR has forced companies to disclose information about their societal contribution in their annual reports. Some studies have examined the relationship between the characteristics of the board of directors and social responsibility in developed countries (Chan et al., 2014). Yet, there are inconsistent results, especially in developing countries. The disparity may refer to the core influence that decision-makers in the companies have on the disclosure of social responsibility (Khan et al., 2013). Previous studies have confirmed the relationship between the BOD independence and the BOD size to corporate social responsibility disclosure(CSRD) (Gallego & Pucheta (2020), Adnan et al., (2018), Ballesteros et al., (2017), Lone et al., (2016), Jizi et al., (2014), Orazalin (2019), Dias et al., (2017), Alia & Mardawi (2021), Zaid et al., (2019) and Fuente et al., (2017)).

CSRD is a critical component of today's communication between businesses and their stakeholders and can help improve transparency and corporate image (Bhattacharya et al., 2009). Companies disclose CSR through their financial and environment information disclosed in their annual reports (Aribi and Gao, 2010; Kim et al., 2018). CSR is part of the reality of doing business in the twenty-first century (Beal& Neesham, 2016). According to Jamali et al., (2008), CSR is concerned with firms' commitment to contribute to sustainable development, stakeholder interests, and improvement of societal conditions. Previous statistics showed that the contributions of Palestinian companies towards social issues are still small, mainly due to the absence of a legal provision obligating companies to allocate part of their profits to social responsibility and the fluctuation of the financial performance of companies, which the Israeli occupation can be the reason since it imposes restrictions on the Palestinian economy (Barakat et al., (2015)).

The importance of corporate governance (CG) has increased worldwide in the past few decades, which aims to protect the interests of all relevant stakeholders while ensuring the company's economic efficiency and achieving sustainability (Crowther, 2008). Handling CG from contradicting perspectives has resulted in various definitions. Nevertheless, all these definitions have similar perspectives about the separation between proprietorships and control, since directors at times will perform their role that can cater for their best interests as compared to those of their stakeholders , which is in line with agency theory (Warrada and Khaddam, 2020). Governance is - applying sound systems and practices for those in charge of managing the company and directing the board of directors to adopt the best practices that run the company's business (Jamali et al., 2008). Many Palestinian studies have examined the issue of corporate governance of companies listed on the Palestine Stock Exchange. For instance, Al-Bakri (2018) indicated that companies listed on the Palestine Exchange (PEX) apply the principles of corporate governance following the principles of the Organization for Economic Cooperation and Development(OECD) in varying degrees. This study contributes to the literature that identified the factors affecting CSRD practices. Previous studies showed that better-managed companies are said to be more "corporate socially responsible" as their annual reports include higher disclosure of CSR. The problem of the study argues the weak disclosure of social responsibility in Palestinian companies and the inconsistency of results of previous studies in the relationship between the characteristics of the board of directors and the social responsibility disclosure. This study aims to discover the relationship between BOD independence and BOD size to CSRD. This paper consists of five sections, including the introduction, the literature review, the conceptual framework, the hypothesis development, and the discussion and conclusion of the study, respectively.

2. Literature review

2.1 Corporate Social Responsibility Disclosure (CSRD)

One of the most important concept is corporate social responsibility. Companies are not isolated from society and the environment and bear responsibilities toward multiple parties (Birindelli et al., 2018). The issue of corporate social responsibility remains the focus of attention and interest to stakeholders because it is the primary means of expressing the companies' belonging to the community in which they operate (Oh et al., 2017). With the advent of globalization and international trade around the world, there is an increased demand for better transparency and corporate citizenship to meet the needs of society. This has led to several concepts that can be linked to CSR, including corporate social performance (Wartick and Cochran, 1985) and corporate social responsiveness (Jamali et al., 2008). Disclosure of social responsibility by companies is one of the ways of accountability to society, which works to give legitimacy to the activities of companies and prove their existence.

There are many definitions of social responsibility, which differ according to different points of view on whether social responsibility is the companies' responsibility. Some see it as voluntary initiatives undertaken by the companies toward society (Beal& Neesham, 2016). Others see it as one of the socially appropriate images required of companies (Amaeshi and Adi, 2007). The World Business Council for Sustainable Development defines social responsibility as the ongoing commitment by businesses to behave ethically and contribute to economic development and work to improve the quality of living conditions of the workforce and their families, the local community and society as a whole. The CSRD concept focuses on several issues, including voluntary work, charitable work, health, environmental protection, ethical issues, and human rights (Carol and Shabana, 2010). The European Commission defined CSRD as "The responsibility of firms for their impacts on society." Respect for appropriate legislation and collective bargaining agreements between social partners are required to fulfil that obligation. To achieve social responsibility, companies must integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with stakeholders to maximize shared value for shareholders and stakeholders and minimize the potential for harm (European Commission, 2011).

The CSRD phenomenon is considered a Western phenomenon. Many developed countries have encouraged companies to disclose their social practices; for example, France adopted a law requiring large companies to disclose social responsibility in their financial statements (Wanderley et al., 2008). In the United States, companies

have disclosed many social indicators since 1990 (Domini Social Index). In 2005, the European Commissioner announced that companies in European countries must disclose their social contribution (Luetkenhorst, 2004). However, similar initiatives are limited in developing countries, as a few studies only dealt with disclosure of corporate social responsibility in these countries. In general, social responsibility in developing countries is considered unsatisfactory and low; disclosure of social responsibility in Yemen and Bangladesh is very low (Imam 2000; Alawi and Rahman 2011), and in most Arab countries such as Syria, Egypt, Jordan, Bahrain and some Gulf countries as well, disclosure of corporate social responsibility is considered weak. Although social responsibility has been increasing in the later period, few studies have addressed this concept in developing countries (Rizk et al., 2008, Uwuigbe and Egbide, 2012). The decline in social responsibility in developing countries may be due to the economic weakness or weak laws, enforcing companies to contribute and disclose their social responsibility in these countries.

The Palestinian society, like other societies, suffers from a high rate of poverty, unemployment, environmental pollution and other social problems, which calls for the concerted efforts of all members and organizations of society to contribute to solving these problems and facing the dangers that surround them, through available means and methods. The role of accountability and disclosure of social responsibility, as one of these tools, is to help organizations fulfill their duties towards society and the environment and work on sustainable development. It is also necessary to strengthen the strategies and policies related to the social responsibility of Palestinian companies and study the obstacles and factors supporting the disclosure of social activities to develop this concept (PECDAR, 2010). Previous studies showed that the contributions of Palestinian companies to social issues are still small due to the absence of a legal article obligating companies to spend on these social issues. Al-Jamal (2017) indicated that the Palestinian companies' expenditure of their profits on society did not exceed 1.8 percent. According to Alia and Al-Mardawi (2021), companies disclose an average of 43.7% of the items included in the CSR index. This study refers to corporate social responsibility disclosed in the annual reports as CSRD.

2.2 BOD Independence

The structure and characteristics of the board of directors and the experiences of board members determine the effectiveness and efficiency of the board of directors (Karusi et al., 2020). Therefore, some features such as the independence of board members and the size of the board affect the effectiveness of the board of directors (Kakanda et al., 2016a; Vafeas, 1999). Gallego & Pucheta (2020) defines the independence of the board of directors as the presence of independent non-executive directors on the board of directors. They usually represent stakeholders (Haniffa and Cook, 2005) and have a significant impact on balancing and enhancing the effectiveness of the board of directors (Haniffa and Cooke, 2002). The independence of the board of directors by scholars is a key to ensuring effective control and an effective tool for linking the strategic policies of companies with the interests and expectations of stakeholders (Harjoto et al., 2015). Board independence plays a vital role in protecting the interests of shareholders and the interests of minority shareholders, in particular (Pucheta & Gallego, 2019). Fama and Jensen (1983) point out that having independent members on the board supports control over management and behavior. The presence of independent directors is shown to be an effective CG mechanism that can lead to better supervision of board effectiveness (Said et al., 2009). The independent directors play a central role in speaking out in favor of strict compliance with the law and upholding minority stakeholders' interests (Fama and Jensen, 1983; Naciti, 2019). Moreover, about corporate social responsibility (Zahra and Stanton, 1988). Independent members pursue long-term time horizons and are therefore willing to invest in long-term environmental and social projects (Villiers et al., 2011).

Agency theory suggests that independent directors have no concerns about their position in the company and are better able to meet the interests of stakeholders, thereby leading to greater disclosure of information, greater accountability and transparency, as well as a good image of the company (Fama and Jensen, 1983; Muttakin et al., 2015).

2.3 BOD Size

The number of board members plays a major role in explaining corporate governance issues (Fuente et al., 2017). Usually, stakeholders demand a great deal of transparency, as the more members are, the more appropriate and representative for them because of their positive impact on the company's disclosure policies (Dias et al., 2017). A large number of experienced managers within the board of directors can increase its effectiveness and protect the interests of shareholders (Akbar et al., 2020). They can divide, arrange the various functions within the company (setting out strategies, monitoring and constructive advice within the board of directors) and have an interest in social activities (Halme and Huse, 1997). The opinions of researchers differed about which of the councils is more effective, the largest or the smallest. From Jensen's point of view (1993), larger councils increase the conflict of interests. Similarly, Chaganti et al., (1985) sees that the smaller ones have a more beneficial supervisory role. On the other hand, other studies such as Akhtaruddin et al., (2009) prefer larger councils because

they would enhance disclosure and control in the company due to the knowledge and experience it possesses. Pfeffer and Salancik (2003) states that the pursuit of more personalities contributing to the positive activation of the business may attract more members to join the board of directors. Therefore, larger boards of directors will affect the corporate reporting practices positively since members of larger boards add different values, knowledge, ideas and perspectives to any organization, which is in line with the resource dependence theory.

2.4 Underpinning Theory

Problems such as moral hazard and adverse selection arise from the separation of ownership and control in modern corporate governance (Jensen & Meckling, 2019). To address these issues, boards of directors must oversee management to ensure that they behave in the best interests of shareholders (Lan & Heracleous, 2010). Agency theorists point out that the board can control management, bringing down agency costs (Zahra & Pearce, 1989). Further, agency theory indicates that independent directors don't only critically examine the executive directors' recommendations but also provide a perfect monitoring system within the governing body (Bertoni et al., 2014). According to agency theory, a large percentage of independent members on the board of directors reduces agency costs. Independent directors serve better interests of stakeholders, as the agency's view indicates (Jizi et al., 2014), and have no concerns about their position in the company (Khan et al., 2013). Thus, an independent board will lead to greater disclosure of information, increased transparency and accountability, reduced information asymmetry and improved corporate image (Fama and Jensen, 1983; Muttakin et al., 2015).

According to resource dependence theory, organizations seek to preserve their existence and survival by obtaining the resources from their environment. Larger boards are more likely to have a positive impact on corporate reporting procedures and financial performance from the point of view of resource dependence theory because board members may bring a variety of values to the BOD, knowledge, ideas and perspectives to any organization (Pfeffer and Salancik, 2003). From the resource dependence theoretical perspective, larger boards of directors generate more talented, experienced, and informed individuals who can learn more accurately, make better decisions, and ultimately contribute to enhanced CSRD (Yameen et al., 2019; Warrada and Khaddam, 2020; Khatib & Nour, 2021).

3. Proposed Conceptual Framework

Framework of the study can be seen in Figure 1. The BOD independence and BOD size are independent variables of the study. Previous studies on the relationship between BOD independence and BOD size yielded inconclusive results. Several studies found that BOD independence and BOD size can enhance the disclosure of corporate social responsibility, whereas other studies found that BOD independence and BOD size have negatively affected it**.**

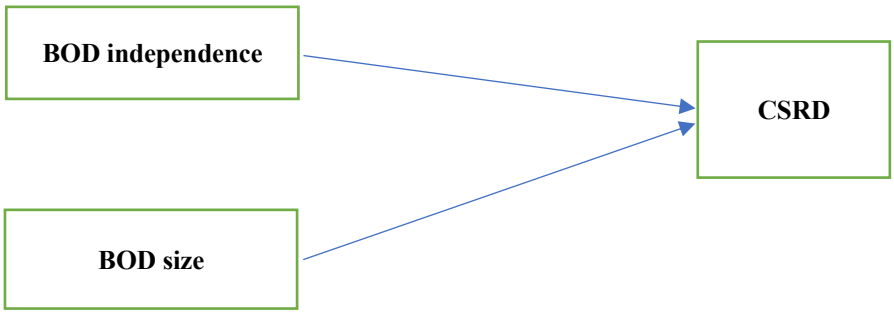


Figure. 1. Conceptual Framework

4. Hypothesis Development

Previous studies have examined the relationship between BOD independence and CSRD; for instance, Gallego & Pucheta (2020) found a significant positive relationship between BOD independence and CSRD. Adnan et al. (2018) concurred with these findings. Where the study confirmed the existence of Significant and positive impact a relationship between BOD independence and on CSRD. Besides, Ballesteros et al. (2017), Lone et al. (2016), and Jizi et al. (2014) agreed that there is a positive relationship between the independence of the board of directors and the CSRD. Although there are few Palestinian studies in this field, the results are positive. Alia & Mardawi (2021) examined the impact of BOD independence on the level of CSRD. It came to the same agency theory results since it discovered a significant positive relationship between board independence and

CSRD. In addition, Zaid et al. (2019) indicated similar results. The results are consistent with agency theory that independent directors are better monitors of managers, as they are independent of the top management team and the firm (Dalton et al., 1998). Independence directors may foster CSR more than others because they tend to pursue longer time horizons; thus, they are more likely to see the long-term potential of investments in environmental and social projects (Villiers et al., 2011; Post et al., 2011). It is hypothesized that,

H1: BOD independence has a positive relationship on the level of CSR disclosures in Palestinian companies

According to the resource dependency theoretical perspective, larger boards are more likely to have a beneficial impact on corporate reporting practices because board members can bring a variety of values, information, ideas, and views to any firm (Pfeffer and Salancik, 2003). Larger boards of directors generate more talented, experienced, and informed individuals who can learn more accurately, make better decisions, and ultimately contribute to enhanced CSRD (Yameen et al., 2019; Warrada and Khaddam, 2020; Khatib & Nour, 2021).

Previous research records conflicting findings regarding the size of BOD and CSR. Liao & hang (2018), Adnan et al., (2018), Fuente et al., (2017), Jizi et al., (2014), Dias et al., (2017), and Zaid, Wang & Abuhijleh (2019) found a positive relationship between the size of BOD and CSRD. On the contrary, Ballesteros et al., (2017) and Alia & Mardawi (2021) found that BOD size has a significant and negative impact on CSR. As for Alshbili et al., (2019) and Orazalin (2019), there is no significant and positive relationship between BOD size and CSR. Therefore, it is hypothesized that,

H2: BOD size has a positive relationship on the level of CSR disclosures in Palestinian companies

5. Discussion and Conclusion

This study discusses the relationship between the characteristics of the board of directors and the disclosure of social responsibility in Palestinian companies. Review of previous literature found that relationship between board independence and board size has conflicting findings on CSRD. Some studies indicate a positive relationship, some negative and some no relationship. This study hypothesizes that the higher BOD independence will result in a higher CSRD. It uses agency theory to explain the relationship of BOD independence and CSRD. According to agency theory, ~~which~~ states that independent managers seek to satisfy stakeholders needs and thus will disclose more information about social responsibility and thus in so doing will reduce the agency costs.

Resource dependency theory explains the relationship of BOD size to CSRD. This study hypothesizes that a larger BOD size, will result in a higher CSRD. According to the theory, a larger BOD size will bring in more resources, whether internal or external, as well as whether they are tangible or intangible. Outside BOD will for example bring along with them their network, competency and experience, which will support a higher CSRD.

Palestinian studies found that companies vary in the application of governance rules and that their contribution to social responsibility is small. This variation may refer to the difficult financial situation of Palestinian companies, possibly caused by the Israeli occupation and its control over resources and shaking the foundations of establishing the Palestinian state. Further, Palestinian studies discovered inconsistent results between the BOD independence and the BOD size on the disclosure of social responsibility. It would be interesting to examine the relationship of these two variables in Palestine which is a developing country.

Once the relationship is established for Palestinian companies, future studies can consider other board characteristics, such as board ownership, gender diversity, the audit committee and the extent of the moral commitment of members of the board of directors to learn more about the board's characteristics that may affect the disclosure of social responsibility and the resolution of inconsistent results of previous studies.

It is also suggested that Palestine make more efforts in the application of governance rules that provide the necessary protection for stakeholders. There should also be broader powers given to stakeholders for them to assist to monitor management and to support and encourage investors to request for a higher CSRD in annual reports to increase accountability and transparency of the companies that they have invested in.

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Fraud Occurrence During Goods/Services Procurement in an Indonesia Regional Revenue Agency

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Abstract

Based on data from the KPK version, corruption cases in the scope of goods and services procurement occupy the second highest place in Indonesia after the first positive that most often occurs in bribery. Various cases are found in government agencies related to fraud or acts of fraud. Implementing the procurement process for goods and services is also found to be subject to indications of fraud even though there are regulations by the government. This study aims to empirically prove the effect of committee quality, internal control system, procurement environment, procurement committee ethics, and procurement committee income on fraud. The number of research samples was 45 samples. The data analysis technique used is the classical assumption test, which consists of a normality test, multicollinearity test, linearity test and heteroscedasticity test. Data analysis to test the hypothesis is to use multiple regression analysis and techniques. This study uses primary data by listing questionnaire sheets distributed to respondents who are employees of a Regional Revenue Service. Based on the results of the research shows that (1) the quality of the committee has an effect on fraud, (2) the internal control system has an effect on fraud, (3) the procurement environment has no effect on fraud, and (4) the Ethics of the Procurement Committee has no effect on fraud, and (5) income The Procurement Committee has no effect on fraud.

Keywords: Quality Committee; Internal Control System; Procurement Environment; Procurement Committee Ethics; Procurement Committee Income; Fraud; Procurement of Goods and Services

1. Introduction

Various cases are found in government institutions related to fraud or acts of fraud. The rapid development of a complex business followed by various available business opportunities and increasingly rampant investment raises the risk that fraud can quickly occur in government institutions. Referring to the various incidents of fraud that have occurred both domestically and abroad, we can conclude that fraud has the potential to occur with a high degree of possibility regardless of place and time. (Wahono, 2011) in Rahmayani et al. (2014).

Various experts interpret the fraud as only a tiny part of what happened, except for the fraud detected by the auditor, who in this case is responsible for examining financial statements in both an organization and a company.

Based on the 2019 Corruption Perception Index (CPI) published globally by Transparency International, the State of Indonesia occupies the 85th position out of 180 countries with a score of 40. This shallow score shows that efforts to eradicate corruption are still far from successful, and the government's commitment to establishing good governance and better governance must be questioned (Kadir, 2017).

The phenomenon that exists in Indonesia, reported by the British Broadcasting Corporation Indonesia (2017), there was a case of alleged bribery related to the provision of WTP opinions on a budget of the Ministry of Villages, Development of Disadvantaged Regions and Transmigration (Kemendes PDTT) by the Supreme Audit Agency (BPK). In this case, the Corruption Eradication Commission has named four suspects: the Inspector

General and echelon III officials of the Kemendes PDTT, echelon I officials and the BPK auditor. In addition, Republika.co.id (2017) reported that in the period 2015 to 27 May 2017, there were 23 auditors or BPK officials involved in bribery cases, such as bribes to obtain WTP or WDP opinions, bribes to change BPK findings, and bribes to help smooth the audit process.

The risk of fraud in providing opinions on financial statements is an important reason for the need for reasonable efforts and strategies to prevent fraud. The responsibility for preventing fraud rests with management, leadership, and other authorities interested in achieving organizational goals. However, the auditor also plays an active role and is responsible for assisting management in preventing fraud.

This fraud case was widespread in Indonesia. ACFE, or the Association of Certified Fraud Examiners, has conducted a survey in which the results shown are related to the incidence of fraud in Indonesia, which is rampant, including cases in the form of corruption. Number two is the misuse of state or company assets, followed by a fraudulent presentation of financial statements as the third case—the most in Indonesia.

As many as 67% are the most significant percentage of fraud in Indonesia. This percentage illustrates the number of corruption cases that occupy the number one position as the most fraud cases, followed by 31% in the form of fraudulent abuse of company assets and state assets. The last is a fraudulent presentation of financial statements with a percentage of as much as 2%.

Acts of corruption. In Indonesia, various cases classified as corruption include various efforts, such as procuring goods and services, bribery, licensing, misuse of funds or budgets, levies that do not follow regulations, and money laundering offences, to hinder the KPK investigation process. From this, corruption cases manifested in procuring goods or services became the most common acts of corruption in Indonesia. This fact follows the results of data released by the Indonesia Procurement Watch. It demonstrates that 70% of corruption cases in Indonesia are in the form of irregularities when procuring the need for services or goods. This one factor needs to pay special attention to because it is very vulnerable to causing fraudulent practices. Implementing the procurement process for goods and services is still exposed to indications of fraud even though there have been regulations by the government as stated in Presidential Decree No. 80/th.2013. It has also been regulated in several amendments to Presidential Regulation No. - This regulation aims to ensure that the procurement process of goods and services has guidelines to run effectively and efficiently. Based on the data from the KPK version, corruption cases that occur in the procurement of goods and services occupy the second highest place in Indonesia after the first position, where the most cases are bribery.

A factor can trigger a financial leak when the procurement of goods/services is related to the ethics of the procurement committee. There are also various acts of irregularities that do not obey ethics. For example, abuse of organizational resources or what is known as an abuse of resources, then abuse of position or abuse of position, then abuse of power or what is called abuse position and coupled with the absence of any actions or so-called with no action aspect.

One fraud that often occurs in government agencies is corruption in procuring goods and services. In government agencies, there is an opportunity to corrupt money used for procurement purposes. Money and operational goods can serve as objects for corruption. Therefore, there is an important relationship between acts of fraud and the procurement of goods and services in government agencies.

Table 1: Research Gap.

No	Variable		Researchers				
	Independen	**Dependen**	**Zulaikah & Hadiprajitno (2016)**	**Sari & Suartana (2020)**	**Nurhajanti (2017)**	**Hidayati & Mulyadi (2017)**	**Setiawan, Alfianto, & Kusumo (2019)**
1	Financial pressure	Fraud	Insignificant Effect				
2	Weak systems and procedures	Fraud	Positive Significant Effect				
3	Lack of committee quality	Fraud	Positive Significant Effect	Negative Significant Effect	Positive Significant Effect	Negative Significant Effect	
4	Attitude	Fraud	Positive Significant Effect				
5	Subjective Norm	Fraud Intention	Positive Significant Effect				
6	Perceived behavioural control	Fraud Intention	Positive Significant Effect				
7	Fraud Intention	Fraud	Positive Significant Effect				
8	Procurement committee compensation	Fraud		Insignificant Effect			Negative Significant Effect

9	Internal Control System	Fraud				Negative Significant Effect	Positive Significant Effect
10	Good/Service Provider Quality	Fraud			Negative Significant Effect		
11	Procurement System & Procedures	Fraud		Negative Significant Effect	Negative Significant Effect	Negative Significant Effect	
12	Procurement environment	Fraud		Insignificant Effect	Insignificant Effect		
13	Risk Assessment	Fraud			Positive Significant Effect		
14	Procurement Ethics	Fraud		Negative Significant Effect	Insignificant Effect	Negative Significant Effect	Negative Significant Effect
15	Procurement Committee Income	Fraud				Insignificant Effect	

The purpose of this study is: to provide empirical evidence of the influence of committee quality, internal control system, procurement environment, procurement ethics, and committee income on fraudulent procurement of goods/services.

2. Literature Review

2.1. The logical relationship of the committee's lack of quality to fraud

A procurement committee is a party related to the procurement process of goods/services in which the party has the authority to make decisions related to the bidding process and work services during the procurement process of goods/services. The procurement committee performance results embody a decision on selecting suppliers/partner providers who will supply the needs for procuring goods and services. Then a work contract will be made, which includes several agreements or cooperation agreements. In order to achieve the goal of optimal procurement of goods/services, we need a good quality procurement committee. We can see and assess based on various indicators such as competence, integrity, objectivity, and independence from the procurement committee. If the quality of the committee, whether in terms of competence, integrity, objectivity, or independence, turns out to be inadequate, it risks triggering various opportunities for individuals and groups to commit fraud. It aligns with research by Zulaikha and Paulus Th Basuki Hadiprajitno (2016), which shows an influence on the Quality of the Committee on fraud.

H1: Lack of Committee Quality Affects Fraud

2.2. The logical relationship of the internal control system to fraud

All employees must provide adequate confidence to achieve organizational goals through practical and efficiency, reliability of financial reporting, safeguarding state assets, and compliance with laws and regulations. According to article 1 point 1 of the Government Regulation of the Republic of Indonesia Number 60 of 2008, the internal control system is an integral process of actions and activities carried out continuously by the leadership. Article 3 further explains that the internal control system consists of elements of the control environment, risk assessment, control activities, information and communication and monitoring.

The implementation of a good Internal Control System can suppress the occurrence of fraud. In the procurement of goods and services, the Internal Control System can be applied to start from procurement planning to the implementation of procurement so that these actions can reduce the potential for fraud in the procurement of goods/services. It also aligns with research by Nur Hidayati & J.M.V Mulyadi (2017), which shows the influence of the Internal Control System on fraud.

H2: Internal Control System Affects Fraud

2.3. The logical relationship of the procurement environment to fraud

Procurement systems and procedures will constantly interact with the environment in which they are implemented. The environment is one factor that affects a procurement system of goods/services to achieve the goals. An honest and incentivized environmental condition can reduce the level of fraud committed. The better the environment for procuring goods and services, the more indications of fraud when procuring goods/services

might fall. It follows the results of the data obtained by Nashirotun Nisa Nurhajantii with statements related to the Procurement Environment that affect the actions of fraud.

H3: Procurement Environment Affects Fraud

2.4. The logical relationship of procurement ethics to fraud

In agency theory, the principal wants the agent to do his job well following the work contract and applicable ethics for the institution's benefit. Applying ethics in work is essential for agents to carry out their work. Ethics are norms, rules and moral values that apply (Pepper & Gore, 2015). The application of ethics in procuring the need for goods or services can prevent the risk of fraud. The ethic should be responsible, prevent leakage and wastage of finances and comply with laws and regulations. Procurement Ethics is a factor influencing fraud in procuring goods and services. It follows research conducted by Ni Kadek Indah Permata Sari and I Wayah Suartana (2020).

H4: Procurement Ethics Affects Fraud

2.5. The logical relationship of procurement committee income to fraud

Another aspect that needs to consider in realizing an objective procurement process is the income of the Procurement Committee. Procurement committee personnel are part of the institution that earns income following applicable regulations. Efforts to find additional income from procuring goods and services may function in various ways, including utilizing their position and authority. For example, Procurement Committee personnel manage the procurement process to win over one of the procurement participants by asking for a certain amount of money in return. Deviations initially only met the needs of a useful life because the income is still insufficient to cover daily needs can gradually worsen and lead to greed and greed. It is tracking research conducted by Nur Hidayati & J.M.V Mulyadi (2017), which shows an influence between the Procurement Committee's income and fraud. Therefore, it can indicate that the income of the procurement committee has a role in the fraud.

H5: Procurement Committee Income Affects Fraud

3. Research Method

This research was conducted from January to June 2021 by distributing questionnaires to a Regional Revenue Service. The population in this study is a Regional Revenue Service. The total population of the Regional Revenue Service is 235 people. Moreover, the samples were 50 treasury employees who procured goods/services. There was a sampling of only 50 respondents because the Regional Revenue Service only allowed a maximum sampling of up to 50. Due to the COVID-19 pandemic and the implementation of the WFH (Work From Home) work model, the number of respondents is limited. Of the distributed 50 questionnaires, returned 47, and only 45 were eligible to be processed.

Before discussing the results of this study, it will first explain the general description of the research respondents. It relates to the characteristics of the respondents, such as gender, age, education level, and years of service. These respondents will be explained further in the following demographic tables:

Table 2: Gender.

Gender	Amount	Percentage (%)
Male	20	44.44 %
Female	25	55.56 %
Total	45	100.00 %

Table 2 shows that male respondents dominate the sample proportion of as many as 20 people (44.44%) and female respondents as many as 25 (55.56%).

Table 3: Age.

Range	Amount	Percentage (%)
20-30 years	10	22.22 %
31-40 years	13	28.90 %
41-50 years	11	24.44 %
>50 years	11	24.44 %
Total	45	100.00 %

Based on table 3, it shows that from 45 respondents, the largest proportion of respondents aged 31 to 40 years were 13 people (28.90%), then respondents aged 41 to 50 years and over 50 years old were 11 people (24.44%), then 10 respondents aged 20 to 30 years (22.22%).

Table 4: Education

Education	Amount	Percentage (%)
Undergraduate	9	20.00 %
Graduate	21	46.67 %
Master	10	22.22 %
Doctoral	5	11.11 %
Total	45	100.00 %

Based on table 4 shows that the majority of respondents have a recent educational background of D4/S1, as many as 21 people (46.67%), while respondents with a postgraduate educational background are ten people (22.22%), respondents with a D3 educational background are nine people (20.0%) and 5 respondents (11.11%).

Table 5: Period of employment

Employment Period	Amount	Percentage (%)
< 5 years	8	17.78 %
5-10 years	12	26.67 %
11-15 years	10	22.22 %
>15 years	15	33.33 %
Total	45	100.00 %

Table 5 shows respondents with more than 15 years of service. They are more dominant (15 people or 33.33%) than respondents who have a service period of 5 to 10 years, 12 people (26.67%), respondents with a working period of 11 to 15 years. as many as ten people (22.22%), and respondents with a working period of fewer than five years as many as eight people (17.78%).

4. Results and Discussion

Table 6: Hypotheses testing

Model	Standardized Coefficients Beta	t	Sig.
(Constant)		1,150	,257
LN_Committee Quality	,447	3,302	,002
LN_ICS	,347	2,477	,018
LN_Procurement Environment	,003	,015	,988
LN_Procurement Ethics	-,142	-,737	,466
LN_Comiittee's Income	,190	,763	,450
Adjusted R^2	,346		

4.1. The effect of committee quality on fraud

As shown in the table above, the results of the study show that the Committee Quality variable affects fraud, with a significance value of 0.002, which is smaller than a significance value of 0.05 with a t-statistic value of 3.302 greater than t table 2.0226, so we can conclude that quality The committee affects fraud. The procurement committee is one of the parties involved in the procurement of goods and services that determines the bidding process for the procurement of goods and services. All activities and decisions taken by the Procurement Committee are very crucial because they deal directly with the interests of various other goods/services procurement subjects. The output of the procurement committee is the determination of suppliers of goods and services that will carry out the work and various agreements that will articulate in the work contract. In order to be able to carry out their duties properly, the procurement implementers must-have qualities that we can see from several dimensions, namely their integrity, competence, independence, and objectivity. If the procurement committee lacks integrity, independence, and objectivity, the procurement management becomes less qualified, creating opportunities for individuals or groups to behave fraudulently.

In addition, the professionalism or procurement committee quality is a factor that influences the procurement system's success in achieving the goals. The inability of personnel related to goods/services procurement activities is one of the causes of the non-functioning of the goods/services procurement system. For this reason, the ability and professionalism of the procurement committee are very influential on the occurrence of fraud in the procurement of goods and services. A good quality committee will encourage implementing a clean procurement process, free of corruption, collusion and nepotism.

Associated with the question indicators in the questionnaire answered by respondents on the Committee Quality variable, the indicator that obtained the highest total score indicated a special relationship between the goods/services provider and the procurement committee. Most respondents agree because respondents think that the quality of the committee generally depends on the background of a unique or intimate relationship between the provider of goods/services and the procurement committee. It can interfere with the quality of the committee, which will tend to ignore quality in the procurement process. It will prioritize unique relationships with providers of goods/services so that fraudulent actions cannot avoid.

Meanwhile, the indicator of the lack of integrity of officials related to the procurement of goods/services got the lowest total score in the Committee Quality variable. It is because the respondents think that the integrity of the goods/services procurement committee at the company does not have a low/low level of integrity, so it is doubtful to affect the Quality of the Committee, which will cause the risk of fraud to occur.

This is also in line with what was stated by (Zulaikha and Paulus Th Basuki Hadiprajitno, 2016), (Ni Kadek Indah Permata Sari & I Wayan Suartana, 2020), (Nashirotun Nisa Nurhajanti, 2017), and (Nur Hidayati & J.M.V Mulyadi, 2017) which states that the quality of the committee affects fraud.

4.2. The effect of internal control system on fraud

The study results show that the Internal Control System variable affects fraud. The significance value is 0.018, which is smaller than a significance value of 0.05 with a t-statistic value of 2,477 greater than t-table 2.0226. Hence, the Internal Control System affects fraud. According to article 3 of the Government Regulation of the Republic of Indonesia, Number 60 of 2008, the internal control system consists of elements of the control environment, risk assessment, control activities, information and communication and monitoring. The implementation of a good Internal Control System can suppress the occurrence of fraud. In the procurement of goods and services, the Internal Control System can be applied to start from procurement planning to the implementation of procurement so that these actions can reduce the potential for fraud in the procurement of goods/services. The internal control system is another aspect that determines the course of the procurement system.

ICS determines procurement's success according to its purpose because an excellent and easy-to-understand ICS will reduce the risk of misunderstandings so that the implementation of procurement continues under the provisions. The government is always trying to improve the internal control system to optimize the procurement system for the better, among others, by applying a system based on the latest technology, namely SPSE or the Electronic Procurement System, to limit the movements of fraud perpetrators.

Associated with the question indicators in the questionnaire answered by respondents on the Internal Control System variable, the indicator regarding indications of gaps or ineffectiveness of the ICS for the procurement of goods/services gets the highest total score. The respondents indicated the dominance of agreeing on these indicators because in assessing an Internal Control System, whether it was successful or not, it is necessary to know what gaps are causing the ineffectiveness of the ICS so that in the future, we can evaluate periodically. If the ICS is constantly evaluated and refined, it will reduce the risk of fraud.

Meanwhile, the indicator of the lack of implementation of healthy practices in the system and procedures for procuring goods and services received the lowest total score. It happens because respondents tend to disagree with these indicators. After all, respondents think that implementing healthy practices has been widely demonstrated in the company, so it is less relevant if the lack of healthy practices is one of the ICS indicators in influencing fraud actions. The results of this study are in line with (Nur Hidayati & J.M.V Mulyadi, 2017) and (Wawan Setiawan, Nasron Alfianto, and Willyanto Kartiko Kusumo, 2019) which state that the Internal Control System has an effect on Fraud.

4.3. The effect of procurement environment on fraud

The results in the study show that the Procurement Environment variable does not affect fraud, demonstrating a significance value of 0.988, which is greater than a significance value of 0.05 with a t-statistic of -0.015 less than t-table 2.0226, so the Procurement Environment does not affect this fraud. It shows that the existing environment for procuring goods/services has not influenced achieving the objectives due to the supervision absence during the procurement process or the pre-audit absence (setting the initial plan of the procurement process). The supervision functions after the procurement process evaluation. This condition will then make the procurement environment for goods/services not ideally controlled, and ultimately the procurement environment will not be able to influence the fraudulent procurement of goods/services.

The work environment is very complex with various factors, such as employee ethics, background, working conditions, et cetera. Exists in the work environment can be created or shaped by the work culture of the company's employees so that it cannot be an absolute reference to trigger fraud. So the environment cannot be a determining factor influencing fraud because, in various environmental conditions, fraudulent actions can still occur due to several complex factors that affect fraud.

Associated with the question indicators in the questionnaire answered by respondents on the Procurement Environment variable, the optimal implementation indicators related to the policies obtain the highest total score. It is because respondents mostly follow opinions that agree with the implementation that has been carried out optimally in the company related to the policies so that the procurement environment has been built with discipline per existing policies so that it cannot influence the existence of fraudulent actions. In addition to these indicators, indicators related to location that is not a barrier to accessing information also get the same high total score.

Because respondents think that the procurement environment has good access to the acquisition of data and information needed in operations, nothing is complete to become a loophole for fraud.

Meanwhile, the indicator of the absence of intervention from other/external parties obtains the least total score. It is because respondents mostly disagree. The results of this study are in line with (Nashirotun Nisa Nurhajanti, 2017) and (Ni Kadek Indah Permata Sari & I Wayan Suartana, 2020). They state that the Procurement Environment does not affect fraud. In reality, the procurement environment within the company does not have any intervention from other or external parties, so we cannot use these indicators as factors that influence fraudulent actions.

4.4. The effect of procurement ethics on fraud

The results in the study show that the Procurement Ethics variable does not affect fraud, with a significance value of 0.466, which is greater than a significance value of 0.05 with a t-statistic of -0.737 less than t-table 2.0226, so we can conclude that Procurement Ethics does not affect fraud. It shows that unethical behaviour (unethical) is challenging to understand, which depends on complex interactions between situations and the personal characteristics of the perpetrators. It shows that the committee is unaware of the ethical aspects of committing fraud. Therefore, it is essential to have a code of ethics related to ethics so that awareness of this ethical aspect appears in the practice of procurement of goods/services. In addition, another possibility is that ethics is not a decisive factor that determines the occurrence of fraud or not. Because even though ethics is low, the quality of the committee and its internal control system is high and sound so that we can prevent fraud.

To prevent fraud, the government/institution must create a code of ethics as a guide to behaving in a professional and accountable manner. The procurement committee must comply with the code of ethics. It is a tool of public trust that the committee can work professionally and be trusted even though the committee had bad ethics at first, as long as the applicable code of ethics regulated it to prevent fraud.

Associated with the question indicators in the questionnaire answered by respondents on the Procurement Committee Ethics variable, the indicator of perceived behaviour asking for rewards for passing procurement providers/participants is a common occurrence to get the highest total score. It is because respondents think that the Ethics of the Procurement Committee will tarnish if such behaviour occurs. Hence, the respondent believes this behaviour can effectively indicate ethical deviations among the procurement committee.

Respondents mostly disagree because carrying out administrative engineering had gone beyond many fatal things; the impact was more remarkable than just an ethical deviation. Meanwhile, indicators related to the behaviour that engineered administrative legality to expedite the fraud process, such as by making proof of a fake agreement, had the lowest total score. So that these indicators are considered less representative, they can indicate ethical deviations that cause fraud in procuring goods/services. This study's results align with (Nashirotun Nisa Nurhajanti, 2017), who states that procurement ethics does not affect fraud.

4.5. The effect of procurement committee income on fraud

The probability of fraud cannot be measured only by the level of income earned by the procurement committee. The study results that the Procurement Committee Income variable does not affect fraud, with a significance value of 0.240, higher than a significance value of 0.05 with a t-statistic of 0.763 less than t-table 2.0226. So the Procurement Committee's Income does not affect fraud. These results can occur because the possibility of income received by the procurement committee cannot create conditions that do not abuse the position and authority they have. After all, even though the income received is high, if the quality of the committee is poor, then the shady character and abuse of office to get additional income will remain.

The results showed that the income of the procurement committee did not affect the occurrence of fraud due to conditions in Indonesia. Many committees still abused their authority even though they got additional fees for the procurement committee. So the amount of income timely received cannot look at grantee that a committee will avoid fraud.

Associated with the question indicator in the questionnaire answered by the respondent on the Procurement Committee Income variable, the indicator of fraud perpetrators having tactics to cover fraud formally obtains the highest total score. It is due to the opinion that respondents mostly agree with the opinion that this indication can occur if there is a committee that obtains additional income through fraud.

Meanwhile, the indicator that the procurement committee has a side job as an additional source of income has the lowest total score. It is because the respondents do not think that the procurement committee needs to earn additional income or are not sure whether there is a procurement committee that has a side job that acts as a trigger factor for fraud. The results of this study are in line with (Nur Hidayati & J.M.V Mulyadi's, 2017) results which show no effect between the Procurement Committee's income and fraud.

4.6. The relationship between the committee quality and the internal control system

The study results show that the quality of the committee with the internal control system affects fraud. These two variables are also related because if there is an established internal control, then the resources in the form of a quality procurement committee will be controlled. Because in the ICS, the committee's quality standards will be regulated to achieve the goals and quality performance results.

ICS will also protect the company from fraud committed by its employees and mistakes often made by incompetent or low-quality employees. In addition, the relationship between the Quality of the Committee and ICS can also be explained by the existence of a relationship if the committee is of high quality, it will be able to implement procedures and work systems optimally. So, the existing ICS can apply because the committee, the employee and the target object of the ICS can comply with the existing rules. So that the quality of the committee and ICS has a relationship in influencing fraud in a company because if ICS affects fraud, then the quality of the committee will also be guaranteed and can affect fraud, and vice versa.

4.7. The relationship between committee ethics, work environment, and procurement committee income

The results of the study show that the variables of Committee Ethics, Work Environment, and Income of the Procurement Committee do not affect fraud in a company. The three variables are related to each other, which causes the three of them not to be able to influence fraud. Committee Ethics and Income, The Procurement Committee is a part of a company's work environment. In the work environment, there are various employees, and different conditions, such as the ethics of one employee and another certainly cannot be equated, as well as different income factors.

In the case of fraud, the work environment cannot influence fraud because this factor cannot be used as an absolute reference to determine the presence of fraud. It can be an absolute reference because fraud exists in various working environment conditions. Even though a work environment is strict and disciplined, fraud still exists, so the work environment is an inaccurate variable to describe the possibility of fraud. Because of that, the work ethic and income of the committee, which are the factors that build the work environment, cannot be used as absolute references because they are the same as the work environment, which cannot be used as a reference.

5. Conclusions

5.1. Conclusions

This study aims to test and analyze the effect of the variables of Committee Quality, Internal Control System, Procurement Environment, Procurement Ethics, and Procurement Committee Income on Fraud. The sample in this study is a local Regional Revenue Service. There were 50 questionnaires distributed, but 47 returned (94.00 %), three non-returned questionnaires (6.00%), and two questionnaires that could not be processed because they did not meet the requirements (4.00%). So there are only 45 questionnaires (90.00%) that we can process as research samples. After doing the research, the data was obtained through several stages of multiple regression testing to test the hypothesis. The conclusion is as follows:

1. The quality of the committee affects fraud.
2. Internal Control System affects fraud.
3. The Procurement Environment does not affect fraud.
4. Procurement Ethics does not affect fraud.
5. Income of the Procurement Committee does not affect fraud.

5.2. Suggestions

Based on the processed research data, there were several weaknesses. So that the researcher has some input or suggestions for the company, including the following:

1. Regional Revenue Service should give more particular attention to the Quality of the Committee, Internal Control System, Procurement Environment, Procurement Ethics, and Procurement Committee Income as factors influencing fraud. It may support optimal work results and be free from fraud. The office can conduct periodic evaluations and training to control and improve the quality of the goods/services procurement committee and make KPIs (key performance indicators) and periodic assessments to study the quality of each good/service procurement HR. In addition, the Regional Revenue Office also needs to evaluate the implementation of the Internal Control System. If necessary, SOP and ICS tests are held for each HR to determine how each HR implements the understanding. It is also necessary to update the ICS if necessary so that it can constantly update according to the conditions of the existing work environment.

2. Regional Revenue Service should pay more attention to whether there is an indication of a special relationship between the procurement committee and the goods/services provider because this indicator is an indicator that serves as a benchmark indicating that the Committee Quality variable can influence the occurrence of fraud. So it is hoped that management can regulate more stringently regarding the procedure for selecting goods/services providers to avoid a special relationship between providers and the committee.
3. Regional Revenue Service should pay more attention to any indications of gaps or ineffectiveness of the internal control system for the procurement of goods/services because these indicators serve as benchmarks that the Internal Control System variable can control fraud. So that management is expected to be able to evaluate the ICS owned periodically and its implementation within the company to ensure that the ICS can be applied effectively in procuring goods/services.

5.3. Research limitations

Based on the research, the researcher has limitations in the study, namely:

1. The use of data collection methods is still limited, namely only surveys through questionnaire media, so the various answers presented by respondents still cannot entirely reflect the actual conditions.
2. The value of the coefficient of determination (Adjusted R2) for the variables of Committee Quality, Internal Control System, Procurement Environment, Procurement Ethics, and Procurement Committee Income obtained from the research on the Regional Revenue Service is only 34.60%, where this figure including small.
3. There may be bias due to the subjectivity of research respondents.
4. Due to the COVID-19 pandemic, researchers experienced limitations in observing more closely related to the research object. The sample allowed to be used as a respondent is also only 50 people.

5.4. Research implications

Related to limitations found during the research, here are agenda for future research:

1. Add or replace several independent variables in further research so that it will expand the information generated.
2. We hope that further researchers can add more internal and external factors so that the independent variables studied are varied.
3. We hope that further researchers will extend the research period and expand the object and place of research.

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Public's Perceptions on Sales and Service Tax (SST) Implementation in Malaysia

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Abstract

The purpose of this research is to investigate the public's perceptions on sales and service tax (SST) implementation in Malaysia. The primary objectives for this research are to determine whether tax knowledge, cost of living, government accountability and public's acceptance and level of satisfaction affect the perception towards the implementation of SST. The primary data method has been selected, which was collected by questionnaire from the public in Taman Sri Skudai, Johor Bahru. This study was using SPSS system software to interpret the data. The results showed a moderate, positive correlation between 3 out of 4 independent variables, which are tax knowledge, government accountability and public's acceptance and level of satisfaction with the dependent variable. However, the result shows there is no significant relationship between cost of living and the implementation of SST. The highest correlation is the tax knowledge (r-value.440) and is followed by the public acceptance (.381) and government accountability (.355). Next, the results also revealed that the independent variables can explain 40.1% of the variance to the dependent variable. Meanwhile, 59.9% is explained by other variables. Based on the data answered by respondents in the survey questionnaire, most respondents have limited awareness about SST and agreed that it is important for the public to have more knowledge about SST. Besides, there were also respondents who agreed that the media campaign for SST information is not effective. Thus, respondents are uncertain whether SST is effective in Malaysia.

Keywords: SST; implementation of SST; public's perceptions

1. Introduction

Direct and indirect taxes are the two types of taxes in Malaysia (Jamel et al., 2021). Direct taxes are based on an individual's or an organization's income and are paid to the government directly (Fadzillah & Husin, 2016). Indirect taxes, on the other hand, are taxes that can be transferred to third parties, particularly consumers, such as the Goods and Services Tax (GST), which has been replaced by the Sales and Services Tax (SST). (Asmuni et al., 2017).

According to Lim (2019), GST is a multi-level tax system. It includes manufacturers, retailers, wholesalers and consumers at all stages of the business and industry. It means most of the things will be subject to GST except for the items exempted, such as public transport and healthcare services. Also by Lim (2019), she stated SST is a single tax system. When selling products or services to consumers, manufacturers in the sales industry and only the service industry must pay SST. This chapter will disclose the research background, problem statement, research objectives and will end up with the importance of the research.

1.1 Research background

Within three years, Malaysia has undergone two consumption tax reforms, GST on the 1st April 2015 and SST on the 1st September 2018. Although tax reform is important to revenue collection, public's perceptions need to be considered for SST implementation (Jamel et al., 2019). This is because much research has been done and the results show that the implementation of SST got a lot of negative perceptions, especially to middle and low income earners (Goh et al., 2017).

This study focuses on the public's perceptions of SST implementation in Malaysia. In Malaysia, when deciding, the government considers public opinion, the environment, and the law (Jamel and Popoola, 2020). Because of this sensitivity, fiscal policy reforms, such as the repeal of the GST. Act in favor of the SST is being reconsidered. This is mainly due to the majority of Malaysians opposing the implementation of the GST.

1.2 Problem statement

According to Ling et al. (2016), the intensification of goods prices creates a feeling that indirect tax implementation is unfair. Similar to that, Fadzillah and Husin (2016) claims that customers are concerned about the GST implementation and consider it a burden. However, in order to increase revenue collection, the government must replace the GST with another indirect tax, which is SST.

Since the implementation of SST on 1st September 2018, Malaysians are concerned about rising living costs, costly housing, employment prospects, and debts. The public continues to argue that the SST implementation is unfair on the poor and burdensome. They all disagree against the lower-income earner's need to pay tax since it contradicts the concept of tax fairness (Chauke et al. 2017).

Although there are some who gave positive responses on implementing SST, there are others who gave negative feedback as this tax may cause burden to people. Lim (2019) clarified that people were still blurred and did not fully understand what SST is all about, and many are actually ignorant about this matter.

As stated in the news (The Straits Times, 2018), Malaysian companies were confused by the SST tax system, which included unclear policies such as SST-charged products and retail price setting. According to the news, Ayoob Khan, President of the Malaysian Muslim Restaurant Owners Association, noted that consumers are also confused when it comes to restaurants that charge SST. Therefore, this research is to identify the public's perceptions on implementing SST.

1.3 Research objectives

This study focuses on the public's perceptions on SST implementation in Malaysia. These are the research objectives:

- To investigate does tax knowledge of consumers affects the perception of SST implementation.
- To investigate whether the cost of living affects the lives of the people in the implementation of SST.
- To analyze whether government accountability will have an impact on the public's perceptions in the implementation of SST.
- To examine the public's acceptance and level of satisfaction towards the implementation of SST.

1.4 Research questions

The research questions on which this paper attempts to provide answers to are:

- Whether tax knowledge of consumers affects the perception of SST implementation?
- Whether the cost of living affects the lives of the people in the implementation of SST?
- Whether government accountability will have an impact on the public's perceptions in the implementation of SST?
- What are the public's acceptance and levels of satisfaction towards the implementation of SST?

1.5 Importance of research

The importance of this study is to examine several factors that influence public's perceptions on SST implementation in Malaysia. It is logical to say that every party needs to be aware of the primary factors influencing public's perceptions on SST implementation. Wong and Eng (2018) suggest that introducing an input tax credit mechanism and a pre-employment strategy to lessen the tax burden will boost public's perceptions on SST, citing the overwhelming negative comments received during GST implementation. Furthermore, the government should provide adequate information on how SST operates (Gek, 2018). Aside from that, according to James and Popoola (2020), the public had "warned" the government against the SST, which they saw as a burden.

In this chapter, researchers describe the background of research and the research problems. It continues by the objectives of the research to be achieved and the importance of the research.

2. Literature review

This chapter focuses on the literature review and research framework. The literature review comprises dependent variable and independent variables that relate to the research topic in Chapter 1 which are tax knowledge, cost of living, government accountability and public's acceptance and level of satisfaction.

2.1 Dependent variable

2.1.1 Implementation of SST

SST is one of the most discussed topics in Malaysia nowadays. The Malaysian government's decision to implement the SST in 2018 has affected many people in this country (Goh et al, 2017). Factors that affected the perception against SST implementation, such as tax knowledge, cost of living, government accountability, and public's acceptance and level of satisfaction against SST have indirectly impacted many people in Malaysia in terms of their spending. As a result, this will raise many concerns about the perceptions among Malaysians of SST as a whole.

However, Lim (2019) stated that there are some people who gave positive feedback on the implementation of SST. This is because, with implementing SST in Malaysia, people can start to save their money. This shows that the implementation of SST does not have negative effects as a whole but there are also some positive effects. Hence, this research aims to find out what the factors affect the perceptions of the public on the implementation of SST in Malaysia.

2.2 Independent variable

2.2.1 Tax knowledge

Tax knowledge is important to lead to public perceptions towards indirect tax implementation, which is SST (Zainan et al, 2017). Tax knowledge can be defined as the ability of taxpayers to make their taxable income report correctly, claim relief and rebates, and compute tax liability under the income tax self-assessment system (Jamel and Popoola, 2020).

In Shaari et al. (2015) study, they found out that the majority of respondents were ignorant of implementing indirect taxes. In other words, these respondents with moderate knowledge will affect the perception of indirect tax implementation (Hambali & Kamaluddin, 2017). Another research by Jamel and Popoola (2020), concludes that the respondents are not accepting of the new tax implementation because they have little knowledge about it.

According to Ahmad et al. (2016), consumers' negative perceptions of SST implementation are due to a lack of knowledge about sales or services that are exempt from SST, as well as the impact of price inflation. Without a proper knowledge or understanding of tax rules, the people tend to give the negative perception on SST. This shows that most Malaysian consumers are still confused and lack of knowledge about the SST system, which directly influences their perception of SST as a whole. Based on the statements above, the following hypothesis is formed:

H1: There is a significant relationship between tax knowledge with the implementation of SST.

2.2.2 Cost of living

As mentioned before, SST is one of the top worries on Malaysians' minds, along with the expense of living, costly housing, a lack of job chances, and indebtedness, according to the National Worry Index (Jamel and Popoola, 2020). The public continues to complain that the SST implementation is unfair on the poor and

burdensome. It's no surprise that Chauke et al. (2017) argue that requiring lower-income earners to pay tax is incompatible with the concept of tax justice. Former Malaysian Prime Minister Tun Dr Mahathir Mohamad in 2019, has stated that the government should replace GST with SST as an alternative source of revenue, according to James and Popoola (2020).

Besides, the Malaysian government should also revise the cost of living of Malaysian citizens before implementing the SST. This is because, according to research performed by Ahmad et al. (2016), most respondents are concerned about price increases and cost of living increases as a result of the implementation of SST in Malaysia.

Another research that has been cited by Ahmad et al. (2016), who found that respondents who disagreed with the SST thought it would alter the price of products and services, which will disproportionately harm low-income people's purchasing power. According to Ahmad et al. (2016), the SST will have a greater impact on lower-income groups than on higher-income groups. The hypothesis below:

H2: There is a significant relationship between cost of living with the implementation of SST.

2.2.3 Government accountability

The third independence variable in this research framework is government accountability, which directly impacts the public's perceptions of SST implementation in Malaysia. Accountability refers to responsibility and answerability (Otusanya et al., 2019). It means that those who are charged with drafting and implementing this indirect tax should give explanations of their actions to the public. In this scenario, it is the government's responsibility.

Unfortunately, in Malaysia, assessments of the SST system are rare. In study Jamel and Popoola (2020), they recommend that any adjustments to tax information be made public and debated first. Jamel et al. (2019) specifies that all respondents have limited information about SST and affect the SST perceptions directly. In news (Ahmad, 2018), an online survey has been made and answered by 11,462 respondents and the results of 9,979 people or 87% did not understand the differences between SST and GST systems.

This shows that the public does not get clear information on implementing SST in Malaysia. Jamel and Popoola (2020) argue that the public should have access to information about the tax system. Thus, this hypothesis is developed:

H3: There is a significant relationship between government accountability with the implementation of SST.

2.2.4 Public's acceptance and level of satisfaction

Direct tax and indirect tax are the two types of taxes. Individuals or entities who are taxed directly will pay the tax, and it will not be passed on to other parties (Fadzillah & Husin, 2016). Indirect taxes are a sort of tax that can be transferred to third parties, particularly consumers.

In Malaysia, GST started from 1st April 2015 to replace the SST. The implementation of the GST in Malaysia has sparked a mixed response from various parties. Consumers are only charged at 6% tax rate under GST, compared to 16% tax rate under the old SST system (Asmuni et al., 2017). Other countries' experiences, such as the United Kingdom and New Zealand, have shown that implementing GST increased tax income and efficiency (Sidik et al., 2019). However, the reality shows that it is quite contrary (Fadzillah & Husin, 2016). According to some analysts, GST is a regressive tax, since low-income earners will be forced to pay higher taxes. (Sidik et al., 2019). According to a report by Muhamad (2018), a group of youths hold demonstrations to protest the implementation of the GST, claiming that the GST is a regressive and oppressive tax system. Next, Fadzillah & Husin (2016) highlights numerous issues in his article, which is one of the greatest fears for the public regarding the implementation of GST is an increase in the price level of goods. In addition, with numerous product subsidies reduced or eliminated, it appears that the implementation of the GST will worsen the situation. Therefore, the hypothesis developed:

H4: There is a significant relationship between public satisfaction with the implementation of SST.

2.3 Research framework

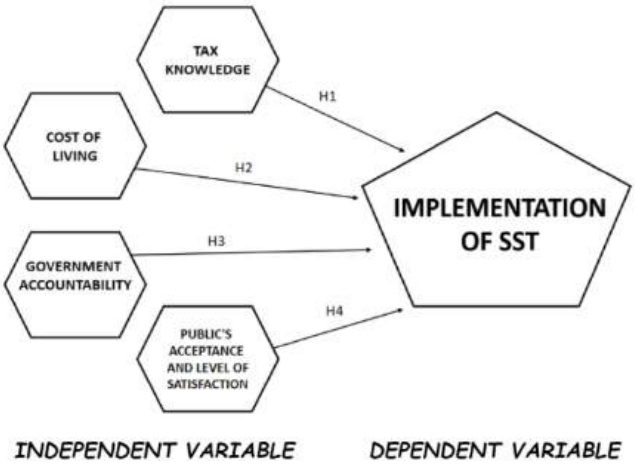


Figure 1. Research framework

3. Methodology

This chapter detailed the research design, research method, population and sample. Questionnaire and data analysis methods were also explained in Chapter 3.

3.1 Research design

Within qualitative, quantitative, and mixed methodologies research, research designs are styles of inquiry that provide precise guidance for procedures in a study. Quantitative approach is applied because it focuses on a statistical analysis of numerical data acquired through large scale surveys.

3.2 Population and sample

This study only involved residents in Taman Sri Skudai, Johor Bahru. In this research, researchers use a probability sampling method, which is simple random sampling. The researcher used the sample size table by Sekaran (2003), if the population is 700, then the sample size will be 248.

3.3 Research method

In this research, researchers use questionnaires methods to collect the data. The intent of data collection is to gather quality evidence that serves to support the answers that are credible and accurate.

3.4 Questionnaire

The research questionnaire is according to the Likert scale method. The questionnaire comprised 6 Sections which Section A, B, C, D, E and F. Section A, requests the respondents to choose their demographic information such as gender, age and monthly income. Section B consists of 4 instruments that need to be answered by respondents. The questions are about the first independent variable, which is tax knowledge. Section C for the second independent cost of living, which also comprises 4 instruments. As well as Section D and E, which are government accountability and public's acceptance and level of satisfaction, respectively. Each of the sections comprises 4 instruments, too. The final section, Section F is the dependent variable which is the implementation of SST. Respondents are requested to answer all 5 instruments in the section. The instrument is as Appendix 1.

3.5 Data analysis method

To analyze all the data that has been collected from the research questionnaire, researchers use the 'Statistical Package for The Social Sciences' (SPSS) version 23 by International Business Machine (IBM) to interpret the result. SPSS helps in data calculations, saving time and gives better outcomes to avoid making any mistakes that can happen during the research process.

This chapter discussed the research design that will be used, which is quantitative research. It also describes more about the research method, which is the questionnaire method. The population and sample of 248 people also states in this chapter. The data collection was tested using the SPSS system.

4. Data analysis

This chapter discussed the findings based on the research questions. This research is to examine the relationship between independent variables (IV) on SST implementation and dependent variable (DV) of public's perceptions on SST implementation. This chapter begins with the reliability test, descriptive analysis, correlation analysis and ends with the multiple regression analysis.

4.1 Reliability test

The objective of the reliability test is to ensure that all questions are correctly measured. The standard for analyzing SPSS data to confirm that the questions were accurate and precise is shown in Figure 2 below.

Cronbach's alpha	Internal consistency
$\alpha \geq 0.9$	Excellent
$0.9 > \alpha \geq 0.8$	Good
$0.8 > \alpha \geq 0.7$	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable
$0.6 > \alpha \geq 0.5$	Poor
$0.5 > \alpha$	Unacceptable

Figure 2. Cronbach's alpha rule of thumb

Cronbach's Alpha (α) was used to measuring the reliability and validity of each item. Cronbach's alpha rule-of-thumb states that values of 0.7 and above are acceptable (Glen, 2021).

Table 1. Reliability test.

Variable	No. of Item	Cronbach's Alpha
Tax Knowledge	4	0.752
Cost of Living	4	0.779
Government Accountability	4	0.710
Public's Acceptance and Level of Satisfaction	4	0.714
Implementation of SST	5	0.915

This result is based on a survey of 248 respondents. The research shows a score of 0.752 for tax knowledge. Next is the cost of living, which is 0.779. Additionally, for government accountability, the result for 0.710 is shown. Besides, the level of public's acceptance and level of satisfaction is 0.714. Lastly, the result for implementation of SST is 0.915. The result is valid since the total of all the numbers is over 0.7.

4.2 Descriptive analysis

Descriptive analysis was conducted to determine the frequency and percentage of respondents' profiles. The profile of the respondents has been identified in Section A of the questionnaire. Three questions were asked to collect data which are gender, age and monthly income.

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	86	34.7	34.7	34.7
	Female	162	65.3	65.3	100.0
	Total	248	100.0	100.0	

Figure 3. Frequency of respondents by gender

Figure 3 above shows the female respondent has the highest frequency, which is 162 or 65.3% while the male respondent's frequency is 86 or 34.7%.

Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	19 - 29 years old	33	13.3	13.3	13.3
	30 - 39 years old	21	8.5	8.5	21.8
	40 - 49 years old	46	18.5	18.5	40.3
	50 years old and above	148	59.7	59.7	100.0
	Total	248	100.0	100.0	

Figure 4. Frequency of respondents by age

Based on Figure 4, the age of the respondents is divided into four age groups which are 19 to 29 years old, 30 to 39 years old, 40 to 49 years old and 50 years old and above. Respondents' age range of 50 years old and above has the highest frequency, which is 148 or 59.7%. After that, the frequency for the age of 40 to 49 years old is 46 or 18.5%, 19 to 29 years old is 33 or 13.3% and the age range of 30 to 39 years old has the lowest frequency which is 21 or 8.5%.

Monthly income

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	RM 0	52	21.0	21.0	21.0
	RM 1 - RM 5000	135	54.4	54.4	75.4
	RM 5001 - RM 10000	50	20.2	20.2	95.6
	RM 10001 and above	11	4.4	4.4	100.0
	Total	248	100.0	100.0	

Figure 5. Frequency of respondents by monthly income

Figure 5 above shows that respondents' monthly income range of RM1 to RM5,000 has the highest frequency, which is 135 or 54.4%. After that, the frequency for the monthly income of RM0 or no income is 52 or 21%, at the range of RM5,001 to RM10,000 is 50 or 20.2% and the range of RM10,001 and above has the lowest frequency which is 11 or 4.4%.

4.3 Correlation analysis

In this study, Spearman Correlation was implemented to see whether independent variables have a significant relationship or not to dependent variables (Statistics Solutions, 2022). It can also look at the influence of independent variables on the dependent variables. The results of the Spearman Correlation between independent variables and dependent variables are presented in Figure 6 below.

Correlations

			Tax_Knowledge	Cost_of_Living	Government_Accountability	Publics_Acceptance_and_Level_of_Satisfaction	Implementation_of_SST
Spearman's rho	Tax_Knowledge	Correlation Coefficient	1.000	.023	.475**	.218**	.440**
		Sig. (2-tailed)	.	.715	.000	.001	.000
		N	248	248	248	248	248
	Cost_of_Living	Correlation Coefficient	.023	1.000	.263**	.431**	-.104
		Sig. (2-tailed)	.715	.	.000	.000	.102
		N	248	248	248	248	248
	Government_Accountability	Correlation Coefficient	.475**	.263**	1.000	.313**	.355**
		Sig. (2-tailed)	.000	.000	.	.000	.000
		N	248	248	248	248	248
	Publics_Acceptance_and_Level_of_Satisfaction	Correlation Coefficient	.218**	.431**	.313**	1.000	.381**
		Sig. (2-tailed)	.001	.000	.000	.	.000
		N	248	248	248	248	248
	Implementation_of_SST	Correlation Coefficient	.440**	-.104	.355**	.381**	1.000
		Sig. (2-tailed)	.000	.102	.000	.000	.
		N	248	248	248	248	248

**. Correlation is significant at the 0.01 level (2-tailed).

Figure 6. Spearman correlation coefficient

Figure 6 shows the correlation between the dependent variable, implementation of SST and the independent variables, which are tax knowledge, cost of living, government accountability and public's acceptance and level of satisfaction. It can be seen that there is a significant relationship among the variables except cost of living.

The results are based on significant (p) which $p < 0.05$ (Geert and Berg, 2022). The value between implementation of SST and tax knowledge, government accountability and public's acceptance and level of satisfaction is 0. This means that there is a significant relationship between dependent variables and independent variables because $p < 0.05$. However, the value of cost of living is 0.102 which means that there is no significant relationship between dependent variable and independent variable because $p > 0.05$.

4.4 Multiple regression analysis

The objective of using multiple regression analysis is to predict the IV's value based on the DV. Researchers can also use multiple regression to estimate the model's overall fit and the relative contribution of each IV to the DV. (Laerd Statistics, 2018).

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.633[a]	.401	.391	.68957

a. Predictors: (Constant), Publics_Acceptance_and_Level_of_Satisfaction, Tax_Knowledge, Cost_of_Living, Government_Accountability

Figure 7. Model summary

Figure 7 shows that independent variables can explain 40.1% of the variance to the dependent variable. Meanwhile, 59.9% is explained by other variables.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.281	.342		.821	.412
	Tax_Knowledge	.346	.067	.293	5.136	.000
	Cost_of_Living	-.397	.070	-.332	-5.649	.000
	Government_Accountability	.211	.083	.154	2.536	.012
	Publics_Acceptance_and_Level_of_Satisfaction	.708	.090	.471	7.893	.000

a. Dependent Variable: Implementation_of_SST

Figure 8. Coefficients

In this research, the independent variables are accepted except for cost of living. This result based on significant values (Sig.) must be lower than 0.05 (Geert and Berg, 2022). This means that tax knowledge, government accountability and public's acceptance and level of satisfaction could affect the public's perceptions on SST implementation.

In conclusion, this chapter is to present the results and findings obtained from data gathering for this research. As a result, the analysis of data shows that the three variables which are tax knowledge, government accountability and public's acceptance and level of satisfaction have a significant relationship with the public's perceptions on SST implementation in Malaysia.

5. Conclusion

The findings in this chapter are based on the findings from the previous chapter. It provides the overall discussion and conclusion of the research. The limitations of the study and the recommendations for the future research also are summarized in this chapter.

5.1 Discussion of findings

From the study, the researcher can conclude that the public's perception of SST implementation in Malaysia is affected by 3 out of 4 IVs which are tax knowledge, government accountability and public's acceptance and level of satisfaction. This can be proved by the multiple regression analysis that has been conducted.

For tax knowledge, the result shows that there is a significant relationship with the implementation of SST. The same goes to the finding from Shamsuddin et al. (2014) study who agrees that the level of public's awareness was associated with their tax knowledge. Research shows that government accountability also has a significant relationship with the SST implementation. This result is similar to Jamel and Popoola (2020) findings where government accountability is related to public's acceptance towards SST implementation. For public's acceptance and level of satisfaction, the result indicates a significant relationship with SST implementation and supported with Jamel and Popoola (2020) research which agreed that the survival of the SST implementation in Malaysia depends on public acceptance. These three independent variables play a role for the public to determine their perception toward SST tax in Malaysia. However, cost of living shows no significant relationship with SST implementation which contradicts Jamel and Popoola (2020) study.

Based on the data answered by respondents in the survey questionnaire, most respondents have limited awareness about SST and agreed that it is important for the public to have more knowledge about SST. Besides, there were also respondents who agreed that the media campaign for SST information is not effective. Thus, respondents are uncertain whether SST is effective in Malaysia.

5.2 Limitations of study

In analyzing the findings of the study, it is found that there are barriers that occur and at least three limitations should be considered. Foremost, in making this study, there was a limitation in terms of location and target that had been conducted. This is because in this study, it was only looked in one area only which is in Taman Sri Skudai, Johor. Thus, it can be concluded that the location and target of the respondents are limited. Next, the sample size of this study is considered small because it focuses only on 248 respondents compared to the number of public in Malaysia. Last but not least, this research was conducted by using a quantitative research approach, which is in numerical data only.

5.3 Recommendations for future research

In Chapter 4, all three hypotheses show that there is a significant relationship between IV which is tax knowledge, government accountability and public's acceptance, and level of satisfaction with DV which is the implementation of SST. However, there is no significant relationship between the cost of living with the DV

The researchers assume that there are many aspects that can be improved and changed in the next studies after completing this research. To begin with, this research was based only on one area in Johor. In the future, it is recommended to conduct and carry out study covering more areas in Malaysia. Another recommendation for future research is that future studies be expanded to include a larger sample size of respondents in order to acquire a more diversified variety of data and responses.

Last of all, qualitative research approaches also can be conducted for next research, such as open questions for measurement of discussed issues.

In summary, this chapter discussed the findings, limitations of study and the recommendations for further research.

Appendix A. Questionnaire

Section A: Demographic		
No.		(/)
1	Gender:	
	Male	
	Female	
2	Age:	
	19 - 29 years old	
	30 - 39 years old	
	40 - 49 years old	
	50 years old and above	

3	Monthly income:	
	RM 0	
	RM 1 - RM 5,000	
	RM 5,001 - RM 10,000	
	RM 10,001 and above	

No.	Sources	Instruments	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Section B: Tax Knowledge							
1	Lim (2019)	I know a lot about SST					
2	Lim (2019)	I believe it is necessary to introduce SST in every country					
3	Jamel and Popoola (2020)	It is important for the public to have knowledge about the SST					
4	Ishak et al. (2015)	I am sure how SST system works					
Section C: Cost of Living							
1	Jamel and Popoola (2020)	SST implementation should not become burdensome to the public					
2	Ishak et al. (2015)	SST result in the products or services to be more expensive					
3	Ishak et al. (2015)	SST affect my spending habit					
4	Ishak et al. (2015)	SST cause an increase in the cost of living					
Section D: Government Accountability							
1	Ishak et al. (2015)	I clearly get the information on the details of SST from government					
2	Ishak et al. (2015)	The media campaign for SST information is effective					
3	Jamel and Popoola (2020)	Any information on tax changes should be opened to debate					
4	Jamel and Popoola (2020)	Government plays important role towards the information about SST					
Section E: Public's Acceptance and Level of Satisfaction							
1	Bakar and Sawandi (2017)	I feel stressful about SST stuff					
2	Sidik et al. (2019)	SST is regressive tax especially on the lower income earners					

3	Ishak et al. (2015)	SST may be effective in Malaysia					
4	Lim (2019)	I agree the replacement of GST to SST					
Section F: Implementation of SST							
1	Lim (2019)	I believe SST has positive impacts on Malaysia economy					
2	Lim (2019)	SST is better than GST					
3	Lim (2019)	SST tax rate is appropriate in Malaysia					
4	Lim (2019)	SST is fair and just tax					
5		I agree with the implementation of SST					

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Potential Shariah Non-compliance Determinant Factors: A Guidance for Shariah Control Function of Islamic Financial Institution in Malaysia

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Abstract

Islamic banking is distinguished from conventional banking by its adherence to the principles of Shariah and it is perceived as a Shariah compliant financial intermediary which carry the image of Islam in providing the financial solution to the public especially for Muslim. Furthermore, as compared to its counterpart, Islamic banking is exposed to an additional risk that is peculiar to its operation which is Shariah non-compliance (SNC) risk. With that said, proper management of SNC risk is vital for Islamic banking since the impact of the risk could not just possibly affecting the financial but also the image its carry. One of the governance aspects in managing the SNC risk is the capability of its officer to identify, assess and report the SNC incident. In this regard, Bank Negara Malaysia (BNM) through its Operational Risk Integrated Online Network (ORION) policy document requires Potential SNC event and Actual SNC event to be reported to BNM. Referring to the latest ORION policy document issued in 2021, BNM has removed the requirement for a Potential SNC to be confirmed by a "qualified Shariah officer" and replaced with the "officer within Shariah control function" which could include officer with and without Shariah study background. Through this amendment, it raised question on the capability of the officer without Shariah study background to assess and subsequently confirm the incident as Potential SNC. This paper shall attempt to analyse the factor which contribute to Shariah non-compliance event in Islamic banking and develop a pragmatic parameter for the officer within Shariah control function as guidance for confirmation of Potential SNC event. This study adopted qualitative and case study approach focusing on one Islamic bank in Malaysia. The suggested parameter of Potential SNC event is based on the study of Shariah reasoning behind the decision of Shariah Committee for the Actual SNC events disclosed in the annual report of Islamic Financial Institution.

Keywords: Potential Shariah Non-Compliance Event; Shariah Non-Compliance Reporting; Shariah Control Function

1. Introduction

Shariah compliance is a vital aspect which all Islamic financial institutions (IFIs) shall observe. The term Shariah compliant refers to the adherence by IFIs to the religious laws of Islam, also known as Shariah. The Shariah is a religious code which governs the lives of Muslims in all aspects – including financial. Shariah compliance is a vital aspect which all IFIs shall observe in order to provide their customers with Islamic financial services in accordance with the Islamic requirements. The observance of Shariah compliance by IFIs is vital for the Islamic economy, since it ensures the upholding of religious values and principles, and also helps to increase the credibility of Islamic financial products in the eyes of consumers.

In this instance, the IFIs shall have in place an organizational structure and process in handling and managing Shariah non-compliance risk. Normally, the IFIs implement three (3) lines of defense concept; risk taking unit

being the first line, risk control unit being the second line and independent assurance unit being the third line. Overall, when we discuss about the management of Shariah non-compliance risk, it shall involve the analysis of the Bank's risk exposure to such risk, putting sufficient control in place as to proactively mitigate the risk and also to have the reporting system should the risk materialised.

The discussion in this paper shall be surrounding one aspect of such risk management which is the Shariah non-compliance event reporting mechanism of IFIs in Malaysia. As a background, Government of Malaysia has introduced Islamic Financial Services Act (IFSA) in 2013 which among other has outlined the importance of each IFIs to ensure that their aims, operations and business activities are all in compliance with the Shariah and also has provided the requirement for notification to Bank Negara Malaysia (BNM) and the IFIs internal Shariah Committee (SC) for non-compliance of Shariah (Malaysia, 2013). In relation to the reporting framework, BNM has first issued the Shariah non-compliance reporting guideline in 2013 which was then superseded with Operational Risk Integrated Online Network (ORION) policy document that outlined the Shariah non-compliance (SNC) event reporting requirement. In general, the policy document prescribed the process flow pertaining to SNC event and has classified the SNC event into Potential SNC event and Actual SNC event.

This paper shall only focus on the Potential SNC event of which it requires the confirmation to be made by the officer within Shariah control function. This study shall attempt to explore the determinant factor of Potential SNC confirmation using the qualitative case study approach and also by analysing the Shariah reasoning (*takyif fiqhi*) of the SNC event disclosure in the financial report of Bank Muamalat Malaysia Berhad (BMMB).

The significance of this study includes providing guidance and suggestion for the officer in the Shariah control function especially to those who does not have Shariah study background in confirming Potential SNC status of the reported or detected issues. The scope of the study is limited to the Islamic bank in Malaysia.

2. Literature Review

2.1 Potential SNC from Shariah and Regulatory Perspective

2.1.1 SNC from Shariah Perspective

Shariah in its literal meaning is a path to the source of water. By definition, Shariah can be defined as a divine revelation from Allah through its messenger to guide His creation on the path to live in this world. This would include all aspect in the human live such as belief, ethics, worship, the way human interacts with human, with nature or even animal. Above all, Shariah also comes with set of dos and don'ts which accompanied by the concept of reward and punishment by Allah. Anything that goes against the command of Allah or the rule sets out by Shariah is considered as Shariah non-compliance event and it is closely related to the concept of sin in Islam. Prophet Muhammad ﷺ explained the concept of good deed and sin in his hadith:

> *"Righteousness is in good character, and wrongdoing is that which wavers in your soul, and which you dislike people finding out about"* (Hadith. Muslim. Kitab Al-bir wa al-Silah wa al-Adab. #2553)

The hadith explained the nature of good deed when we have a good morale and attitude while the nature of sin is when we did something which could disconcerting our mind of which we would like to conceal from everyone knowing it. In general, we can understand that the concept of SNC or sin in Islam would involve all its branches or principal namely; Fiqh Aqidah (act of believe), Fiqh Ibadah (act of worship), Fiqh Muamalat (law of transaction) and Fiqh Akhlak (morale) since all of these branches are established based on the command of Allah and His prophet.

In Islamic law of transaction, the general maxim outlined by Islamic scholar to be the foundation of ruling is "*the primary ruling for contracts and conditions in financial dealings is permissibility (unless proven otherwise)*". This maxim indicates the general concept of contract between human being is allowable. With this, the Fiqh Muamalat discipline is made more dynamic, adaptive, accommodating, and flexible in its nature, allowing persons and institutions to play a greater role in their respective fields of expertise (Jalil et al., 2014). Although the general concept in contract and conditions is permissible, it is still bounded by certain Shariah requirements where failure to adhere could render the contract and conditions become Shariah non-compliance or have a potential to become SNC.

2.1.2 *Actual Shariah non-compliance event*

According to Islamic scholars, the effect of a contract in term of its validity could be categorized into two (2); *sahih* (valid) and *ghayr sahih* (invalid). *Sahih* contract refers to a contract that fulfill all its essential pillar (*Rukn*) and its related attributes (*Wasf*), also the contract is considered valid when the objective was met (Al-Razi, 1997; Al-Zarkashi, 1985). For instance, the sale contract is considered *Sahih* when its essential pillar such as offer and

acceptance was clearly executed, legal capacity of both contracting parties was sufficient and subject matter are Shariah compliant, and the objective of sale was met which is transfer of asset and ownership from buyer to seller, vice versa.

Whilst, the invalid contract being the opposite of valid contract is when its requirement was not met be it from the essential pillar or its related attributes. Although, majority of scholars do not differentiate the invalid contract – only batil – Hanafi school of taught has further classified the invalid contract into two; *batil* and *fasid* (Al-Razi, 1997; Al-Zuhaili, 2009). Al-Zuhaili (2009) explained the *batil* contract from Hanafi school of taught refers to defect in the essential pillar – offer and acceptance – or in the subject matter or lack of legal capacity while *fasid* contract refers to defect in its external conditions. Both would carry different consequences which the former would render the ownership become void and as for the latter, the ownership will only valid after the defect was removed and consent was obtained from the owner.

After all, in the context of Islamic law of transaction, non-fulfillment of the essential requirements of contract would render it become non-compliance to Shariah which requires rectification such as removal of the defect matter, purification of income and unwinding of contract. Dusuki et al. (2012) suggested that the Hanafi view is more practical in the current context as it provide more flexibility to the industry to apply the Islamic law as opposed to the view of majority of classical scholars.

Additionally, Islamic scholars classify the invalidity of the contract from the context of it caused into two (2); (1) invalid due to defect of its essence (*Haram li Dhatih*) and (2) invalid due to external reason (*Haram li Ghayrih*). The former refers to prohibition of itself such as prohibition of riba, prohibition of gambling which it original ruling is already prohibited. As for the latter, refers to ruling that was permissible in its original form but become prohibited due to the external factor such as sale during Juma'h prayer which the sale in itself is permissible but since it was done during Juma'h prayer it is prohibited or eating someone belonging unjustly which the act of eating in itself is permissible but since the way it derives is prohibited thus the eating is prohibited (Al-Salmi, 2005; Al-Taftazani, n.d.; Ibn 'Abidin, 1966) . Al-Nawawi (n.d.), in his book al-Majmu', gave another example of *Haram li Ghayrih* where he stated that a sale with undisclosed defect ('Aib) to the buyer while the seller knew about the defect is prohibited and he further explained:

وَحُرْمَتُهُمَا مُخْتَلِفَةٌ فَالتَّدْلِيسُ حَرَامٌ بِالْقَصْدِ فِي نَفْسِهِ وَالْبَيْعُ لَيْسَ حراما لذاته ولكن حرام لغيره وهو كتمان العيب

(The prohibition (of sale & hiding the truth of the defect) is different. The falsehood is prohibited due to its essence and the sale is not prohibited by its essence but due to its attribute which is the act of undisclosed defect by the seller)

2.1.3 Potential Shariah non-compliance event

Apart from the above, there are circumstances in Shariah where the ruling is not clear which some Islamic scholar classified it as *shubhah*. The concept of *shubhah* was recorded in the hadith narrated by al-Nu'man bin Bashir:

> *"The lawful is clear and the unlawful is clear, and between the two of them are doubtful matters about which many people do not know. Thus, he who avoids these doubtful matters certainly clears himself in regard to his religion and his honor. He who falls into the doubtful matters falls into that which is unlawful like the shepherd who pastures around a sanctuary, all but grazing therein."* (Hadith. Muslim. Kitab al-Musaqah. #1599)

(Al-Nawawi, 1972), in his al-Minhaj, commentary book on Sahih Muslim, stated that the above hadith is one of the pivotal hadith which become the basis of most ruling in Shariah. Some Islamic scholar clustered this hadith to be one of three hadith that becoming the root of ruling in Shariah. This hadith shows there are also some circumstances in Shariah, albeit the clear ruling of *Halal* and *Haram*, human can also be in the state of Shubhah (doubtful). Referring to the classical Islamic jurisprudence, *Shubhah* is something that is uncertain on its permissibility or in the context of *Jinayat* (Islamic Law of Punishment), it refers to situation of ignorance or lack of evidence where the doubt still exists (Al-Jarjani, 1983; Al-Suyuti, 1983; Ibn Nujaim, 1999). There are two other terminologies which often used in discussing on this concept:

i. *Al-Syak*: This refers to something which is uncertain between two things, it could be both doubtful matter stand on the same level of doubt or either one prevails. It also refers to situation where preferential was not made thus the matter left undecided (Al-Jarjani, 1983).
ii. *Al-Dhzon*: This refers to something which is close to certain but could still have some room of doubt. Al-Jassas in his book al-Fusul fi al-Usul explained one of the types of *Ijtihad* would include the situation where

reasonable doubt is used in analogical reasoning (Qiyas) when the operative causes (Illah) is uncertain. Hence, *al-dhzon* is the highest level of probability or some would say the belief with reasonable doubt.

In Islamic law of transaction, *shubhah* could be in a situation where the contract resembles the prohibition such as Bai' al-Muhaqalah. This type of sale refers to a sale of unharvested grains with processed grain of its kind. This type of sale is prohibited due to the uncertain amount of subject matter and also it resembling to Riba (*Shubhah Riba*) which is invalid (Batil) from majority's view and voidable (Fasid) from Hanafis' (*Al-Mausu'ah al-Fiqhiyyah*, 1984).

In addition, the outcome of *shubhah* matter in general is two-sided; either it potentially turns into lawful activity or unlawful and in the context of transaction, the outcome could be valid or invalid. The same hadith suggest the concept of potential Shariah non-compliance event where the *shubhah* matter have more potential towards Shariah non-compliance event rather than Shariah compliance outcome. Hence, Shariah urges to avoid *shubhah* matter as to be safe. There is one Islamic legal maxim which states: "*Shubhah* does the work of the truth (in affirming the unlawful)[2]"(Al-Sarkhasi, 1993). This maxim suggests that *Shubhah* carries more burden towards unlawful from risk perspective hence it to be avoided or removed as to be innocuous.

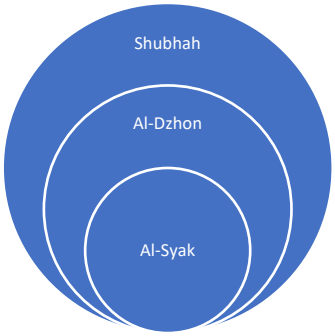


Figure 1: Component of Shubhah

2.1.4 SNC from Regulatory Perspective

Islamic Financial Services Act 2014 (IFSA) has outlined the importance of each Islamic Financial Institutions to ensure that their aims, operations and business activities are all in compliance with the Shariah (Malaysia, 2013). It is further supported by the BNM Shariah Governance Framework for Islamic Financial Institutions, which was revised in 2019 and called Shariah Governance Policy Document, which has stressed out the expectation to the board, Shariah committee and senior management in promoting a strong Shariah compliance risk culture within Islamic financial institutions (BNM, 2019).

Shariah compliance culture in Islamic banking institutions shall not only seen in the application of Shariah contracts used in the products offered, but Shariah compliance culture must also be seen in their aims, operations, business, affairs and activities of an Islamic banking institution. Failure to cultivate the Shariah compliance culture in all aspects outlined will expose the institutions to SNC risk. In this instance, Islamic Financial Services Board (IFSB) (2005) included SNC risk as part of the operational risk which defined as "The risk that arises from Institutions Islamic Financial Services (IIFS) failure to comply with the Shariah rules and principles determined by the Shariah Board of the IIFS or the relevant body in the jurisdiction in which the IIFS operate". Whilst, Section 28 (3) IFSA provides:

> *"Where an institution becomes aware that it is carrying on any of its business, affair or activity in a manner which is not in compliance with Shariah or the advice of its Shariah committee or the advice or ruling of the Shariah Advisory Council, the institution shall—*
> *(a) immediately notify the Bank and its Shariah committee of the fact;*

[2] الشبهة تعمل عمل الحقيقة (في إيجاب الحرمة)

> *(b) immediately cease from carrying on such business, affair or activity and from taking on any other similar business, affair or activity; and*
> *(c) within thirty days of becoming aware of such non-compliance or such further period as may be specified by the Bank, submit to the Bank a plan on the rectification of the non-compliance."*

Based on the provision, it can be inferred that the SNC from regulatory perspective is when the business, affair or activity of IFIs is carried out in the manner contravene with; general Shariah requirement, resolution of its internal Shariah committee and ruling by the Shariah Advisory Council of BNM (SAC BNM).

In addition, BNM had introduced Operational Risk Integrated Online Network (ORION) policy document which the purpose is to require financial institution to report the exposure of operational risk to BNM which include Loss Event Data, Key Risk Indicators and Scenario Analysis (BNM, 2014). One of the reportable operational risk events that requires reporting into ORION is SNC event which shows that BNM as the regulator give a great concern on the Shariah risk exposed to IFI. In this regard, BNM has consistently, albeit the multiple revision of the policy document, classified SNC event into two (2) classifications; Potential SNC and Actual SNC. Potential SNC is defined as "any SNC event detected and confirmed by a qualified Shariah officer but pending decision by the SC" and Actual SNC is defined as "any SNC event that has been confirmed by the IFI's shariah committee" (BNM, 2014, 2017, 2018a).

Interestingly, in the latest ORION policy document 2021, BNM had changed the definition of Potential SNC as "any SNC event detected and confirmed by an officer within the control function but pending decision by the SC" (BNM, 2021). In comparison to the ORION policy document version 2014, 2017 and 2018, BNM has removed the requirement for a Potential SNC to be confirmed by a qualified Shariah officer (QSO). BNM (2018b) , has defined qualified Shariah officer as an officer who holds at least a Bachelor's Degree in Shariah, which includes study in Usul Fiqh (the origin of Islamic law) and Fiqh Muamalat (Islamic transaction / commercial). Whilst, the revised ORION has broadened the requirement to the officer within control function which is defined as an officer that meets the following criteria (BNM, 2021):

(a) Performs one of the control functions under Shariah governance (i.e. Shariah risk management, Shariah review or Shariah audit);
(b) Independent from the business lines and not involved in revenue generation activities; and
(c) Possesses sound understanding of relevant Shariah requirements applicable to Islamic financial business.

2.1.5 Scope of Islamic Banking Business in Malaysia

Contrary to conventional banking, Islamic banking operates its business on the ground of Shariah principal without which it would have no different with conventional banking. Although, arguably, both types of banking are profit oriented organization and would have similar model of business which both are the intermediary in the society financial system but the way to achieve the goal is different (al Masry et al., 2015). As a financial intermediary, one might ask what is the scope of business which the bank can do? In this case, section 222 of IFSA provides the interpretation of Islamic financial intermediation activities which include:

(a) the accepting of Islamic deposits or money under an investment account;
(b) the giving of any advance, financing or other facility in whatever form or by whatever name called in accordance with Shariah;
(c) Islamic leasing business;
(d) Islamic factoring business;
(e) the purchase of bills of exchange, certificates of Islamic deposit, Islamic securities or other negotiable instruments;
(f) the acceptance of, or the giving of any guarantee in relation to, liability, obligation or duty of any person;
(g) Islamic hire-purchase;
(h) acquiring rights or interests in an Islamic hire-purchase, Islamic leasing or other similar transaction;
(i) any activity that is incidental, ancillary or otherwise facilitates or is closely related to the activities referred to in paragraphs (a) to (h) above; and
(j) such other business or activity as prescribed under section 3 (of IFSA).

In addition, section 15 of the IFSA has outlined that IFIs are restricted from carrying on any other business or activity in or outside Malaysia, unless the business or activity is:

(a) its licensed business or is in connection with, or for the purpose of its licensed business;
(b) specified by the Bank under section 14(1) of the FSA or section 15(1) of the IFSA; or

(c) Islamic banking business, in the case of a licensed bank or licensed investment bank that has obtained an approval from the Bank under section 15(1) of the FSA.

Pursuant to item (b), BNM as the authoritative body that govern banking institution in Malaysia has specified the scope of business activity which can be carried out by banking institution in its guideline "Specification on Permitted Business or Activity for Licensed Person under Financial Services Act 2013 and Islamic Financial Services Act 2013". Table 1 below summarized the specification of the guideline (BNM, 2015):

Table 1. Permitted and Prohibited Business Activity of licensed Islamic Bank.

Permitted Activity	Prohibited Activity
1. Activities which it is permitted under Schedule 4 of the Capital Market and Services Act 2007 (CMSA) under registered person (exclude underwriting of equities)	1. Engage in wholesale and retail trade including import and export trade except in connection with the realization of security given to or held by it for the purpose of carrying on its licensed business
2. Carry on money services business	2. Carry on underwriting of equities
3. Carry on custodial and clearing services for securities	3. Sell non-Shariah compliant products.
4. Carry on merchant acquiring services	
5. Sell takaful products on behalf of a licensed takaful operator	
6. Provide services for any related corporation, in or outside Malaysia, which carries on financial services	
7. Sell Shariah compliant financial products on behalf of a related licensed person or other related corporation in Malaysia which carries on financial services	
8. Provide estate planning and administration services	

Hence, subject to prior approval by BNM, the scope of business and activity which Islamic banks can do does not only limited to taking deposit and provide financing but it could include providing wealth management product such as takaful and estate planning, offer corporate advisory services for the related corporation, capital market product, merchant acquiring and selling third party product. The understanding on the scope of Islamic bank is paramount in crafting the factors to determine Potential SNC which relates to the Islamic bank business.

3. Methodology

The new ORION requirement on the confirmation of Potential SNC, as we can see, is extended to those who may not possess bachelor's degree in Shariah but rather sufficient to have sound understanding of Shariah requirement. Some may argue on the capability of the officer without Shariah background to grasp the Shariah issue which it may create a difficulty for the officers to confirm whether an issue tantamount to Potential SNC event. This statement is supported by the research conducted by Omar & Hassan (2020) which highlighted one of the challenges faced by IFI in managing SNC event is the lack of knowledge of working level in detecting and analysing the Shariah issues. One of the recommendations highlighted is for BNM to come up with a criteria of SNC for the guidance of SC and QSO. Needless to say, if the suggestion to establish SNC criteria is for the guidance of SC and QSO – whom possessed Shariah degree – what more for those who does not have Shariah background. Here, the researcher agrees with the notion to have the parameter but the focus should be to guide the officer in the Shariah control function – especially for non-Shariah study background – in detecting and analysing the Shariah issues since their part in detecting Shariah issues is crucial for the event to be reported and further deliberated by SC.

The study employs qualitative approach using case study and content analysis methodology. This approach is more suitable to be used in order to achieve the objective and the information gathered is subjective in nature and the outcome could not be quantified in numerical form. This study shall take the disclosure of SNC event as stated in the Shariah Committees Report and Basel II Pillar 3 Disclosure in the financial report of BMMB as the case study and subsequently shall attempt to analyse the Shariah reasoning behind the decision of SC. Table 2 summarized the SNC event reported in the BMMB's financial statement for the year 2019-2021.

Table 2. Summary of SNC event disclosed in BMMB Audited Financial Statement 2019-2021.

Year of Annual Report/Financial Statement	SNC Event Disclosed
Directors' Report and Audited Financial Statements 31 March 2019	1. SNC income from nostro account
Directors' Report and Audited Financial Statements 31 December 2019	1. SNC income from five (5) number of events (The event was not disclosed in the report) 2. SNC income from nostro account
Directors' Report and Audited Financial Statements 31 December 2020	1. One incident of zakat payment made to a different state zakat authority which was not as per the instruction on the Service Request Form (SRF) 2. Sponsorship granted to Shariah non-compliance event not as per the guideline approved by Shariah Committee of Bank Muamalat Malaysia Berhad
Directors' Report and Audited Financial Statements 31 December 2021	1. Delay in allocating the gold in Muamalat Gold-i (Account) due to system error 2. Indication of repurchase term in the first aqad of Bai' 'inah 3. Two (2) events related to late payment charges due to system error 4. Two (2) events related to savings account used by customers for Shariah non-compliance purposes.

4. Discussion

From the disclosure, the SNC event occurred at the bank are not only related to the Shariah contract but also include other factors such as involvement with SNC entertainment, excessive charges and involvement of the Bank with SNC activities. Hence, the discussion here is beyond validity of Shariah contract such as valid or invalid contract but shall include *Haram* or *Halal* or *Shubhah* in the context of general Islamic transaction.

SNC event which occurred in 2019 is more straight forward where the Shariah reasoning of the SNC is *Riba* (interest) gained from the Nostro account. Nostro account is "an account that a bank holds in a foreign currency in another bank" according to Investopedia. All bank – including Islamic bank – which involve with foreign currency international trade or foreign exchange activity would have to open a Nostro account with its corresponding or agent bank at the correspond country in order to facilitate the trade or exchange settlement. Obviously, this Nostro account is a Shariah non-compliance account which operated based on conventional term (Syed Alwi et al., 2013). Similar to other type of deposit account, the correspond bank will give some return to the deposit placed, subject to terms and conditions such as minimum amount to be maintained (Thakur, n.d.). Needless to say, having placed the deposit with conventional bank, the return or interest gained from it is Riba in nature since the deposit will be used by the bank (which is a loan by depositor) and interest is promised upfront.

In 2020, the bank disclosed two (2) SNC events which are payment of Zakat not following the instruction and sponsorship for SNC event. For the former, SRF is the standard document where the customer of the Bank would like to make any changes or applied for certain services of the Bank. Referring to BMMB's website, Ez- Zakat is a service provided by BMMB which it will calculate and make zakat deduction on behalf of its Muslim customer's Current and Savings Account (CASA). Here, it is understood that Ez-Zakat applied Wakalah contract where BMMB is appointed by customer to be its calculation agent and payment agent. Based on the disclosure, it can be inferred that the Wakalah contract for Ez-Zakat is executed via SRF. The customer will specify their choice of Zakat institution and BMMB shall act on the instruction. The SNC in this case could be due to breach of certain condition which become the subject matter in Wakalah contract where the Bank acted contrary with the instruction by customer as the principal. As for the latter event in 2020, the SNC is not related to Shariah contract per se but it is related to the involvement of the Bank with SNC occasion where it breaches the internal guideline set up by SC. Here, we can see that SNC factor in the context of Islamic bank could be beyond the discussion of Shariah contract but rather would include the discussion on general commandments and prohibitions of Allah. In this instance, the act of giving sponsorship to SNC occasion is seemed to be contradicting with the command of Allah in His Quranic verse:

> "*Help each other in righteousness and piety, and do not help each other in sin and aggression*" (Al-Maidah:2)

Move on to the latest financial statement 2021, the number of SNC event disclosed were increased. Some may argue that the increase of SNC event may indicate the weakness of internal control of the bank. Be that as it may, to some extent, the transparency in disclosing SNC event also shows that the risk management system of the bank is working finely which could boost the confidence and trust of customer, investor and the shareholder (Shafiai & Engku Ali, 2019). The idea is not just on the detection of SNC event but also the remedial action that has been taken to address the root cause of the issue as to prevent the same from recurring. In this case, the Shariah reasoning of SNC events occurred in 2021 are varies of which the first two (2) issues are related to Shariah contract where the first relates to *Riba Nasiah* (delay in exchanging *ribawi* item) since – as per the terms and conditions - the underlying Shariah contract in Muamalat Gold-i is *Bai' Sarf* and the second relates to inter-condition terms

between first sale and second sale in *Bai' Inah*. Inter-condition term in *Bai' Inah* is prohibited according to the ruling by the SAC BNM (BNM, 2012). While the last two (2) events disclosed are not related to Shariah contract per se but it relates to excessive charges of late payment charge - in this case is *Ta'widh* (compensation) – which could give an adverse effect to customer and the bank is seem to have facilitated SNC activity, respectively for the two (2) issues. Table 3 below summarized the Shariah reasoning of all SNC events highlighted.

Table 3. Summary of Shariah reasoning of the SNC event disclosed in BMMB Audited Financial Statement 2019-2021.

Year of Annual Report/Financial Statement	SNC Event Disclosed	Shariah Reasoning
Directors' Report and Audited Financial Statements 31 March 2019	1. SNC income from nostro account	1. *Riba* (Interest from loan)
Directors' Report and Audited Financial Statements 31 December 2019	1. SNC income from five (5) number of events (The event was not disclosed in the report) 2. SNC income from nostro account	1. Could not be determine since the description of SNC event was not disclosed 2. *Riba* (Interest from loan)
Directors' Report and Audited Financial Statements 31 December 2020	1. One incident of zakat payment made to a different state zakat authority which was not as per the instruction on the Service Request Form (SRF) 2. Sponsorship granted to Shariah non-compliance event not as per the guideline approved by Shariah Committee of Bank Muamalat Malaysia Berhad	1. Contrary with the subject matter of *Wakalah* contract (*Haram Li Dzhatih*) 2. Seem to be associating with SNC activity (*Haram Li Ghayrih*)
Directors' Report and Audited Financial Statements 31 December 2021	1. Delay in allocating the gold in Muamalat Gold-i (Account) due to system error 2. Indication of repurchase term in the first aqad of Bai' 'inah 3. Two (2) events related to late payment charges due to system error 4. Two (2) events related to savings account used by customers for Shariah non-compliance purposes.	1. *Riba Nasiah* (Delay in exchanging ribawi item) 2. Invalid bai' inah contract due to inter-conditionality (*Haram Li Dzhatih*) 3. Excessive charge of Ta'widh which render adverse impact to customer (*Haram Li Ghayrih*) 4. Seem to be facilitating the SNC activity (*Haram Li Ghayrih*)

Based on the Shariah reasoning as per Table 3, the determinant factors of SNC events in BMMB are quite a few and some of it is different in nature. The determinant factors of SNC events could be clustered according to its nature in order to develop the parameter of Potential SNC confirmation. The suggested parameter could be the guidance for the officer in Shariah control function in making decision, as far as ORION is concern. After all, the final decision would still rely on SC deliberation where some other factor could be taken into consideration – which is not the scope of this paper.

Illustration 1 depicts the parameter of Potential SNC confirmation which is based on the case study of the past SNC event. Officer in Shariah control function could assess the reported or detected SNC issues by using the parameter as a guidance in confirming status of Potential SNC. If the SNC issues hit either one of the parameter, the issues could be confirmed as Potential SNC event which it shall be reported to SC for further deliberation and confirmation.

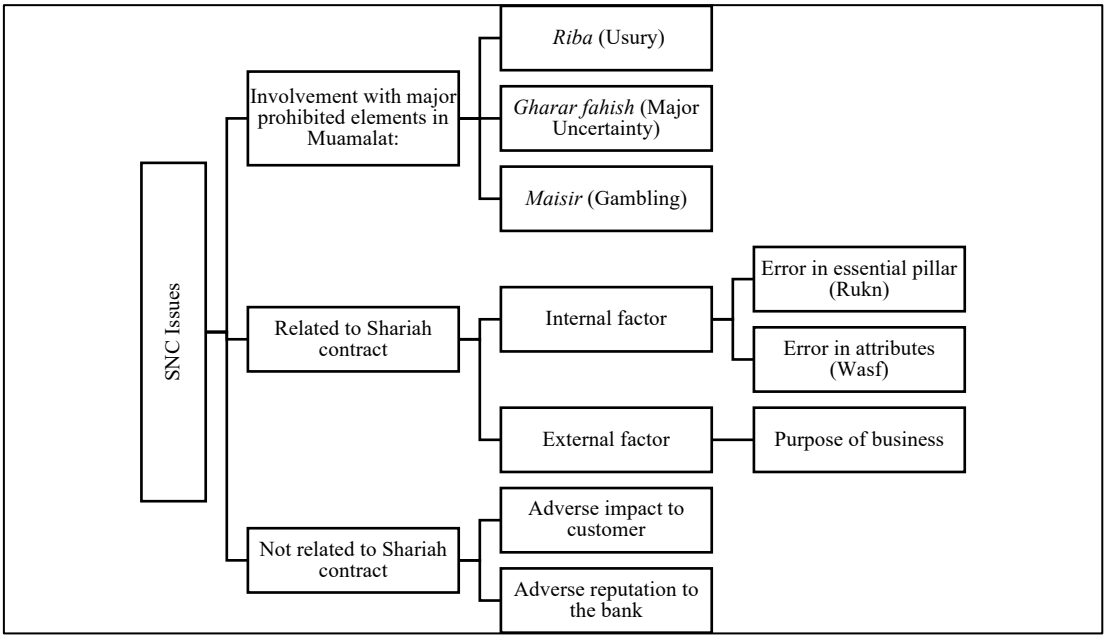


Illustration 1: Parameter of Potential SNC Confirmation

5. Conclusion

The scope of Shariah in Islamic banking operation does not only surround the discussion on Shariah contract but it also includes the value or morale on the name it carries. Officer in the Shariah control function of the bank must be able to articulate and relate the banking operation with Shariah requirement. It is important for the officer to have at least the basic knowledge in *Fiqh Muamalat* and *Usul Fiqh* – although it is not a requirement anymore - in order to assess the operational issues detected from Shariah perspective effectively. Of course, the final decision of whether the Shariah issue tantamount to SNC event relies on the decision of the SC but it started with the filtering process by the officer. Although the study is limited to one Islamic bank in Malaysia, but it is hoped that this paper could at least be the guidance for the industry and give an added value to the industry player.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Upward Accountability Practices: Theoretical Discussion of Malaysian Non-Government Organizations (NGOs)

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Abstract

Recently an issue of accountability in Malaysian NGO arises where stakeholders start to query an updated financial information and its availability to access. Stakeholders always desire information disclosure on fund management and allocation from non-governmental organizations (NGOs). However, the rights of stakeholder in respect of their demands sometimes ignored. This phenomenon has led to the withdrawal of stakeholder participation in NGO activities particularly where it has come to light that an NGO has misused funds. Upward accountability practices offer a way of providing information to stakeholders to meet their requirements. Upward accountability refers to processes by which senior managers are held accountable to higher-level boards of directors representing the interests of corporate principals. Therefore, this paper aims to conceptually study the influence of upward accountability practices of information disclosure among Malaysia NGOs. This study also seeks to provide a comprehensive literature of upward accountability. The study revealed that accountability practices of that NGO affect both external and internal image of their NGO. The results provide a theoretical contribution to the study of nonprofit accountability and add value to the current research.

Keywords: Accountability; NGO;Upward,Malaysia

1. Introduction

Nonprofit organizations can be defined based on five key characteristics which are organized, private (i.e., institutionally separate from government), nonprofit distributing, self-governing, and voluntary . In Malaysia, since the recognition of social service before World War II, nonprofit organizations have continued to play their role in helping the government to escalate and deliver efficient and effective social work services. Despite the significant role of these organizations, there is dearth of research studies examining the important of upward accountability on its effectiveness of nonprofit organizations. Upward accountability refers to processes by which senior managers are held accountable to higher-level boards of directors representing the interests of corporate principals.

Upward accountability refers to the formal documents disclosed by NGOs to its donors, such as reports and informal upward accountability exists when NGOs choose to practice accountability towards its donors through interaction, such as forum (Ebrahim, 2003).Upward accountability to senior managers, trustees and donors is also very important, as these people provide funds and are responsible for making sure that money is used effectively.There is a lot of debate around the question of accountability in the NGO sector at the moment. In particular, they argue that 'upward accountability' has over-shadowed 'downward accountability', and that NGOs tend to have difficulty putting downward accountability into practice.Therefore, this paper aims to conceptually study the influence of upward accountability practices of information disclosure among Malaysia NGOs. This study also seeks to provide a comprehensive literature of upward accountability.

2. The Demand for Upward Accountability in NGOs

Non-governmental organizations are not profit-driven organizations and so this type of organization always needs to raise funds from stakeholders to survive. Hence, to receive donations from stakeholders, transparency and accountability in NGOs are main subject which need to be clarified clearly. NGOs must be accountable towards their stakeholders in both ways which is upward.

The reason for the demand for upward accountability being practices by NGOs because all their work give a direct influence towards stakeholder. Besides, there is rapid growth in the number of NGOs advocating human rights and the need to attract more funds from stakeholders (Bieske, 2012) such as individual stakeholders and corporate stakeholders as well as government. Non-governmental organizations are also involved in developing a high- visibility profile based on their performance (Dixon et al., 2006), where accountability and resource control are two critical attributes that NGOs need to demonstrate (Vakil, 1997).

Therefore, for NGOs to get funds, they need to convince stakeholders of their trustworthiness, and this can be achieved through demonstrating accountability. However, NGOs may practice more than one type of accountability, which means that this concept is never the same in any two cases because of its multidimensional nature (Ebrahim, 2003) and it is therefore complex to define (Vu & Deffains, 2013).

Also, it is often the case that the media has an ongoing interest in the work of NGOs, which indirectly puts pressure on NGOs to be more transparent in their activities. Conversely, this situation engaged to the informal accountability, which means that NGOs must be transparent in communicating with the wider community (Vu & Deffains, 2013). Non-governmental organizations interact with communities and individuals through the sharing of information on their values, their understanding of a particular issue and knowledge, and this tends to be done informally, whereas formal systems of reporting normally are used when approaching corporates rather than to all people the NGOs interact (Gray et al., 2006).

Thus, formal, and informal accountability coexist (Roberts, 1991) and both are a crucial means whereby NGOs can discharge their obligations in terms of accountability to external parties. Accountability happens when "individuals and organizations report to a recognized authority and are held responsible for their actions" (Edwards & Hulme, 1996) and also involves "taking responsibility for oneself" (Cornwall et al., 2000, p. 3). Accountability to external parties can be shown through disclosure of activities in annual reports (Connolly & Hyndman, 2013; Ebrahim, 2005).

When managing fundraising, NGOs must practice upward accountability to their stakeholders to account for the ways in which they spend stakeholders' money (Ebrahim, 2003). The issue of accountability in NGOs has been of interest for the past two decades (Ebrahim, 2003) and more recently this issue has received serious attention because nowadays stakeholders require more transparent documentation from NGOs to ensure that the funds, they have given will reach the correct beneficiaries (Dhanani & Connolly, 2012)

Non-governmental organizations practice formal and informal accountability to demonstrate upward accountability to stakeholders. These types of accountabilities complement in delivering information to external parties. Formal accountability comprises the writing of formal reports (Connolly & Hyndman, 2013), which are presented to stakeholders, whereas informal accountability consists of communication between NGOs and stakeholders through face-to-face interaction and various forums (Bovens, 2010).

Normally, formal accountability is strongly demanded by stakeholders, but informal accountability can also be used to build trust (Unerman & O'Dwyer, 2006) The actions of people in NGOs lead to the performance of upward accountability to their stakeholders and the selection of the accountability type represents the character of the organization (Dixon, 2006). Non-governmental organizations must practice both formal and informal accountability because they are known as charitable organizations (O'Dwyer, 2007) and this interaction with stakeholders can happen in a variety of circumstances. Therefore, formal, and informal accountability coexist in NGOs so that they can deliver information effectively.

The way NGOs demonstrate accountability to internal and external parties is not limited to the disclosure of a project report during a forum or meeting only; they may also discharge accountability through the Internet (Connolly & Dhanani, 2013), for example, through publication of information on a social networking site, which enables stakeholders to access information at a time that suits them. Besides, some NGOs also disclose details about their projects and achievements on their own website. However, these various methods of practicing accountability still need improvement because the issue of accountability in NGOs is very broad (Dixon et al., 2006). Recently, an issue has arisen pertaining to the money spent by NGOs. It has been argued that NGOs should maintain a break-even financial position in fulfilling their social agenda (Connolly & Kelly, 2011) rather than misuse funds given by stakeholders for other business with the intention of gaining profit or personal gain or misconduct in an NGO.

3. Literature Review

3.1 Upward Accountability

Non-government organizations are not profit-driven organizations and so this type of organization always needs to raise funds from donors to survive. Hence, to receive donations from donors, transparency and accountability in NGOs are essential subject need to be clarified recently (Dixon, Ritchie, & Siwale, 2006). NGOs are involved in discharging multiple accountabilities or "360 degrees of accountability" (Murtaza, 2012)

compared to the private and public sectors (Najam, 1996). Some of these accountabilities are upward accountability, downward accountability, inward accountability, and holistic accountability (Murtaza, 2012).

There is a demand for upward accountability of NGOs whose work influences society (Willets, 2002) through the giving of time and energy as well as expertise to assist people. Furthermore, there is rapid growth in the number of NGOs advocating human rights and the need to attract more funds from donors (Bieske, 2012) such as individual donors and corporate donors as well as government. Non-governmental organizations are also involved in developing a high- visibility profile based on their performance (Dixon et al., 2006), where accountability and resource control are two critical attributes that NGOs need to demonstrate (Vakil, 1997).

In order for NGOs to get funds, they need to convince donors of their trustworthiness, and this can be achieved through demonstrating accountability. However, NGOs may practice more than one type of accountability, which means that this concept is never the same in any two cases because of its multidimensional nature (Ebrahim, 2003) and it is therefore complex to define (Vu & Deffains, 2013).

3.2 Theoretical Discussion

3.2.1 Stakeholder Theory

Stakeholder theory proclaims that organizations need to be responsible for the interests of all constituents affected by their actions. Operating in complex nature, nonprofit organizations need to deal with multiple stakeholders such as shareholders, government, investors, donors, beneficiaries, communities, and others. Clarkson (1995) further differentiates stakeholder based on two categories: primary and secondary stakeholders . Primary stakeholders refer to those who actively involve or directly being influence by or affect the organization activities whereas secondary stakeholders are influence or affect by, but they are not involve in relations with the organization . However, both categories are important for nonprofit organizations as it can affect their long-term sustainability. Based on theoretical foundation of stakeholder theory upward accountability is important because it helps nonprofit organizations to manage it relationships with various stakeholders especially beneficiaries; those who received the services. As Hyndman and McDonnell (2009) argued that the beneficiaries' involvement provides the management with important understanding of beneficiaries' need and demand.

3.2.2 Social Capital Theory

Social capital theory was used in a study by Awio et al. (2011), which involved a case study of the Ugandan Community-Led HIV/AIDS Initiative (CHAI), a small grassroots organization (GRO) of an NGO that focuses on bottom-up accountability. Following Awio et al. (2011).Social capital theory are relevant to study the bahavior of upward and downward accountability practice towards NGOs to donors. According to Goddard and Assad (2006), GROs are members of NGOs who play the role of mediator in order to assist the community by receiving funding from donors, which in this case are the NGOs themselves.

Awio et al. (2011) declare that NGOs have difficulty with the elements of trust and voluntarism which are essential in representing accountability. Besides, they also suggest four key elements in their bottom-up accountability framework, which are "simple, transparent, underpinned by social capital, and enacted at the community level" (Awio et al., 2011). They found that formal accountability can be achieved by combining the attributes of social capital and grassroots NGOs. Meanwhile, the present study focuses on upward accountability by looking at donors as an external party and NGOs as a social organization in order to examine the accountability discharged by NGOs to donors.

Furthermore, social capital theory conveys a unique interpretation by combining the element of norms and values in a group of people. This theory is able to explain the behaviour of people in social interactions, which is ultimately a collective resource that can be used to achieve certain aims (Lin, 2001, p. 29). Therefore, there ia a need discussion to unveil the theoritical interactions between an NGO and its donors, which are part of a multifaceted relationship, by investigating the attitudes and interactions between both parties (Gray et al., 2006, p. 335).

4. Methodology and Data

This study employed a literature discussion of upward discussion towards Malaysian NGO perspectives, the literature from prior study are gather using library research techniques.

5. Results and Discussion

The results of this study revealed that there is a need for information disclosure procedures to be implement towards Malaysia NGOs to enhance their external and internal effectiveness of managing nonprofit organizations

towards upward and down accountability practice.The information disclosure are merely standardized throughout various categories of organizations.As for managerial implications, the management needs to ensure they fully enforce the upward and downward accountability in efficient and effective manner. Rhetorically, accountability towards their stakeholder is not a major concern among management as donor-oriented still continues dominating the current practice of accountability. As evidence, Nahan's (2013) revealed that majority of Malaysian nonprofit organizations are poor in implementing accountability. The are poor information disclosures and politically biased in their activity implementation. Strong accountability environment requires the transformation of organizational elements including the leadership, culture, system, structure, and employees.

The literature concludes that organization needs to encourage staffs to develop effective and respectful relationship with their stakeholders.There are several ways on how the management can improve their current accountability practice. For example, in order to improve information disclosure practice, Malaysian NGO's have to produced a newsletter in Malay and English describing its activities along the year either hardcopy or softcopy thorught their websites. The newsletter was easy to understand as it designs in simplicity for the stakeholders. Next, they have to invited community representatives to be involved in their interview sessions,so throught that interview process,we can get a clear information either that particular NGO also serve the local community or not. This approach not only benefited the beneficiaries but also their staffs when those who employed later realize that the approach help them to understood the beneficiaries properly especially local community. The enforcement of upward accountability requires creativity and transformation of all organizational elements in ensure their effectiveness towards managing funding.

6. Conclusion

This study aims to discuss the practices of upward accountability on the effectiveness of nonprofit organizations. Upward accountability is crucial as it can help organizations to enhance their reputation in the eyes of stakeholders. This study also seeks to provide a comprehensive literature of upward accountability. The study revealed that accountability practices of that NGO affect both external and internal image of their NGO. The results provide a theoretical contribution to the study of nonprofit accountability and add value to the current research. As the results, it will be able to retain the client and attract the potential donors. In addition, this study also offers nonprofit researcher to analyze the upward accountability towards Malaysian NGO's. The author has discussed in detail regarding to the issues of accountability in enhance NGO effectiveness.

There are many NGOs that exist to provide humanitarian assistance to mitigate the destructive effects of wars and natural disasters. For NGOs to achieve this mission, they need a huge amount of funds from donors. From the donors' perspective, they need to ensure that the funds given to the NGOs are used effectively to alleviate suffering. Hence, upward accountability is needed to ensure that funds are allocated accordingly. Therefore, future study can adapt, modified, and developed measurement to evaluate upward accountability practices in Malaysia-NGO's and so on. Thus, this also study provides a reliable and a workable literature discussion for assessing the level of upward accountability. Further investigation can use mixed method study, multimethod, multilevel study or longitudinal research would address these issues and extent the discussions. Finally, future research also may focus on other critical areas such as code of ethics, social accounting, performance assessment, and comparison among Eastern and Western accountability practices.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022
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The Impact of Liquidity and Leverage on Company's Performance of The Listed Property Companies in Bursa Malaysia

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Abstract

This research investigates the impacts of leverage and liquidity on company's performance of companies in property industries that are listed on the Malaysian Stock Exchange (BURSA). The independent variables used in this study are leverage and liquidity. The dependent variable used in this study is company's financial performance measured by Return on Assets (ROA) and Return on equity (ROE). For independent variable, liquidity measured by Current Ratio (CR) while Debt-Asset Ratio (DAR) used to measure leverage. 63 companies that are listed under property industries has been selected. This study used secondary data derived from the financial statements over 5 years from 2016 – 2020. The data has been analyzed by using regression analysis in SPSS. The findings revealed that leverage had impact on company's performance while liquidity had no impact on company's performance measured by ROA. However, there is no impact on leverage and liquidity on company's performance measured by ROE.

Keywords: Liquidity; Leverage, Company's performance; Property industries; ROA; ROE; Multiple Regression Analysis

1. Introduction

A company's performance is defined not only by its efficiency but also referred to the company's financial stability. Non-financial performance and financial performance are the two types of performance that a company can have (Hansen et al., 2005). Since it is a result accomplished by a person or group in an organization, a company's performance is intimately tied to management (Wiwiek et al.,2018). It is also about their power and duty to reach the goal in a lawful, non-violent, morally, and ethically manner.

There are different kinds of indicators that may be used to assess a company's performance. It is, however, still dependent on the markets in which the company operates. Some ratio analyses are going to be more critical than others. Assessing leverage and liquidity is an essential component for financial statement analysis, which indicates a company's economic performance. Numerous factors contribute to the company's performance; however, the prominent factors are liquidity and leverage. Calculating leverage and liquidity is essential to a company's long-term viability. It allows businesses to have a decent understanding of their previous financial profitability.

Companies with a clear understanding of these issues will take corrective measures to avoid future financial quagmires caused by future leverage, liquidity, and profitability crises (Chukwunweike, 2014).

Financial leverage is one of the most effective ways for a company to achieve its objectives and enhance its shareholders' benefits (Umerl and Muhammad, 2018). Owino (2010) stated that in the property sector, financial leverage is basically used to determine how much money can be acquired to finance an investment property compared to the property's value.

Ibenta (2005) stated that the ability of a corporation to fulfill its short-term maturing commitments is referred to as liquidity. While according to Investment Property Forum (2015), the property's price and marketing strategy may be influenced by the level of financial liquidity.

The increase in the firm's' profitability is usually influenced by leverage and liquidity (Karaduman et al., 2010; Samo & Murad, 2019). Those both elements are attributing to the measurement of the business profitability. Leverage and Liquidity are the main dilemmas and significant topic that companies are usually facing because most of the companies' attention is drawn to manage the smooth obligation and active, and also the long-term commitment as an essential part of firms' fund source (Rudin et al., 2016).

Due to rising population and other economic activity, Malaysia has witnessed significant urbanization since the 1950s. The quick rate of urbanization has been connected to immigration, demographic change, and income levels, all of which have influenced the housing market. The housing market has also evolved due to increased demand and altering prices. The level of affordability affects the purchase of a residential property. Indeed, to own and possess a residential home, one must be able to afford it (Bujang, 2006).

Over the last 20 years, Malaysia's property industry has been a significant economic engine, creating vast areas of investment and opportunity. Following a decade-long price boom, Malaysia's real estate market has cooled in the previous two years due to enormous overstock. Unsold flats total MYR 18.48 billion (US$ 4.41 billion) in Malaysia's largest cities, the consequence of enormous overdevelopment of top of buildings during the recent surge (propertyguru.com, 2021).

The property market has been dealing with a wave of abandoned housing projects for over two decades, which has harmed many buyers and continues to be a huge thorn in the flesh today. According to the (Ministry of Housing and Local Government (MHLG), 2009), Around 1990 and 2009, there had been 34 neglected condo complexes in Malaysia at various stages of implementation, encompassing 9,155 units and 5,484 buyers (Nagamany, 2016).

Several scholars assert that liquidity is critical because businesses that achieve poor or zero profitability can nevertheless service the economy, whereas those that lack liquidity are unable to do so, as cited in (Nassirzadeh and Rostami, 2010). As a result, profitability and liquidity management are critical for the company's growth and survival and cited in (Priya and Nimalathasan, 2013).

Debt financing is well-known for having a detrimental impact on performance and profitability while having no impact on business size or expansion. This means that as financial leverage rises, the company's performance and profitability declines, and as financial leverage falls, the company's achievement and profitability rises (Rabbani et al., 2015).

Iavorskyi (2013), discovered that raising leverage by taking on debt allows the organisation to have a favourable impact on its performance. Hadlock and James (2002), In their study of undervalued companies, they discovered a positive link between debt financing and firm success. Nonetheless, Elena et al (2018) discovered a negative relationship between firm performance and debt funding. Based on these contradicting findings, financial decisionmakers face a difficult task in determining whether debt finance is beneficial for business performance or not.

Despite the fact that multiple evidence on the influence of leverage and liquidity on business performance has been conducted in various countries, there is still a lack of clarity on the matter, particularly in the Malaysian property industry. Hence this study was an attempt to examine the impact of liquidity and leverage on company's performance of the listed property companies in Malaysia with five years accounting period from 2016 – 2020.

1.1 Research objectives

The objectives of the study are as follows:

1. To determine the impact of liquidity on the company's performance.
2. To determine the impact of leverage on the company's performance.

1.2 Research questions

The findings of the study would answer the following question:

1. Is there any impact of liquidity on the company's profitability?
2. Is there any impact of leverage on the company's profitability?

1.3 The Importance of this research

This study is important and can assist a number of parties. The first party is the management of a company that does business in a property industry. The management can use our findings to improve plan and implement long-term strategies based on the research that has been conducted. The second party is the investor, who can benefit from our findings which the information will assisting them in their investment decisions. Simply put, our research can be a key finding on how company in property industry should operate and managed to maximize profit.

1.4 The outline of this research paper

In a nutshell, this study contains five chapters, which will be continued as follows. Next, Chapter 2 review the relationship between ROE, ROA, and profitability. While in Chapter 3 defines research design methodology and variables. Chapter 4 shows the finding of this study, and lastly, Chapter 5 consists of a discussion on findings, limitations of the study, future recommendations, and conclusion of this study.

2. Literature Review

The influence of liquidity and leverage management on financial performance is discussed in this section based on various published publication regarding profitability.

2.1. Liquidity

Financial liquidity refers to a condition in which a company's assets can be easily and rapidly sold for cash at a low cost and with minimal price impact (Bolton and Allen, 2004). Bdc (2019), states liquidity as the ability of a corporation to raise cash when needed, for an instant, in resolving a current debt with current assets. It is the ability to meet short-term financial obligations with the existing assets.

Liquidity ratios can affect a company's funding in either a positive or negative way. According to Tunggal (2016), high liquidity is not always good because too high liquidity results in redundant capital due to opportunity cost. It leads to the blocking of funds in inventories and the inability to exploit opportunities as the accumulation of idle funds that do not make any profits for the company. It also increases the possibility of unemployed funds that should have been used to invest in more profitable projects.

Therefore, the liquidity ratios are being utilized because it allows an organization to assess how liquid their company is (Mohammad, 2020). According to Ahmad (2016), liquidity can be measured by various liquidity methods such as working capital, Acid-test ratio, current ratio, payables turnover, inventory turnover, and average collection period. Arkan (2016) believes that the current and acid-test ratios are critical in measuring liquidity.

Mohd. Heikal et al. (2014) used the Current Ratio to measure liquidity in their study of the effect of ROA, ROE, Net Profit Margin, Debt to Equity Ratio, and Current Ratio on growth income on automotive companies listed on the Indonesia stock exchange, either simultaneously or partially.

Rudin M. et al. (2016) also used the Current ratio to measure liquidity in their research of the effect of liquidity and leverage on the profitability of real estate companies in the Indonesian stock exchange. Nugi M. et al. (2020) also used the same current ratio in their studies of leverage and liquidity on the profitability of the company's sub-sector in Indonesia. As well as Zahoor et al. (2015), where the current ratio has been used to study the effect of financial leverage of the firms in Pakistan.

2.2. Leverage

Financial leverage is a corporate finance approach in which a company uses borrowed funds to produce revenue in order to maximize returns on investment. (Akinbola, 0.A. and Otokiti, B.O., 2012). According to T. Afza and A. Hussain (2011), investors can use debt as a trusting tool to evaluate a company's performance. Leverage has been often used in studies of measuring capital structure of companies that have a reliance on debt in financing their business (DeMarzo, P. and Berk, J., 2013).

The Debt to Asset Ratio is a ratio that measures the ratio of total debt to total assets. (Brigham, E.F. and Houston, J.F., 2011). DAR is used to figure out how much debt a company uses to finance its assets and how debt affects asset management (Vatansever, M. and Hepsen, A., 2013).

According to Zachary (2019), leverage is a component of a company's financial structure that focuses on the long-term debt-to-total-net-assets ratio.

2.3. Profitability

Profitability is the strong association between profitability and value produced by using a company's current and fixed assets in constructive things (Gitman, 2012). According to Husnan and Pudjiastuti (2012), a company is a business that operates with the goal of profiting from the sale of goods or services to its consumers.

The ROA ratios metric shows how profitable the company's assets are (Nugraha, 2020). According to Heikal (2014), ROA, ROE and NPM is a financial measurement that determines how well assets have been utilized to generate profits. As it just indicates the profitability among all assets within management's authority, ROA is an intuitively accessible measure of performance (Waqas Bin Khidmat and Mobeen Ur Rehman, 2014).

ROE ratios show how well organizations manage their own resources and evaluate the profitability of funds invested from their own equity owners or shareholders. Ang (2001) stated that, the higher the ROE margin, the greater the overall profitability. Return on equity is a metric that measures the profitability of own capital, also referred to as financial profitability (Sawir, 2005).

2.4. Liquidity, Leverage and Profitability

Numerous scholars have looked at the effects of financial liquidity and leverage on the financial performance of businesses. Hazaratul et al. (2021) study the impact of debt financing on the profitability of Malaysian manufacturing firms. The data was collected from 2010 to 2018, and it focused on 23 companies. The debt ratio, short-term debt, and long-term debt were independent variables, while the ROE was the dependent variable. The findings reveal that debt financing has a strong but negative association with corporate profitability.

Hamidah (2020) investigates the effect of leverage and liquidity on the company's performance. In this study, liquidity and leverage were discovered to have a high relationship with profitability.

Mohammed Zaiton and Hamza Alqudah (2020), liquidity has a significant and positive impact on profitability. In contrast, financial leverage has a negative impact on profitability, according to the research of the impact of liquidity and financial leverage on profitability in Jordanian industrial firms.

According to research by Wan et al. (2021), when liquidity ratios, financial leverage ratios, and a COVID-19 dummy variable were used to examine the impact of COVID-19 on the financial performance of pn17 and gn3 status firms during the COVID-19 pandemic, the current ratio, net working capital, and debt ratio were found to have significant effects on financial performance.

Hamidah R. et al. (2018), In Malaysia, researchers looked into the relationships between liquidity, leverage, and profitability. The illustration size for this study from 21 firms was taken from Bursa Malaysia from 2010 to 2014 and the data has been analysed by using SPSS. The empirical findings suggest that profitability has the most significant impact on a company's success, while liquidity and leverage have a significant impact.

2.5. Hypothesis of the study

Based on the above literature review, the following hypothesis are derived:

1. H0: There is no impact between leverage and the company's performance
   H1: There is an impact between leverage and the company's performance
2. H0: There is no impact between liquidity and the company's performance
   H1: There is an impact between liquidity and the company's performance

3. Research Methodology

The main goal of Chapter 3 is to briefly explain the methodology adopted in order to finish this research in detail. The necessary data was collected during the research process. Following the data collecting methodology, this part described the method of data collection, Research design, data sampling, variable description, data collection method, data analysis technique, and theoretical framework will all be presented and described in the research methodology.

3.1. Research Design

A quantitative research design was adopted in this study. It is a technique for collecting and evaluating numerical data. It may be used to spot trends and averages, make projections, assess causal relationships, and extrapolate results to broader groups (Bhandari, 2020). In addition, this approach is more able to generalize. This is due to the project's ability to broaden concepts, forecast future consequences, and analyze causal linkages.

3.2. Data Collection

Data gathering is necessary for research because data is used to have a better grasp of the theoretical environment (Bernard, 2002). Secondary data was employed in this investigation. The real data for this study came from the income statement of selected property companies listed on Bursa Saham Malaysia over a 5 period (from 2016 to 2020). Return on Assets (ROA), Return on Equity (ROE), Current Ratio (CR), and Debt-Asset Ratio (DAR) were the variables examined in this study.

3.3. Sample of Data

In the early of this study, 81 property companies were chosen as samples of data, but after things have been sorted out, only 63 companies are available as those data are complete. The data review is from 2016- 2020.

3.4. Data Analysis Method

The data analysis process summarizes the information gathered. It generally includes the application of analytical thinking to evaluate data to find patterns, correlations, or trends (Pretoria, 2021).

For this research, the data collected will be tested by using statistics program SPSS. This study uses regression analysis. It is one of the most widely known modeling techniques. Economists use regression analysis to make quantitative estimates of previously completely theoretical economic relationships (Studenmund, 2016).

A set of quantitative procedures for identifying the relationship between the dependent variables and one or more independent variables is known as regression analysis (Thomas, 2012). The analysis' findings are used to establish how strong the association between the variables is. It can also demonstrate the possibility of a variable-to-variable link.

3.5. Model Specification

The choice of which control variables are included or removed from a regression equation is referred to as model specification. The following is the model specification for this study.

$$Y = \beta 0 + \beta 1\, X1 + \beta 2\, X2 + e$$

Where:

Y	=	Profitability (ROA/ROE)
X_1	=	Leverage Ratio
X_2	=	Liquidity Ratio
β_0	=	Intercept which indicates profitability
β1/β2/β3	=	Coefficients of Leverage Ratio and Liquidity Ratio
e	=	Error

3.6. Theoretical Framework

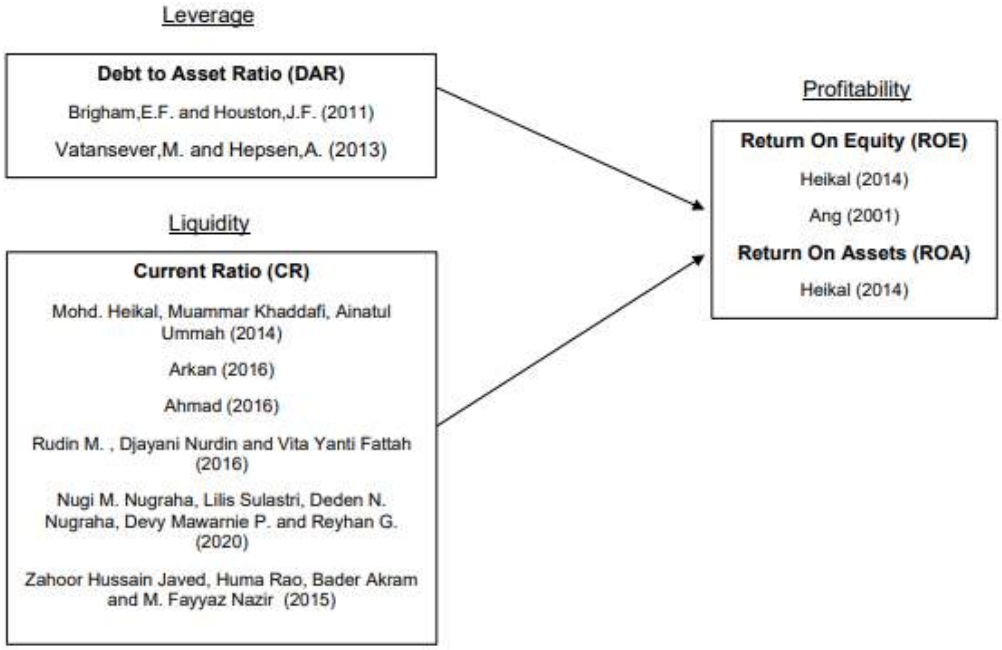


Figure. 1. Theoretical framework

4. Data Analysis

The dependencies ROA and ROE were used to analyse the results from the analytical data acquired by the Statistical Package for Social Sciences (SPSS) in this chapter.

4.1. Regression Analysis

According to Ghozali (2006), the number of significances is accepted less than 0.05. There is evidence that the mean is different from the hypothesised value if the p-value related with the t-test is small which is 0.05 is used as the target level. The null hypothesis is not rejected if the p-value attributed with the t-test is not small like $p > 0.05$, and it can be deduced that the average is not different from the hypothesised value (stats.oarc.ucla.edu, 2021).

4.1.1. Return on Assets

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.975	.631		7.879	.000
	CR	.096	.117	.047	.823	.411
	DR	-4.483	2.046	-.124	-2.191	.029

Figure 2. Coefficients for dependent variable: ROA

Regression analysis was used to observe the impact of debt financing on company's performance of property companies listed on Bursa Malaysia. Current Ratio and Debt Ratio used to measure liquidity and leverage while Return on Asset as dependent variable.

Based on the table, Current Ratio has no impact and positive relationship on the profitability since the p-value is 0.411 which is more than 0.05. Although the t-value show a positive relationship, but the p-value is not significant, then ROA is not really a solid indicator. Current Ratio did not give any impact to the company's performance in property's industry.

H0: There is no impact between liquidity ratio and profitability (ROA)

The results of Debt Ratio from the table have shown a negative relationship with the t value -2.191. The p value is 0.029. Debt Ratio has an impact on company's performance because the p-value is less than 0.05. For every 1% increase in Debt Ratio, ROA will decrease by -4.483%. According to Dakua (2019), supported that debt ratio have a significant impact on company performance. Increased in company's debt will reduce company's profitability in property industry.

H1: There is an impact between debt ratio and profitability (ROA).

Therefore:

$$ROA = 4.975 + 0.096\ X1 - 4.483\ X2 + e$$

4.1.2. Return on Equity

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.320	.890		8.225	.000
	CR	-.016	.165	-.006	-.099	.921
	DR	-4.149	2.884	-.082	-1.439	.151

Figure 3. Coefficients for dependent variable: ROE

Based on the table, Current Ratio has a negative relationship and did not give any impact to the company's performance. Increased or decreased company liquidity will not impact the industry's performance.

H0: There no impact between current ratio and profitability (ROE).

The Debt Ratio also has a negative relationship and no impact on company's performance. Leverage also did not give any impact to the industry's performance.

H0: There is no impact between debt ratio and profitability (ROE).

Therefore:

$$ROE = 7.320 - 0.016\ X1 - 4.149\ X2 + e$$

4.2. Result Summary

	ROA	ROE
Current ratio	No Impact	No Impact
Debt ratio	Has Impact	No Impact

Figure 4. Result summary of this study

5. Discussions and Conclusion

This chapter's main objective is to explain and comment on the study's discussion and findings. The study's suggestions, future research, and limitations are all included in this chapter.

5.1. Discussion on Findings

5.1.1. Impact of Leverage and Liquidity on ROA

According to table 1, Current Ratio is not significant since the p-value > 0.05. Thus, the findings implying that liquidity had no bearing on the industry's performance. This can be proved, in the research Nalurita (2015) encountered Current Ratio has no significant on Return on Asset of property industry. This is also consistent with Susilowati (2011) and Asmi (2014) that ROA has no significant effect on Current Ratio. From the findings, we

can say that liquidity is not important to this industry since it is not giving any impact to the industry's performance measured by ROA.

However, Debt Ratio is significant with Return on Asset since the p-value is 0.029 which is less than 0.05. In other words, leverage may have an impact on industry's performance. This statement proved from Harelimana (2017), discovered impact on Return on Asset has a statistically significant impact by level of debt. Alarussi (2017) also concluded that a high debt-to-income ratio had a detrimental influence on profitability.

Property's Industry must give attention towards company's level of debt since increased in leverage will decreased the company's performance measured by ROA. In line with Charumathi (2012) and Batchimeg (2017) stated that Debt Ratio has a significant negative impact on profitability.

5.1.2. Impact of Leverage and Liquidity on ROE

Based on table 2, the findings reveal that Current Ratio and Debt Ratio has no impact on company's performance measured by Return on Equity. This is because the p-value is more than 0.05. The results are supported by the research findings of Chandra and Sari (2017) demonstrated that the Current Ratio had no significant impact on Return on Equity. However, it is contra with the findings of Borhan et al. (2014) implying that the Current Ratio has a substantial impact on financial success measured by ROE.

Debt Ratio has shown a negative relationship and also not significant between profitability. The ROE would decrease by 4.149% with every 1% Debt Ratio rise. The results are supported by the research findings of Allozi et al. (2016), that stated there are no impact between Debt to Asset Ratio with ROE. However, Sambora et al. (2014) reveals that Debt to Total Asset Ratio has an impact on profitability of Food and beverage firms listed on the Indonesia Stock Exchange (IDX) from 2009 to 2012.

In conclusion the property's industry performance measured by ROE did not influence by leverage and liquidity. It is clear that leverage and liquidity does not influence industry's financial performances.

5.2. Recommendations

This paper contributes to the literatures that suggest the preference of debt finance could have an impact on company performance. The above research results could have at least the following policy implications.

Firstly, a company should maintain appropriate financial leverage, which could not only reduce the financial risks that the company should bear, but also promote a company's performance.

Secondly, for listed companies that does not have easy access to equity finance, they could reduce the level of operating leverage to promote company performance indirectly.

Thirdly, for real estate enterprise, since they could get more benefits from high debt finance, it might be costly to control the drawbacks of debt just by adjusting operating leverage.

Furthermore, while making investment selections in property companies, investors should evaluate the liquidity ratio, leverage, and profitability ratio, since these elements have a somewhat important impact on stock returns.

5.3. Impacts on Industry

In the property industry, measured on liquidity and leverage, companies have a negligible impact on ROE. On the other hand, liquidity does not have a substantial impact on ROA, although leverage does. Because of the nature of the property industry, which is an illiquid as it can take times for the business to sell property at a price agreed on by both parties, the measurement of liquidity in the property industry will have no bearing on ROA and ROE. It is critical for companies in the business to have a greater emphasis on leverage, since this will have an impact on ROA. As property consider as low liquidation, leverage play an important role for ensuring the company going concern in the long run.

5.4. Limitations of studies

There are a few limitations correlated while conducting this study. In the early of this study, there are 81 property companies that has been chose as samples of data, but after things has been sort out, only 63 companies are available as those data are complete. If those incomplete data areas are revealed, the study's findings will be more detailed.

This study only implements regression analysis as a method, which is, the understanding of the impact between liquidity, leverage and company profitability will undoubtedly improve if multiple performance metrics are employed.

The findings of this research are only limited to the property industries, by mean, the other industry should also be included as a study sample because this issue occurs in other industry as well.

5.5. Recommendations For Future Research

Future researchers should look at additional variables like other market sectors, sales growth, or business size that might conceivably affect the company's profitability. Moreover, other researchers should also look at the Vulnerability of Earnings for Ordinary Shareholders and the leverage ratio, which reflect how much financial risk a company is exposed to.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Effect of Tax Knowledge, Rational Attitude, Tax Sanctions and Zakat on Taxpayer Compliance (Case Study at Islamic Boarding School in Semarang)

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Abstract

This study aimed to determine the effect of tax knowledge, rational attitude, tax sanctions and zakat on taxpayer compliance. The result of this research is that the variable of tax knowledge has no positive and significant effect on taxpayer compliance. It displays a significance level of 0.054, where 0.054 is greater than 0.05. Moreover, the regression coefficient t-statistic is -1.939, where 1.939 is smaller than t-table 1.97646 (-1.939 < 1.97646). The rational attitude variable has no positive and significant effect on taxpayer compliance. This is evidenced by the significance level of 0.385 where 0.385 is greater than 0.05 (0.385 > 0.05). Furthermore, the regression coefficient t-statistic is 0.872, where 0.872 is smaller than t-table 1.97646 (0.872 < 1.97646). The variable of tax sanctions has a positive and significant effect on taxpayer compliance. This is evidenced by a significance level of 0.000 where 0.000 is smaller than 0.05 (0.000 < 0.05). Moreover, the magnitude of the regression coefficient t-statistic is 3.052, where 3.052 is greater than t-table 1.97646 (3.052 < 1.97646. The zakat variable has a positive and significant effect on taxpayer compliance. This is evidenced by the significance level of 0.003 where 0.003 is smaller than 0.05 (0.003 < 0.05) and the magnitude of the regression coefficient t-statistic -0.3606 where -0.3606 < 1.97646 is smaller than t table 1.97646 (-0.3606 < 1.97646).

Keywords: Tax Compliance; Tax Knowledge; Rationale Attitude; Tax Sanctions; Zakat

1. Introduction

Development in Indonesia is still low and has not been able to create a just and prosperous society, especially public facilities such as bridges, roads, health centres and other non-governmental organizations. Residents often express dissatisfaction with the policy for domestic development matters. The community caused this situation in fulfilling taxes which tend to be low in compliance with tax payments. A common problem that often occurs related to tax collection is that many taxpayers are still reluctant to carry out their obligations in fulfilling their taxes. The level of taxpayer compliance is still relatively low to carry out its tax payment obligations in Indonesia. High low = t (1.97646) public awareness of paying taxes on time influenced the low level of public compliance. (Rahayu, 2017).

Indonesia's tax capacity is enormous, but it has not been done perfectly. Many Indonesian people still do not understand tax reporting, especially individual taxpayers, who generally work as private employees and even civil servants. The Pratama tax service office is a government agency that reports taxes for taxpayers who understood and implemented the provisions of tax legislation at that time. The people who make a living in Indonesia reach 120,800,000 million people. However, only 10,269,162 individual taxpayers, consisting of 9,431,934 individual employee taxpayers and 837,228 non-employee individual taxpayers, attempted to send an annual notification

letter (SPT). It indicates the level of compliance of individual taxpayers. Judging from the sending of SPT, only 63.22% of individual employee taxpayers and 40.75% of non-employee individual taxpayers. Worse still, of all the number of individual taxpayers who sent SPT, only 794,418. (Rahayu, 2017).

Another factor that can control taxpayer compliance is a rational attitude. A rational attitude such as the reason for the taxpayer's estimation of his profit and loss is carrying out his tax responsibilities. The reason that the taxpayer's estimate of finances, for example, has not carried out his responsibilities and dangers may come, such as fulfilling and not fulfilling his obligations. If taxpayers feel burdened and do not directly enjoy the benefits of paying taxes, taxpayers tend to try to reduce or even hide their responsibility to pay taxes. (Swandewi, Diatmika, & Yasa, 2017).

Another factor that affects taxpayer compliance is tax sanctions. The means of preventing taxpayers from exceeding tax norms we call tax sanctions; in other words, the coverage of the introductory provisions of the tax law we must obey is tax sanctions. Every kind of tax evasion has a danger of sanctions from the lowest to the heaviest. This matter is increasingly visible after changes to the legislation on general provisions and tax procedures (Law Number 28 of 2007) which successfully replaced actual provisions involving sanctions for denying the responsibility of the taxpayer and the tax authorities. The basis we made to minimize the act of denying is the basis carried out by the taxpayer or the tax authorities for taxpayers who forget to pay taxes. The strengthening of laws made somewhat by tax officials is required so that it should be able to spur people's enthusiasm to fulfil their obligations. So that public compliance in paying taxes can increase, therefore, the firmness of tax sanctions is very mandatory.

In Indonesia, apart from tax collection, there is also zakat collection. In taxes, the implementation of collection by the state through the Director General of Taxes. Whereas in zakat, the implementation of the collection by an official state agency or institution can be distributed directly to people entitled to receive it. (Rachman, 2016). Unfortunately, taxes are a source of state income more vital because more laws regulate it, while zakat is a personal obligation of the Muslim community, which is getting weaker. Since the first time the tax was introduced and required, the tax has increased gradually but indeed in various objects, while zakat has almost no increase. (Rachman, 2016). From the information on the most prominent tax subject, namely the Muslim community, as much as 87% of the total population in Indonesia, zakat income is naturally higher than taxable income. However, in reality, this is not the case in society. Zakat and tax revenues various indicators influenced, such as the knowledge of the Muslim community about taxes and zakat and the lack of awareness in paying zakat. Indonesian people tend to obey laws that will provide sanctions. (Rachman, 2016). Based on this description, the author will raise the title "The Influence of Tax Knowledge, Rational Attitudes, Tax Sanctions and Zakat on Taxpayer Compliance (Case Study at Islamic Boarding Schools in Semarang)".

2. Literature review

2.1. Theory of planned behavior

A concept that describes attitudes and human behaviour caused by three provisions: 1). Beliefs from behavioural sequelae and analysis of behavioural sequelae effects, 2). Trust in the dreams of other individuals and the power to carry out dreams, 3). The things that inhibit and support attitudes are called the Theory of Planned Behavior (TPB). (Ajzen, 1991). Meanwhile (Ermawati & Afifi, 2018) explained that TPB is a concept that contains the way each individual behaves that comes from strength. Each individual is nothing but the spirit of himself and can comply with the basic taxation. That we can support the country's economy by paying taxes. (Ermawati & Afifi, 2018). It is in line with research conducted by Subekti (2016) that every individual who reassesses the benefits of the tax for himself and the nation's prosperity is obedient to tax responsibilities.

2.2. Tax Compliance

According to (Andiko, Asnawi, & Pangayow, 2018), tax compliance is a condition where taxpayers exercise their tax rights and carry out all tax responsibilities. The context of compliance in this study means that taxpayers strive to comply with the basic principles of applicable taxation, both exercise their tax rights and carry out their responsibilities.

Disobedient actions taken by the community will result in efforts to avoid tax obligations and will have an impact on reducing the budget that goes to the state; that is why the issue of compliance is essential. So the higher the level of truth counting and calculating. the accuracy of depositing, as well as filling out and entering the taxpayer's notification letter, it is expected that the higher the level of taxpayer compliance in carrying out and carrying out their tax responsibilities (Rahayu, 2017).

2.3. Tax Knowledge

Information about taxes that can be used by the public as a basis for behaviour, making decisions and achieving specific strategies and directions related to their obligations and rights in the tax department is called tax knowledge. Belief in the after-effects of action and the assessment of the after-effects are called Behavioral beliefs. If the public understands taxes, the community will automatically understand that it is indispensable to fulfil tax obligations (Kusumaningrum & Aeni, 2017).

People who have a high tax understanding will automatically understand the responsibilities and penalties that will be obtained if they do not carry out their responsibilities, then the level of taxpayer compliance will automatically increase (Lailatul, Nurlaela, & Masitoh, 2018).

2.4. Rationale Attitude

An evaluative statement towards an object or event is called an attitude. It reflects one's feelings towards something. The statement or reason for the evaluative estimation of the taxpayer, either favourable or unfavourable or unfavourable regarding an object, person or event, is called the taxpayer's attitude. (Purba, Ilat, & Gamaliel, 2018). The word attitude comes from English, derived from an attitude toward a particular object, or an attitude of feeling, attitude of view, accompanied by a tendency to act and behave by that attitude (Yusuf & Ismail, 2017).

People estimate profit and loss in carrying out their tax responsibilities. We can see it from the reasons for people's estimation of finance, for example, not carrying out their tax responsibilities and the dangers that will arise, for example, paying and not paying taxes, called a rational attitude. Attitudes to crime have been viewed by social scientists as rational when one considers the expected finances of criminal and non-criminal activities and then chooses an alternative that has a higher income (Firayanti, Zifi, & Arfan, 2018).

2.5. Tax Sanctions

Tax sanctions are a means of preventing (preventive) so that taxpayers do not exceed tax norms are called tax sanctions. Based on article 7 of the KUP Law No. 28 of 2007, about imposed tax sanctions, the taxpayer does not submit his tax return (SPT) on time following the period for submitting the SPT or the deadline for extending the notification letter. Meanwhile, the period is under article 3, paragraph 3 and Article 4 of the Law on Tax General Provisions No. 28 of 2007.

2.6. Zakat

The government makes income tax an obligation to someone eligible to be taxed. At the same time, zakat is an obligation that Muslims who have fulfilled their needs must do. We can pay both to the government. If zakat is for the welfare of Muslims, the government uses taxes for the nation's welfare and building infrastructures such as roads, bridges, health centres and other public facilities (Agustina & Busyro, 2017).

There are three reasons why zakat is an essential source of state revenue. Firstly, the target of zakat is greater than the tax target, where the zakat target is still huge and needs rectification appropriately; the capacity of zakat income that is not touched is still huge. Secondly, we can use the zakat budget as state expenditure financing. Thirdly, the spirit of Muslims in paying zakat is tremendous because there is a relationship with the creator (Ramadan, 2017).

2.7. Previous Research

Research conducted by (Wirmie Eka Putra, Putra, Kusuma, & Dewi, 2019)on analyzing factors that affect taxpayer compliance (a case study on individual and corporate taxpayers in the Jambi city area). The dependent variable in this study is taxpayer compliance. At the same time, the independent variables used in this study are tax amnesty, tax knowledge, tax service services, and tax sanctions. The conclusion is that there is an influence between tax amnesty on taxpayer compliance. There is an influence between tax sanctions on taxpayer compliance. There is an influence between knowledge of taxation on taxpayer compliance. On the other hand, there is no influence between tax service services on taxpayer compliance.

This study refers to research conducted by Rahayu (2017). The difference in this study with research conducted by Rahayu (2017) is that there is an additional independent variable, namely the rational attitude of taxpayers. We can use the rational attitude of the community to measure the rewards and risks if they do not comply with the tax base. Thus, the rational attitude variable was added in this study; besides that, the researcher focused this research only on individual taxpayers in the city of Semarang.

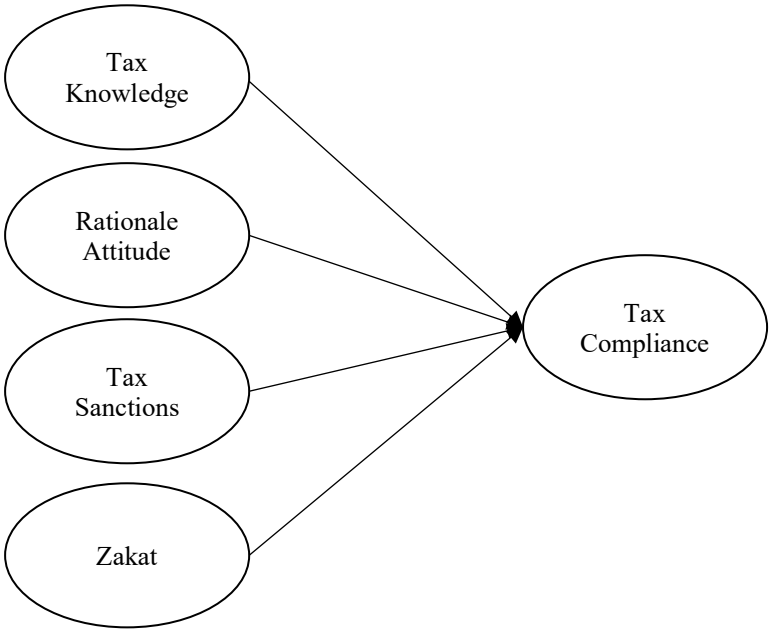


Figure 1 Research Framework

3. Research method

The object of this research is Islamic boarding school X in the city of Semarang. At the same time, this study's population is Kyai, boarding school administrators and students with taxpayer identification numbers. The population in this study ranged from 250. The questionnaire indicator in this study amounted to 30 questions multiplied by 5, and the results were 150. So the respondents decided on 150. We conducted a series of data quality tests in the form of validity and reliability tests. Some tests, such as normality and heteroscedasticity, can only be done after we give treatment to our data. Next, we perform the classical assumption test. After going through all these tests, we tested the hypothesis with multiple linear regression.

3.1. Results and Discussion

We use multiple linear regression analysis to prove the extent of the relationship between Tax Amnesty and Tax Sanctions on Individual Taxpayer Compliance. In other words, it involves two independent variables (X1, X2, X3, X4) and one dependent variable (Y).

Table 1 Regression Results.

	Standardized Coefficients	Sig.
Lag tax knowledge	-0.246	0.054
Lag rational attitude	0.139	0.385
Lag tax sanctions	-0.656	0.000
Lag zakat	0.619	0.003

The resulting linear regression equation is as follows:

$$Total\,TC = 27.593 - 0.361\,Lag_tk + 0.178\,Lag_ra - 0.671\,Lag_ts + 0.675\,Lag_z + e \quad (1)$$

Based on this equation, we can see that the variables of rational attitude and zakat are positive on taxpayer compliance. At the same time, the variables of tax knowledge and tax sanctions negatively affect taxpayer compliance. These equations explain that the regression coefficient value for the tax knowledge variable (X1) is -0.361 with a negative sign, which means that the lower tax knowledge will reduce taxpayer compliance. The value of the regression coefficient for the rational attitude variable (X2) is 0.178, which is positive, which means that the higher the rational attitude, the higher taxpayer compliance. The regression coefficient value for the tax sanction variable (X3) is -0.671, which is harmful, which means that the lower the tax sanction will reduce taxpayer compliance. The regression coefficient value for the zakat variable (X4) is 0.675, which is positive, which means that the higher the understanding of zakat, the higher taxpayer compliance.

The coefficient of determination aims to determine the percentage of the influence of the independent variable on the dependent variable. Based on our test, we know that the value of R square is 0.078; this means that the ability of the independent variable to explain the Y variable is 7.8%. The rest is explained by other variables not

discussed in this study. The results of the simultaneous significance test also show that this research model is feasible.

Meanwhile, based on the table above, we can see that the result of the hypothesis is that the Tax Knowledge variable does not have a significant positive effect on Taxpayer Compliance. The significance value for the effect of Tax Knowledge is 0.054 where 0.054 > 0.05 and the t value is -1.939 where -1.939 <1.97646. So it can be concluded that H1 is rejected, which means that there is no effect of X1 on Y.

To cultivate an attitude of obedience, knowledge of the tax base is very important. Because, for example, they do not understand the taxation basis and how taxpayers can comply. Tax knowledge is considered capable of encouraging people to carry out their tax compliance obligations. People who have an understanding of taxation will automatically fulfil their obligations. The public already understands taxation budget revenues processed by tax officials, which the public will feel through public facilities. (Maria Cristine Andiko, 2018).

The results of hypothesis testing on Rational Attitudes are not proven to have a significant positive effect on Taxpayer Compliance. The significance value for the influence of Rational Attitudes is 0.385, where 0.385 > 0.05, and the t value is 0.872, where 0.872 < 1.97646. So, it can be concluded that H2 is rejected, which means that there is no effect of X2 on Y.

The community will make themselves feel profitable if the tax law is not coercive. The punishment for refusal is not severe, tax officials are welcome to work together, and things judged by the community do not pose a high risk. The attitude of the community is to make themselves feel comfortable. Profit if it does not fulfil its tax obligations and the level of community compliance is automatically low (Luh Rahajeng Kusuma Dewi et al, 2017).

On the other hand, if the taxpayer does not calculate finances and is more concerned with the public interest, the public will automatically obey their tax responsibilities. Basically, the higher the rational attitude, the higher the taxpayer compliance in carrying out their tax responsibilities.

Meanwhile, the hypothesis test results for the Tax Sanctions variable show a significant positive effect on Taxpayer Compliance. The significance value for the effect of Tax Sanctions is 0.000, where 0.000 <0.05, and the t-count value is 3.052, where 3.052 <1.97646. So, it can be concluded that H3 is accepted, which means there is an effect of X3 on Y.

According to attribution theory, the factors that influence the public's assessment in terms of public attitudes toward fulfilling their tax obligations are called tax sanctions. Society analyzes everyday life and the experience of giving punishment by the state to people who do tax evasion based on social learning theory. To support that taxpayers comply with the taxation basis; therefore tax sanctions are created (Wirmie Eka Putra, Putra, Kusuma, & Dewi, 2019).

The hypothesis test results for the Zakat variable show a significant positive effect on Taxpayer Compliance. The significance value for the effect of zakat is 0.003, where 0.003 <0.05, and the t-count value is -0.3606, where -0.3606 <1.97646. So it can be concluded that H4 is accepted, which means there is an effect of X4 on Y.

Zakat is an obligation for Muslims who have fulfilled the haul because zakat is the third pillar of Islam that Muslims must implement. Zakat is needed as it should be, namely for the economic welfare of Muslims and for helping those who are financially deficient in living decently. (Agustina & Busyro, 2017)

A high understanding of zakat certainly affects the behaviour of the zakat obligation to carry out the obligation to fulfil zakat properly. Zakat payers who have shown good behaviour, of course, carry out the behaviour that describes their good behaviour, such as fulfilling their obligations in fulfilling their taxes and zakat according to the rules and not being delayed in time (Yusuf & Ismail, 2017).

4. Conclusions

This study aims to determine the effect of the variable Knowledge of Taxes, Rational Attitudes, Tax Sanctions and Zakat on Taxpayer Compliance. Based on the research results described in the previous chapter, we can conclude that we reject Hypothesis H1, which means that the tax knowledge variable has no positive and significant effect on taxpayer compliance. We reject Hypothesis H2, which means that the rational attitude variable has no positive and significant effect on taxpayer compliance. Hypothesis H3 is accepted; the tax sanctions variable positively and significantly affects taxpayer compliance.

Hypothesis H4 is accepted; this means that the zakat variable positively and significantly affects taxpayer compliance.

Based on the research results, the suggestions include the government. In this case, the Directorate General of Taxes should provide more socialization about taxpayer compliance to increase public awareness of paying taxes so that the government can set the tax revenue target. Taxpayers need to be more aware of the importance of taxes as a source of state financing so that taxpayers can increase their moral obligations of the taxpayers themselves in order to fulfil their obligations in paying taxes. Further researchers can use the results of this study as a reference for developing research by considering other variables besides the variables included in this study. In addition,

further researchers are welcome to add dimensions to the statements in each of the variables in the research questionnaire.

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Political Connections, Audit Committee Expertise and Audit Fees: Evidence from Malaysia

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Abstract

The purpose of this paper is to investigate the relationship between political connections, audit committee expertise and audit fee. The study examines the association of audit committee experts with the influence of political connections and audit fees. Samples involved 2020 financial data of 186 firms that were ranked by highest market capitalizations in Malaysia's setting. Regression analyses were used to test the hypotheses. The initial finding suggests that audit fees are positively and significantly related to political connections (PCON) with the conditional upon there is interaction among the PCON variables as its response differently to different features. For the financial expertise of the audit committee members is negatively related to audit fees only when expertise is defined as accounting financial expertise. The result shows an interesting finding as the study has adopted an individual difference based on the political connection as key governance stakeholders and the associated reputational risks to explain audit pricing. The implication particularly on the audit committee to improve the financial sophistication and furthermore, improving the accounting expertise for all board members is likely to contribute to better governance.

Keywords: Audit committee expertise; political connections; Audit Fees

1. Introduction

Audit committee play significant role in the quality and credibility of financial reporting since they act as part of the governance mechanism to improve operations and economic profit of firms. Audit committees are important mechanism in the corporate governance (Dwekat et al. 2020; Bansal and Sharma, 2016) and have an important role ensuring the financial reporting quality (Carcello and Neal, 2000). The audit committee literature mostly focuses on the audit committee effectiveness from various aspects; as a non-executive director or board independence (Chen et al., 2005), and being financial experts or having accounting and finance background (Engel et al., 2010; Baxter and Cotter, 2009, Mangena and Tauringana, 2008; Sunarto et al. 2021). Audit committees with financial expertise are important as they show support for auditors (De Zoort et al., 2003; DeZoort and Salterio, 2001), the credibility of the financial statements (Burrowes and Hendriks, 2005). One of the features of Sarbanes Oxley Act (SOX) 2002, concerning audit committee is the disclosure of whether the audit committee includes a financial expert.

The issue of whether the auditors value the expertise of the audit committee members is mixed. While (Carcello et al.,2002) using survey data from 1992-1993 find that audit committee attributes (independence, diligence, and expertise) have no incremental association with audit fees beyond board attributes (number of board meetings, board independence, and board expertise), Abbott et al. (2003) using data from 2001 find that audit committee independence and financial expertise (broadly defined) are positively associated with audit fees. Abbott et al. (2003) interpret the positive relation between expertise and audit fees as evidence that the audit commit tees demand a higher audit quality and, therefore, audit fees are higher-that is audit fees may be higher for stronger governance structures.

Prior studies show various categories and definitions of experts. Accounting experts are those with accounting professional certification or affiliation. While for non-accounting experts are those directors without any certification but have served in senior managerial positions such as CFO or CEO. The need to have accounting experts or financial experts on the audit committee is clearly stated in Sarbanes Oxley Act, 2002, BRC (Blue Ribbon Committee), 1999 and Code of Corporate Governance.

However, the measurement of expertise may need to be further analysed, as SOA and SEC's description may not be suitable for emerging economies, such as Malaysia. Even though, it shows that Malaysian listing requirements' guideline is almost similar with other countries such as Australia, New Zealand, and Hong Kong but the measurement of financial expertise is not a case of ''one size fits all'' scenario. Furthermore, studies in the Malaysian context, such as Ismail et al. (2008), Rahman and Ali (2006) and Iskandar and Abdullah (2004), fail to find any association between financial expertise and financial reporting quality. Hence, focus of expertise may need to be expanded than the existing measurement that majority studies adopted, i.e. the SEC or SOA's definition (Defond et al., 2005; Carcello et al., 2006), or merely relying on measurement such as [3]MIA membership (Ismail et al., 2008; Rahman and Ali, 2006), or only brief description such as Rahmat et al. (2009) that mentioned audit committee experts, are those with knowledge in accounting and finance, with relevant years of experience in practice, or audit committee members with accounting and finance qualifications such as in Ghaleb et al. (2021), Hasan et al. (2020), Yatim et al. (2006) and Iskandar and Abdullah (2004). Perhaps defining expertise may need to be expanded rather than focus on accounting professionals only.

In addition, the impact of political connections on audit fees remains largely under studied despite the development of an extensive body of literature on audit pricing over the last few decades (eg, Harymawan., 2020). In relation to the influence of political connections, the uniqueness of Malaysia's setting, which is a relationship-based system, is more exposed to control by politicians who have connections with firms. The linkages between changes in the system, such as a financial crisis, and how auditors respond to these changes can be demonstrated through a firm's financial reporting practices. Poor performances by politically connected firms are due to operating inefficiencies, and the inability of the government to provide support is posited to result in an increased risk of financial statements being materially misstated, ceteris paribus. Auditors are expected in this situation to use more audit effort in order to collect sufficient evidence to render an appropriate opinion. As a consequence, higher audit fees will be charged as a result of the perceived higher risk by the auditor.

The growing debate on the effects of political connections on perceived business risks and corporate governance (Gul, 2006; Gwon, 2015), however they do not examine audit committee expertise, nevertheless warrants further study in this area. The present study addresses this gap in the audit literature by examining the influence of political connections, audit committee expertise and audit fees using data of Malaysian listed firms for year of 2019. Building on Gul (2006) and Faccio et al. (2006), the objective of this study is to shed light on the type of financial expertise that is accounting versus non accounting of audit committee members is valued by auditors. Furthermore, the study examines the influence of political connection based on Malaysia setting and interaction of financial experts with internal audit.

2. Literature Review

Audit fees are determined by audit risk which in turn affected by managers incentives to misreport and by the probability of corporate failure (Choi et al., 2008; Gul, 2006; and Simunic, 1980). Auditors expect to exercise more audit effort to investigate any accounting irregularities if the manager incentive to misreport are stronger and this additional effort recognized by higher audit fees. Furthermore, auditors may charge extra fees to clients with a higher risk in which is often triggered by corporate failure (Dye, 1993).

Following prior studies (Bedard and Johnstone, 2004) the study adopts a supply side audit risk model to posit theoretical relationships between political connections, corporate governance practises and audit fees. In which the situation is where the auditors take the corporate governance practises and the influence of political connections of the client firm into account and exert more (less) effort and hence charge more (less) fees depending upon they perceive the risk. In contrast to this supply side or risk-based perspective, several studies have adopted a demand side perspective that argues a stronger corporate governance practises and strong political influences and audit fees may be positively related. Thus, more independent directors on the board or audit committee and stronger political connections may demand higher quality audits that lead to greater audit effort and higher audit fees. However, it can be seen from the evidence that is based on this demand side argument is somehow cause to problems.

To a narrow extent, various studies have determined audit fee in several other developing countries such as Singapore (Low et al.1990), Hong Kong (Simon et al.1992) and Japan (Taylor, 1992). Consistent with the developed countries, there are various determinants that have been detected including client size, complexity and

[3] MIA is refers to Malaysian Institute of Accountant which is a statutory body established under the Accountants Act, 1967 to regulate and develop the accountancy profession in Malaysia.

risk. However, similar cases seem very lacking being investigated in Malaysia as one of the emerging markets that have strong political connections in their firm's structure.

The gap in the literatures can be filled in as the current study using different variables and types of corporate governance practises in which coming from varying regulatory environments (Han et al. 2016; Rahman and Khatun, 2017). As a focus of this study is on the influence of political connections and audit committee, thus the limitations of the demand side arguments are even more pronounced given that audit committee have becoming emerged as reliable mechanism to improve corporate governance (Choi et al., 2008; Gul, 2006; and Simunic, 1980). Whilst a large body of literature has investigated audit committee (Dwekat et al. 2020; Bansal and Sharma, 2016), somewhat very limited studies have focused on the influence of political connections. The current study provides additional evidence on audit committees in relation to how political connections influence their roles in performing their functions. An examination of the relationships should provide an understanding of how political connections may influence the effectiveness of audit committees in carrying out their roles and responsibility, and lead to a better corporate governance environment. The study contributes to the literature on both political connections and corporate governance by showing the influence of political connections on audit committees in an economy, in which the government has coercive power over firms. However, by demonstrating that public companies have benefited from the political connections of their audit committees, this study suggests that political connections play a greater role in audit quality than previously documented. Given this unique corporate environment and the impact of political connection within the firms, this study is well places to further extend the audit fee literature by examining political connection, audit committee expertise and corporate governance with the audit fee paid to the external auditors in measuring the audit quality.

2.1 Audit Committee Expertise

The key to good governance lies in getting the right board in place. The board being accountable for its stewardship, runs the business and assumes responsibility over all of the principal responsibilities to effectively lead and control the company (SOA, 2002). Whereas the BRC (1999) dictates that good governance comes from a board comprising individuals with certain characteristics, such as recognition on the importance of the board's tasks, integrity, a sense of accountability, a history of achievement, and the ability to ask tough questions. Hence, we can see that the Finance Committee and BRC look at the board of directors as a mechanism to achieve good governance. This lends support to the SOA (2002) that also highlight the concern on audit committee financial expertise such as Section 407 on the disclosure of audit committee financial expert.

The financial expertise issue among audit committees has been highlighted in the SOA, and BRC. A study that examined the wealth effects of the passage of SOA 2002 on financial firms, finds that firms with less independent audit committees, without a financial expert on the audit committee and less involved CEO, experience less favourable wealth effects (Akhigbe and Martin, 2006). There is also evidence that suggests audit committees should be composed of directors who are independent and have a financial expert to effectively perform their responsibility and enhancing the credibility of financial reporting as shown in Mangena and Tauringana (2008) and are now acknowledging committee financial experts when higher compensation is paid to them (Engel et al., 2010). Previously, Vermeer *et al*. (2006), show that 88 percent of organisations have at least one financial expert on the audit committee, and that firms with greater representation of outside positions and larger boards significantly include more outsiders with financial reporting and audit committee knowledge expertise (Beasley and Salterio, 2001).

2.2 Malaysian Background

There was a socio-economic imbalance between the ethnic groups in Malaysia right after the independence of 1957. The New Economic Policy (NEP) from year 1970 to 1990 and National Development Policy (NDP) from 1991 to 2000 were established to overcome the matters. Both were aiming to increase the rights in terms of economic composition of Bumiputra[4] in the Malaysian corporate ownership and capital markets. In addition, there were series of privatization and corporatization of some government departments in the formation of many public listed companies (PLC). Due to this, the majorities of Malaysian companies have become more government and politically connected (Singam, 2003). In Malaysia's corporate culture, 'knowing who' is becoming important as 'knowing how' as the informal ties with the politicians is the valued added to the companies (Singam, 2003; Mago et al. 2013). For instance, when somebody is appointed as a means to gain priority for government contracts, increased access to capital and other subsidies (Gomez, 2002). According to Afzan and Rashidah (2011), the government and the key politicians can exercise their position as the representatives of the shareholder in making major decisions like financing, restructuring and investment. This is shown that the existence of firms that are

subject to a greater degree of political connection is an important institutional difference between Malaysia and other western developed countries such as USA and UK.

Concerning to Malaysia setting seems that political connections in Malaysia have strong impact on audit risk or audit fees as well as non-audit services. Malaysia is commonly believed to have like relationship-based market system in which causes to the weak institution and biased media networks for monitoring both business and politicians. As a result, political connections may generate significant value to the connected firms.

3. Hypotheses Development

To understand the linkage between audit pricing and audit committee expertise, firstly further explanations needed on how the audit committee in general and the accounting expertise of the audit committee in particular impact the overall audit risk (AR), which is priced by the auditors. The audit risk model states that AR equals product of inherent risk (IR), control risk (CR), and detection risk (DR). In general, the accounting expertise of the audit committee affects audit fees via the control risk as well as the inherent risk. It is supported by one of the requirements under SOX underscores the importance of the auditor's assessment of audit committee's financial expertise. Audit committee members with accounting expertise can examine the reasonableness of explanations provided by the management and in particular detect the nature of disagreements between management and the external auditor (DeZoort and Salterio, 2001).

In relation to the influence of political connections, the unique of Malaysia's setting which is relationship-based system are more exposed to the controlled of politicians who are having connection with the firms. The linkages between changes in the system such as financial crisis and how auditors respond to these changes can be demonstrated through firm's financial reporting practises. Poor performances of PCON firms due to operating inefficiencies and with the inability of the government to provide support is posited to the result in an increased risk of the financial statements being materially misstated ceteris peribus. Auditors are expected in this situation to use more audit effort to collect sufficient evidence to render an appropriate opinion. Therefore, higher audit fees will be charged as a result of the perceived higher risk by the auditor. Given the nature of mixed findings in the prior research, the study tries to confirm the hypotheses as proposed in the next section.

3.1 Political Connections

A study by Gul (2006) provides empirical evidence to support the proposition that auditors perceive greater risk inherent in politically connected firms leading to their performing greater audit effort. This in turn, leads to these firms being charged higher fees. This is because these firms have a higher probability of their financial business failure and are more likely to misstate their financial health in their financial statements to avoid covenant violations. Since the federal government and state agencies are the biggest shareholders in many public listed companies, scores of senior government officers (SGO) were appointed as directors and managers. They have either retired or currently serving as senior officers of government departments and subsequently seconded to helm government linked companies (GLCs). The presence of SGO as directors could bring in resources, in line with the resource dependency theory, favorable contracts and business opportunities into firms. In addition, in terms of appointing audit committee from politician background (POL) as directors in GLCs and non GLCs is significant as politicians were seen to be a "door opener" in many business transactions. Many POLS were appointed as the government wanted to align the lawmakers with government policies and agendas (Jamil, 2020). This variable is of interest because the presence of politician directors might have a positive impact on audit quality and thus give an impact to the audit fees. Based on the arguments presented above, the study proposes the following hypotheses:

H1: There is a positive relationship between the proportion of audit committee who are senior government officers (SGO) and audit fee.

H2: There is a positive relationship between the proportion of audit committee who are politicians (POL) and audit fee.

3.2 Audit Committee

Prior research indicates that the keyboard and audit committee characteristics affect audit fee (eg, Carcello and Neal 2000; Raghunandan et al, 1998). For an independent, size, financial expert, meeting may demand differently higher audit quality than the large audit firm normally provides, primarily to protect the board's own interests. Krishnan and Visvanathan (2006) observe that auditors price the effectiveness of the audit committee because it relates to control risk and thus, the overall audit risk. The results observed in Malaysia may not be the same in other settings due to institutional and governance difference in the setting specifically in GLCs and non GLCs. In contrary, Rainsbury et al. (2009) examines the association between the quality of audit committee on financial reporting quality and external audit fee in New Zealand and find that higher quality of audit committee does not impact audit fees. The audit committee effectiveness (ACE) could indicate a higher level of control in the company. Thus, it could be associated with higher AF and lower NAS. Thus, the following hypotheses are proposed:

H3: There is positive relationship between the proportion of audit committee independence and audit fee.
H4: There is a positive relationship between audit committee size and audit fee.
H5: There is positive relationship between the audit committee meeting and audit fee.
H6: There is positive relationship between the proportion of audit committee financial expert and audit fee.

4. Methodology and Model Specification

4.1 Data collections

In addressing the hypotheses in this study, the data obtained from multiple sources. On the other hand, companies' financial data and other published corporate data gathered from companies' annual reports and databases (quantitative data) were collected and analysed, and the political factors that are associated with corporate governance and audit quality were identified. The data of politically connected audit committee or boards are collected by manually examine the annual reports during the sample period and identify background of each member.

4.2 Sample

In the current study, the sample of top 186 companies (excluding financial companies) for the year of 2020 listed in Bursa Malaysia was selected in terms of market capitalization and consisting of few industries (trading and services sector, consumer product, industrial product, plantation and construction). The technique sample used purposive sampling (Fuadah and Kalsum, 2021). The data of the recent year is taken since the proxy for political connection used in prior study might not be accurate or relevant to the current situation. For instance, it is possible over the time the firms perhaps should be identified could remain unrecognized and identified firms may become 'less connected'. Thus, the recent data seems very useful in giving the accurate information about the political connections.

4.3 Research Methodology

The study utilized regression model to analyze the analysis. Since most audit fee models use the logarithmic transformation of audit fees as the dependent variable, the tests in this study are conducted using logarithmic transformation as the dependent variable (see for example, Francis, 1984; Ferguson et al., 2003)

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$$\text{Ln (AF)}_{i,t} = ß0 + ß1\ (\text{ACSGO})_{i,t} + ß2(\text{ACPOL})_{i,t} + ß3(\text{GOVSHARE})_{i,t} + ß4(\text{ACINDEP})_{i,t,} + ß5(\text{ACSIZE})_{i,t,} + ß6(\text{ACMEETING})_{i,t} + ß7(\text{ACEXPERT})_{i,t,} + ß8(\text{BOARDSIZE})_{i,t} + ß9(\text{BOARDINDEP})_{i,t} + ß10(\text{IA})_{i,t} + ß11(\text{BIG4})_{i,t} + ß12(\text{AUDITTENURE})_{i,t}\ ei,t + ß13\ (\text{LOGNAS})_{i,t} + ß14\ (\text{LOGFIRMSIZE})_{i,t} + ß15(\text{SUBSIDIARIES})_{i,t} + ß16\ (\text{LOGDEBT})_{i,t} + ß17\ (\text{LOGPROFIT})_{i,t}$$

In the regression model, the log of audit fees (LAF) is the dependent variable. The definitions of all the variables including the independent and control variables follow in the table 1.

4.4 Measurement of the Variables

4.4.1 Dependent Variables

Following tests of normality, the dependent variable, Audit Fee, is measured by taking the natural log of audit fees, paid by the entity for performing audit services during the year. This is disclosed by the entity in the financial statements in the 'Notes to the Financial Statements' section in the annual reports. The natural log is used to control for the skewed nature of audit fees.

44.2 Independent Variables

The data on the composition of audit committee, board of directors were manually collected from 2019 annual reports and financial data were gathered from the databases. Malaysian listed companies are required to disclose information including details of the directors on the audit committee, whether the directors are executive (non-independent) directors or non-executive (independent) directors.

Turning to the variable of interest of ACSGO and ACPOL, the data on the firm's political connections, background of politicians and audit committee who is senior government officer come from the annual reports and matched them with the information provided in the Election and Parliament website. ACEXPERT is the study baseline financial expert variable and is measured as the proportion of audit committee directors who qualify as financial experts to the total number of directors in the audit committee. The study follows the Malaysian Institute of Accountants (MIA) broader definition of a financial expert to include accounting financial experts which are directors who possess professional accounting qualification such as (ACCA, CIMA, ICAEW, CPA, AICPA, MIA, MICPA) and at least 3 years experiences in accounting field.

Table 1: Summary of Variable Measurement

Variable	Data Sources	Variable Measurement
Dependent: Audit Fees (AF)	Annual report in Notes to the Account section or Statement on Corporate Governance section	Natural logarithm of audit fees for financial year ended 2019
Independent:		
Non audit services (LOGNAS)	Annual report in Additional Compliance Information.	Natural logarithm of total non-audit fees for financial year ended 2019
AC Senior Government Officer (ACSGO)	Annual report in Director's Profile section and Malaysia Election's Website	The proportion of audit committee who is senior government officer to the number of AC members
AC Politician (ACPOL)	Annual report in Director's Profile section and Malaysia Election's Website	The proportion of audit committee who is politician to the number of AC members
AC Independence (ACINDEP)	Annual report in Director's Profile section and AC Report section	The proportion of independent non-executive directors to the size of AC
AC Size (ACSIZE)	Annual report in AC Report section	Total number of AC members
AC Meeting (ACMEET)	Annual report in AC Report section	Total number of AC meeting in an accounting year
AC Expert (ACEXPERT)	Annual report in Director's Profile section	The proportion of audit committee who possess professional accounting qualification such as (ACCA,CIMA,ICAEW,CPA,AICPA,MIA,MICPA) and at least 3 years experiences in accounting field as mentioned by Malaysian Institute of Accountants (MIA)
AC Postgraduate (ACPOSTGRAD)	Annual report in Director's Profile section	The proportion of audit committee who possess Masters Degree and Doctor of Philosophy
AUDIT Tenure (AUDITENURE)	Bloomberg database	The durations of current auditor being appointed until the year end of 2019
Board size (BOARDSIZE)	Annual report in Director's Profile section and Bloomberg database	The total number of board directors members
Board independence (BOARDINDEP)	Annual report in Director's Profile section	The proportion of independent non executive directors to the size of board members
Subsidiaries (SUB)	Annual report in Notes to the Financial Statement ;*List of Subsidiaries.*	The total number of subsidiaries for the year ended 2019
Total assets (TASSETS)	Annual report in Financial Statement section and Bloomberg database	Total current assets and non current assets as at 31st December 2019

Total liabilities (TLIABILITIES)	Annual report in Financial Statement section and Bloomberg database	Total current liabilities and non current liabilities as at 31st December 2019
Net profit (PROFIT)	Annual report in Financial Statement section and Bloomberg database	Profit for the financial year ended 2019
Big 4 firms (BIG4)	Annual report in Auditor's report section	Dichotomous variable,if the type of auditor is Big 4 the value is 1 or 0 if otherwise
Internal audit (IA)	Annual report in Internal Audit function section	Dichotomous variable,if there is internal audit function the value is 1 or 0 if otherwise

5. Findings

5.1 Descriptive statistics

Table 2 provides the descriptive statistic consisted mean, standard deviation, minimum, maximum, for the dependent and independent variables). In the model above, the natural logarithm of audit fees (LAF) is the dependent variable. In general, the distributions are similar to previous studies undertaken in the Malaysian market (Einchenseher, 1995; Che Ahmad and Houghton, 2001). From the descriptive statistics reported in Table 2, the average log audit fee is 6.037 and ranges from 4.7 and 8.7. The audit fee model used in this study includes several control variables that were used in prior studies (Carcello et al., 2002,;Simunic, 1980) and those are unique to the Malaysian setting (Gul,2006; Yatim et al., 2006). These variables include political connections (ACSGO and ACPOL), audit committee (ACINDEP, ACSIZE, ACMEET, ACEXPERT), board of directors (BOARDSIZE, BOARDINDEP, FAMILY and SUBSIDIARIES) and firm size (TOTALASSETS).

As shown in Table 2, the mean log total asset for the sample is 9.529 and ranges from 8.027 to 11.729. The sample firms have an average log total liabilities of 9.108 and the mean of log net profit is 8.227 .About 33% of audit committee is holding position as senior government officer in the prior year. In terms of audit committee characteristics, in average 84% audit committee in the firms are independence. And mean size for audit committee at 4.15 members slightly consistent with Raghunandan and Rama (2007), that documents a mean for audit committee size is at 3.78 members. Turning to the variables of interest, is the unique institutional factor in Malaysia which is the existence of politician in the firms and 27% of the firm's audit committee are politicians and 33% are senior government of officers. On the other hand, the mean percentage of audit committee with accounting and finance expertise is 72% in which higher than Krishnan and Visvanathan (2008), report the mean of audit committee expertise, 60%. While regards to audit committee meeting, the number of meetings held in the year ranges from 3 to 17 with a mean of 6.25 meetings in the year. The study finds that average number of boards is between 8 and 9 boards which is consistent with Raghunandan and Rama (2007).

Table 3 provides the Spearman correlation coeffecients (and p-values) for all the variables used in the model. The correlations presented in the table generally suggest that audit fees are positively correlated with audit committee senior government officer (ACSGO), audit committee independence (ACINDEP), audit committee size (ACSIZE), subsidiaries (SUBSIDIARIES) and. The correlations amongst the independent variables are comparatively low. All values are well below (0.50, except for the correlation between LOGNAS and LOGPROFIT (r=0.763). To test for multicollinearity, the VIF was calculated for each independent variable. The results indicate that for all estimations, the independent variable had VIF values of less than 10.

5.2 Regression Analysis

5.2.1 Political Connections, Audit Committee and Audit Fees

Table 4 reports the results of the audit fee regression analysis. The basic audit fee model includes corporate governance variables. The model has an explanatory power with adjusted R square of 12.7 percent with the p-value of (0.000) and F-value (5.783). Although the adjusted R square of the models is slightly lower than some of the prior studies in the US, UK and Australia, they are comparable to other studies in Malaysia (Gul, 2006; Yatim et al. 2006). As expected, the study finds natural logarithm of audit fees (LAF) to be positive and significant ($p<0.05$,and $p<0.01$) related to audit committee size (ACSIZE), internal audit (IA) and non audit services (NAS). In addition, natural logarithm of audit fees (LAF) is positive but insignificant with audit committee senior government officer (ACSGO), audit committee politician (ACPOL), audit committee independence, board members (BOARDSIZE), number of subsidiaries (SUBSIDIARIES), BIG 4 firms, and audit tenure (AUDITENURE).On the other hand, there is negative relationship of audit fee with government share (GOVSHARE), log debt (LOGDEBT), audit committee meeting (ACMEET) and audit committee expert (ACEXPERT).

Turning the variable of interest, ACEXPERT is negative and not significant at all. Recall that ACEXPERT represents MIA's broader measure of financial experts in which accounting financial experts are directors who

possess professional accounting qualification such as (ACCA, CIMA, ICAEW, CPA, AICPA, MIA, MICPA) and at least 3 years experiences in accounting field. Thus, the measurement of financial expertise may need to be further analysed, as MIA definition of experts does not include non-accounting experts such as audit committee who possess postgraduate qualification or managerial experiences. There is a need of additional theoretical work to explain the monitoring role of audit committees as proposed by Beasley et al. (2009). Which is why, some Malaysian studies (see Iskandar and Abdullah, 2004; Rahman and Ali, 2006; Ismail et al., 2008) failed to find any association of financial expertise with financial reporting, hence suggesting that perhaps a more appropriate measure and explanation are needed.

For ACSGO and ACPOL, reveal a positive coefficient result. This result is consistent with Gul's (2006) suggestion that politically connected firms present more audit risk, and it supports demand-based arguments. Stakeholders, being aware of a firm's political connections, seem willing and able to pay higher audit fees for such auditees so that more audit effort can be applied. Stakeholders seem very 'aware' of political connections and use the external audit mechanism to partially compensate for the negative effects of political connection. Audit fees may be higher, though, independently of audit effort because political connections allow for wealth transfers between the auditee and the auditor.

Table 2: Descriptive Analysis.

Variable N=186	*Mean*	*Standard Deviation*	*Min*	*Max*	*25% percentile*	*50% percentile*	*75% percentile*
PANEL A: Dependent							
LOGAUDIT FEES (LAF)	6.037	0.632	4.699	8.666	5.602	6.016	6.364
PANEL B: Independent							
PCON							
ACSGO (P)	0.33	0.234	0	1	0.20	0.25	0.50
ACPOL (P)	0.27	0.196	0	1	0.20	0.25	0.33
GOVSHARE	0.049	0.074	0.0001	0.523	0.012	0.023	0.060
AUDITCOMITTEE							
ACINDEP (P)	0.847	0.202	0.25	1.67	0.75	0.917	1
ACSIZE	4.15	0.895	3	8	4	4	5
ACMEETING	6.25	2.860	3	17	4	6	7
ACEXPERT (P)	0.72	0.249	0.167	1.33	0.525	0.75	1
BOARDOFDIRECTORS							
BOARD SIZE	8.69	2.227	4	17	7	8	10
BOARD INDEP (P)	0.570	0.223	0.214	1.5	0.4	0.517	0.714
AUDITOR							
IA	0.74	0.254	0	1	1	1	1
BIG 4	0.84	0.372	0	1	1	1	1
AUDIT TENURE	6.20	2.952	2	15	4	5	8
LOGNAS (RM)	5.699	0.616	4.301	7.458	5.326	5.624	6.079
CONTROLVARIABLE							
LOGFIRMSIZE	9.529	0.658	8.027	11.729	9.158	9.394	9.833
SUBSIDIARIES	21.01	22.657	0	143	6.00	13.00	27.00
LOGPROFIT	8.227	0.610	6.369	9.781	7.868	8.128	8.614
LOGDEBT	9.108	0.812	7.197	11.690	8.583	9.019	9.531

Table 3: Correlation Analysis.

N=186	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
AUDITFEE	1	0.045	0.093	-0.041	0.038	0.038	-0.06	-0.081	0.020	-0.075	0.167*	0.016	0.042	-0.007	0.004	0.004	0.017	0.167*
ACSGO			1	0.013	-0.026	-0.026	-0.053	0.201**	-0.040	0.024	0.010	0.044	-0.127	0.015	-0.125	-0.130	-0.093	0.010
ACPOL				1	-0.023	-0.023	-0.101	-0.107	0.06	0.006	0.032	-0.069	-0.134	-0.013	0.106	0.107	0.027	0.032
GOVSHARE																		
ACINDEP					1	0.600**	-0.117	-0.016	-0.046	-0.039	0.028	-0.090	-0.067	0.060	0.111	0.099	0.144*	0.028
ACSIZE						1	-0.117	-0.016	-0.046	-0.039	0.028	-0.090	-0.067	0.060	0.111	0.099	0.144*	0.028
ACMEET							1	0.202**	0.116	0.456	-0.140	0.087	0.176*	-0.103	-0.145*	-0.124	0.239**	-0.140
ACEXPERT								1	0.064	0.112	-0.022	0.083	-0.057	0.030	-0.081	-0.062	-0.134	-0.022
BOARDSIZE									1	0.077	0.098	0.111	0.020	0.105	0.329**	-0.332**	0.290**	0.098
BOARDINDEP										1	0.023	-0.015	-0.159**	0.048	0.136	0.133	0.125	0.023
IA											1	0.001	0.047	-0.031	0.125	0.136	0.043	-0.06
BIG 4												1	0.004	-0.020	-0.176*	0.145**	-0.308**	-0.144*
AUDITTENURE													1	0.775	-0.039	-0.035	-0.047	-0.053
LOGNAS														1	0.002	0.132	0.763**	-0.101
LOGFIRMSIZE															1	0.051	0.003*	-0.117
SUBSIDIARIES																1	0.214	-0.117
LOGPROFIT																	1	0.213
LOGDEBT																		1

,significant at 5% level (2-tailed and 1% level (2-tailed).*

Table 4: Regression Analysis: Main Model.

	Variable	*+/-*	*Coefficients*	*Significant (t-stat)*	*p-value*
PANEL A: Dependent	*LOGAFEE*				
PANEL B:Independent Variable	*constant*		2.676	2.998	0.003
PCON					
	ACSGO (P)	+	0.090	1.465	0.144
	ACPOL (P)	+	0.050	0.971	0.332
	GOVSHARE	+	-0.061	-1.090	0.277
AUDITCOMITTEE					
	ACINDEP (P)	+	0.040	0.242	0.809
	ACSIZE	+	0.012	0.206	**0.037****
	ACMEETING	+	-0.023	-0.457	0.648
	ACEXPERT (P)	+	-0.101	-1.720	0.086
BOARDOFDIRECTORS					
	BOARDSIZE	+	0.111	1.848	0.065
	BOARDINDEP (P)	+	-0.059	-1.027	0.305
AUDITOR					
	IA	+	0.201	0.416	**0.003*****
	BIG 4	+	0.057	1.109	0.268
	AUDIT TENURE	+	0.022	0.398	0.691
	LOGNAS	-	0.107	2.154	**0.032****
CONTROLVARIABLE					
	LOGFIRMSIZE	+	0.285	1.669	0.096
	SUBSIDIARIES	+	0.001	0.028	0.978
	LOGPROFIT	+	0.139	1.619	0.106
	LOGDEBT	+	-0.217	-1.486	0.138
	N		186		
	R^2		0.164		
	Adjusted R^2		0.127		
	F-value		5.783		
	P-value		0.000		

*,**significant at 5% level (2-tailed and 1% level (2-tailed).*

5.3 Further Analysis

Audit Committee Qualifications. The composition of audit committee is to have at least one third of the members to be financially qualified. While for Bursa Malaysia listing requirement require at least on member of audit committee to pass certain examinations as specified for accounting certified professionals and inclusive of CPA, CMA, CIA as a result of formal education, experience, professional ethics codes and continuing education requirements. Thus, the study defines accounting expert by having such qualifications. While according to Bonner and Lewis (1990), have noted that experts learned through formalised training and specialised skills that will make directors more effective. Consistent with Kim et al. (2006) who theorise that formal education allows individual to gain knowledge and skills and earn credential valued by others in the business community. Thus, board members who are possessing such a higher formal education until postgraduate level considering more knowledgeable and thus more efficient in conducting their oversight responsibilities.

Next the study present Table 5 in which shows a total of three different model's interactions of internal audit and audit committee qualifications. In this table, the financial experts are defined to include non-accounting experts. Model 1 shows similar audit fee model with additional tested variables in which audit committee expert interact with internal audit (ACEXPERT*IA). As shown in the table, model 1 is statistically significant at 1% level and the adjusted R square is about 21.9%. In model 1, the interaction of ACSGO and ACPOL continue to

be significant at 1% level as p value is 0.001. However, the interaction of audit committee expert (ACEXPERT) and internal audit (IA) show positive but insignificant result as the p value is 0.167. The result contradicts with the main regression model as without any interaction, the direction of relationship totally different.

Model 2 use additional variable of financial expert by extending the definition provided by earlier test which is audit committee who is possessing postgraduate qualifications (ACPOSTGRAD). ACPOSTGRAD is being measured by the proportion of audit committee who possess Masters Degree and Doctor of Philosophy qualifications. It is supported by Kim et al., (2006) that formal education allows individuals to gain knowledge and skills, earn credentials valued by others in the business community and the higher skill level in the workforce increases the production capacity, where one year's increase in average educational attainment of the workforce will lead to an increase in labour productivity growth of 0.3 percent point as documented by Canton (2007). Based on model 2, the result shows that the interactions of ACPOSTGRAD and IA are positive but insignificant with p value of 0.359. The adjusted R square is about 10.7% in which a bit lower as compared to model 1. Thus, it is suggested that the presence of audit committee with any postgraduate qualifications, is sufficient to contribute to the financial reporting quality as represented by higher audit fees. Subsequently, suggesting that the presence of audit who possessing postgraduate qualifications is significant when there is an insufficient of audit committee financial experts. Hence, suggesting that tertiary or continuing education on human capital on audit committee, is not a complimentary skill needed to improve financial reporting quality.

While model 3 shows the interaction of ACPOSTGRAD with IA and ACEXPERT. Consistent with model 1 and model 2, the result shows positive but insignificant value as the p-value is 0.135. This result suggests that auditors probably do not fully take consideration of the various measurement audit committee accounting expert background. Thus, in response to the interactions it is not significantly affect the audit fees to increase. However, the positive relationship may indicate that audit committee that is more engaged may demand a higher quality audit and thus lead to a higher amount of audit fees.

Defond et al., (2005) report that the positive investor response to accounting financial experts on the audit committee is conditional upon the firm's corporate governance that is accounting expertise is more effective when other governance mechanisms are already in place. In other words, weaknesses in the overall governance structure such as less independent board could undermine the benefits of having accounting financial experts in the audit committee. By interacting ACEXPERT and different measure of it namely, ACPOSTGRAD with the IA the result shows a positive relationship. This indicates stronger governance structure may demand higher audit services and therefore the audit fee is relatively higher to weaker governance structure. This is resulted that the relation between accounting expertise and audit pricing is conditioned on the interaction with internal audit function. All the three models suggest that auditor value the accounting financial expertise of the audit committee members only when they are on boards that are characterized by strong governance.

Table 5: Additional Regression Analysis for AC Qualifications.

	Sign	Model 1 (ACEXPERT*IA)			Model 2 (ACPOSTGRAD*IA)			Model 3 (ACPOSTGRAD*IA*ACEXPERT)		
		Coeffecient	t-stat	p-value	Coeffecient	t-stat	p-value	Coeffecient	t-stat	p-value
Intercept		3.357	0.417	0.001	1.427	3.862	0.051	0.469	1.387	0.064
GOVSHARE	(+)	-0.810	-2.513	0.114	-0.314	-0.850	0.358	-0.39	-1.153	0.286
BOARDSIZE	(+)	0.885	2.745	0.099	1.22	3.300	0.071	0.414	1.226	0.272
BOARDINDEP (P)	(+)	-0.461	-1.429	0.233	-0.041	-0.111	0.74	-0.037	-0.11	0.741
BIG 4	(+)	0.205	0.605	0.541	0.213	0.514	0.312	0.213	0.051	0.213
AUDITENURE	(+)	0.002	0.005	0.942	0.006	0.017	0.897	0.368	1.089	0.3
LOGNAS	(-)	0.980	3.040	0.012**	0.772	2.090	0.015**	0.201	0.104	0.05**
LOGFIRMSIZE	(+)	1.141	3.540	0.061	1.327	2.592	0.06	3.598	0.6942	0.002
SUBSIDIARIES	(+)	0.130	0.404	0.525	0.003	0.009	0.926	1.161	3.433	0.068
LOGPROFIT	(+)	0.231	0.716	0.398	0.035	0.096	0.758	0.227	0.671	0.415
LOGDEBT	(+)	-1.110	-3.443	0.064	-1.205	-2.259	0.073	-2.595	-0.632	0.002
IA	(+)	0.512	0.415	0.023**	0.213	0.415	0.006***	0.302	0.412	0.043**
ACINDEP (P)	(+)	0.034	0.104	0.747	0.001	0.002	0.969	0.016	0.046	0.83
ACSIZE	(+)	0.200	0.620	0.032**	0.043	0.118	0.032**	0.026	0.076	0.003**
ACMEET	(+)	-0.075	-0.232	0.630	-0.005	-0.013	0.908	-0.013	-0.039	0.845
ACEXPERT (P)	(+)	-1.221	-3.790	0.214	-0.462	-1.250	0.234	-0.572	-1.692	0.085
ACSGO (P)	(+)	0.903	2.800	0.095	0.165	0.448	0.505	0.033	0.098	0.755
ACPOL (P)	(+)	0.204	0.602	0.614	0.228	0.617	0.433	1.662	1.914	0.03
ACSGO*ACPOL	(+)	0.514	1.254	0.001***	0.214	0.413	0.031**	0.213	0.415	0.041**
ACEXPERT*IA	(+)	0.493	1.531	0.167						
ACPOSTGRAD*IA	(+)				0.411	1.111	0.359			
ACPOSTGRAD*IA*ACEXPERT	(+)							0.613	1.813	0.135
R^2		0.289			0.205			0.256		
Adjusted R^2		0.219			0.107			0.183		

6. Conclusion

The effectiveness of audit committee in enhancing the quality of financial reporting has received considerable attention in the wake of several high-profile accounting scandals. This paper adds to the literature on audit pricing in emerging countries specifically in Malaysia by considering the association between audit fees and the political connections within the firms. Audit committees have become an important part of firms' financial reporting process; thus, it is important to investigate the internal governance mechanisms for audit committees especially related to the political connections.

The results of previous research examining the relationship between political connections, audit committee expertise and audit fees have been inconclusive and conflicting. The initial finding suggests that audit fees are positively and significantly related to political connections with the conditional upon there is interaction among the PCON variables as its response differently to different features. More generally, the results imply that in relationship-intensive economies with a single-party political system and significant government influence, the cost of information transparency for politically connected firms is likely to exceed the benefits. The result shows an interesting finding since this is the first time a study has adopted an individual differences based on the political connection as key governance stakeholders and the associated reputational risks to explain audit pricing.

For the financial expertise of the audit committee members is negatively related to audit fees only when expertise is defined as accounting financial expertise. When audit committee experts are defined broadly to include directors who qualify as non-accounting or accounting financial experts, and it is conditional upon the strength of the internal audit function, the relation with audit fees is positive but insignificant. These findings are consistent with the notion that accounting financial expertise of the audit committee members enhances the audit committee's effectiveness, and thus lower control risk, and that auditor's value this accounting financial expertise. The narrow definition of audit committee experts to include non-accounting experts supports the notions that the auditor's value or perceive that only accounting financial expertise contributes to increase monitoring by audit committee and thus mitigate the risk of governance failure. The study finds that negative relation between audit fees and the audit committee's accounting financial expertise is moderated by the interaction with internal audit. In other words, for audit clients with a weak governance structure, auditors do not appear to value accounting financial expertise. This is consistent with the findings of prior research (Defond et al., 2005 and Krishnan and Visvanathan, 2008). Interestingly the study finds that board independence and audit committee independence are not significantly associated with audit fees. The implication particularly on the audit committee to improve the financial sophistication and furthermore, improving the accounting expertise for all board members is likely to contribute to better governance.

However, this study is subject to several limitations. First, due to data limitation the study is unable to identify the level of connection of politician in the firms. The information on different types of connections could offer us a better explanation on how it could affect the audit committee effectiveness. Additionally, differences in the political framework and ideologies of countries, as well as differences in the financial health of their respective economies, whether developed or developing, amongst many other considerations could all possibly produce different outcomes.

Thus, the findings in the paper show that the consequences of political connection and government influence have become particularly important. Malaysia presents an excellent natural experimental ground for studying these issues as one of emerging economies. Further, unlike an international study of a multitude of countries with different institutional structures, legal and political systems and reporting and auditing capabilities, a focused study of Malaysia could yield specific insights on how government influence and political connection affect decisions on reporting and auditing.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Impact of Blockholder Ownership and Largest Shareholder Ownership on Real and Accrual-based Earnings Management: Evidence from Jordan

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Abstract

This paper examines the impact of blockholder and largest shareholder ownership on real and accrual-based earnings management in manufacturing companies listed on the Amman Stock Exchange (ASE). The sample is 38 industrial companies listed on the ASE in 2015-2019. The impact of blockholder and largest shareholder's ownership on real and accrual-based earnings management is estimated using regression analysis. The results indicate that blockholder ownership of between 5% and 25% has a statistically significant positive impact on both accrual-based and real earnings management at the 5% level of significance. Similarly, blockholder ownership of between 25.1% and 50% has a statistically significant positive impact on both accrual-based and real earnings management at the 5% level of significance. Blockholder ownership of over 50.1% has no statistically significant impact on both accrual-based and real earnings management at the 5% level of significance. Largest shareholder ownership has a statistically significant positive impact on both real earnings management and accrual-based earnings management. Finally, firm size has a statistically positive impact on REM but not on AEM.

Keywords: Real earnings management; accrual-based earnings management; blockholder ownership; largest shareholder's ownership

1. Introduction

Blockholders are an internal monitoring mechanism that are considered as effective observers of the performance of managers. They can interfere in the work of management either by voice or by way of exit (Amin and Cumming, 2021). Putri and Lusy (2021) define blockholders as owners whose shares exceed 5% of the total and who are not members of the controlling family.

Cost control is one of the ways to reduce conflicts of interest between shareholders and managers. While shareholders bear the costs of monitoring and supervising the managers, their power to control is proportional to their ownership percentage. Therefore, minority shareholders will have little incentive and power to monitor and supervise the managers (Daryaei and Fattahi, 2020). On the other hand, larger shareholders have the incentive and ability to monitor and supervise the management (El Moslemany and Nathan, 2019).

Agency theory explains the contractual relationship between two groups whose goals are at odds: the principals (owners) and agents (managers). From this relationship spring various problems. First, conflict of interest. Both the principal and the agent are characterized by rational behavior, which means that each works to achieve the most of their respective expected benefits. For the owners (principals), the expected benefit is to increase their wealth and accomplish their individual interests in the form of financial returns from their investment in the company (Vitolla et al., 2020). As for the agents (managers), their expected return is the rewards that they will receive from the company. This is their motives for carrying out their responsibilities. If there is no return, they would prefer not to make an effort even if this decision affects the interests of the owners and shareholders.

Jensen and Meckling (1976), Shleifer and Vishny (1986), and Dechow et al. (1995) agree that blockholders are effective observers of corporate governance. If they are given the incentive, they will monitor the performance

of managers. Since they have the strength and capacity, they will improve the reliability of financial reporting, reducing earnings management.

Blockholder ownership is based on the idea of controlling the behavior of managers and minimizing significant interference in financial reports. Many studies have discussed the relationship between blockholders and earnings management, though the results have been inconclusive. Reyna (2018) and Putri and Lusy (2021) show that blockholders do not influence earnings management, whereas Amin and Cumming (2021) and El Moslemany and Nathan (2019) find a positive relationship between external blockholder ownership and earnings management. Alzoubi (2016) and Lassoued et al. (2015) reveal that the relationship between blockholder ownership and earnings management is negative.

Thus, this study examines the effect of blockholders and largest shareholders on real and accrual-based earnings management in industrial companies listed on the Amman Stock Exchange (ASE). Thus, the research problem can be expressed with this question: Do blockholders affect real and accrual-based earnings management in industrial companies listed on the ASE?"

2. Literature review and hypotheses development

Jensen and Meckling (1976) agree that blockholders are effective monitors of management and can thus reduce agency costs. Compared to small shareholders, blockholders have more incentives to monitor management's performance. Small shareholders can easily divest if the company's performance does not meet their expectations. In contrast, blockholders cannot readily sell their shares as this would cause the company's share price to drop, and as such they have to adopt a long-term strategy in their investments, which encompass, among others, effective monitoring (Ibrahimy et al., 2019). Fattoum-Guedri et al. (2018) also suggest that blockholders can reduce the agency problem by reducing accounting fraud because they control the reporting process and pay managers to work for the company and the shareholders.

Blockholders refer to shareholders with controlling rights, as they are owners who hold more than 5% of total shares. This ratio is similar to the large shareholders, which gives them the ability to mitigate earnings management and agency conflict between large and minority shareholders. Given that shareholders are not homogeneous in terms of their incentives and strength, this study examines the effects of blockholders and largest shareholders on real and accrual-based earnings management.

An opposing view however posits the positive relationship between blockholders and earnings management. Because they are investing for the long-term, they have a vested interest in the positive image and financial performance of their investments. To ensure that these are accomplished, they often interfere in business decisions and puts pressure on the managers. The managers, in turn, would be compelled at times to resort to earnings management to realize these interests (Ibrahimy et al., 2019).

Empirical studies have shown the effectiveness of blockholders to limit earnings management. Ilmas et al. (2018) find that blockholders are negatively associated with earnings management. Alzoubi (2016) reveals that blockholders have a positive influence on financial reporting quality and can potentially curtail earnings management. Conversely, Shleifer and Vishny (1986) and Barclay and Holderness (1991) conclude that outside blockholders can pressure managers to manage earnings so as to increase income.

H1: Blockholders ownership has no impact on real earnings management in industrial companies listed on the ASE.
H2: Blockholders ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.
H3: Largest ownership has no impact on real earnings management in industrial companies listed on the ASE.
H4: Largest ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

3. Data

The sample consists of all listed industrial companies in 2015-2019 whose data are available. The final sample is 38 out of 42 firms listed on the ASE in 2020 (ASE, 2020). The manufacturing sector is chosen because of its importance for the Jordanian economy, as it contributes to about 25% of the national GDP. Data for the research variables are collected from the annual reports of the sample during 2015-2019. Four companies are excluded because of the lack of data in their reports.

The dependent variables in this study are real and accrual-based earning management. Real earnings management is measured using Roychowdhury's (2006) model, while accrual-based earnings management is measured using Kothari et al.'s (2005) model.

The independent variable of blockholder ownership is divided into three blocks. Block 1 equals 1 if the blockholder owns equal to or more than 50.1% of the company's share and 0 otherwise. Block 2 equals 1 if the

blockholder owns between 25.1% and 50% of the company's share and 0 otherwise. Block 3 equals 1 if the blockholder owns between 5% and 25% of the company's share and 0 otherwise. Meanwhile, the largest shareholder is the percentage held by the largest shareholder (Moshirian et al., 2014). Firm size is included as a control variable. It is the natural logarithm of total assets (Al-Fayoumi et al., 2010). The following two regression models are used to examine the relationships:

$$AEM_{it} = \alpha_0 + \beta_1 BLOCK1_{it} + \beta_2 BLOCK2_{it} + \beta_3 BLOCK3_{it} + \beta_4 LARGEST_{it} + \beta_5 FIRMSIZE_{it} + \mathcal{E} \quad (1)$$

$$REM_{it} = \alpha_0 + \beta_1 BLOCK1_{it} + \beta_2 BLOCK2_{it} + \beta_3 BLOCK3_{it} + \beta_4 LARGEST_{it} + \beta_5 FIRMSIZE_{it} + \mathcal{E} \quad (2)$$

where AEM: accrual-based earnings management; REM: real earnings management; BLOCK1: blockholders owning 50.1% or more shares; BLOCK2: blockholders owning more than 25.1% to less than 50% of shares; BLOCK3: blockholders owning between 5% and 25% of shares; LARGEST: the percentage of shares held by the largest shareholder; and FIRMSIZE: the natural logarithm of total assets.

4. Results

4.1. Descriptive statistics

Table 1 presents the descriptive statistics (maximum, minimum, mean, and standard deviation) of the independent and dependent variables, using data from 170 firm-year observations of industrial companies listed on the ASE in 2015-2019. This study uses Roychowdhury's (2006) model to measure real earnings management and Kothari et al.'s (2005) model to measure accrual-based earnings management.

Table 1. Descriptive statistics.

Variable	Minimum	Maximum	Mean	Std. Deviation
Accrual-based earnings management	-0.34	0.22	0.0001	0.08100
Real earnings management	0.09	2.59	0.6452	0.37435
Largest shareholders	0.31	0.74	0.4900	0.03827
Firm size	8.00	10.69	9.3455	0.4820

The results in Table 1 show a low level of accrual-based earnings management (M = 0.0001, max = 0.22, min = -0.34), consistent with Alzoubi (2016) and Ballesta and Meca (2007). On the other hand, there is a high level of real earnings management (M = 0.6452, max = 2.59, min = 0.09), consistent with Idris (2012).

On average, about 49% of ownership of industrial companies in Jordan is concentrated in the hands of a single person or entity (M = 0.490, max = 0.74, min = 0.31). In this case, the largest shareholder is the Social Security Corporation. This result is consistent with Idris (2012). Firm size varies between companies (M = 9.3455, max = 10.69, min = 8.00). The firm size variable is transformed into natural logarithm to resolve standard deviation and normality problems. The result is consistent with Idris (2012).

4.2. Frequencies

Frequencies are used to examine the distribution of the dummy variable (Table 2).

Table 2. Frequency statistics.

Variable	Frequency	Percentage
Blockholders between 5% -25%	133	78.2
Blockholders between 25.1% - 50%	19	11.2
Blockholders above 50.1%	18	10.6

The results in Table 2 show that there are 133 firm-year observations (78.2% of the sample) for blockholders owning between 5% and 25% of shares. This means that most blockholders own 5% to 25% shares. There are only 19 firm-year observations (11.2%) for blockholders with 25.1%-50% of shares. Finally, there are only 18 firm-year observations (10.6%) for blockholders with more than 50.1% of shares.

4.3. Accrual-based and real earnings management

To test the effects of blockholder ownership and largest shareholders on real and accrual-based earnings management, the OLS model is used to estimate discretionary accruals using Kothari et al.'s (2005) model and to estimate REM using Roychowdhury's (2006) model. The results are as follows.

4.3.1. Accrual-based earnings management

To estimate accrual-based earnings management, Kothari et al.'s (2005) model is used. Table 3 shows the results of the estimation.

Table 3. Accrual-based earnings management model (Kothari's model).

	B	***T***	**Sig**
(Constant)	-0.094	-0.960	0.346
1/Ai,t-1	0.349	0.477	0.607
(ΔREVi,t - ΔRECi,t) / Ai,t-1	0.003	3.262	0.003
PPEi,t / Ai,t-1	-0.017	-0.491	0.598
ROAi,t-1	0.005	6.288	0.000
R^2	0.2467		
F	13.104		
Sig	0.000		
D-W	2.047		

The R^2 is 24.67%, which means that there is a low level of accrual-based earnings management in Jordanian listed manufacturing companies. This regression equation is used to estimate accrual-based earnings management. The results of the regression analysis are shown in Table 4.

Table 4. Blockholder ownership and accrual-based earnings management.

	B	***T***	**Sig**
(Constant)	-0.013	-1.840	0.068
Blockholders between 5% - 25%	0.063	3.197	0.002
Blockholders between 25.1%- 50%	0.053	2.646	0.009
Blockholders above 50.1%	0.021	1.043	0.298
Largest shareholders	0.063	2.092	0.038
Firm size	-0.027	-0.727	0.468
R^2	0.435		
F	13.020		
Sig	0.000		
D-W	2.069		

As shown in Table 5, the R^2 of the model is 43.5%, which means that the blockholder and largest shareholder ownership variables explain 43.5% of the variance in accrual-based earnings management. Moreover, the model is significant ($F = 13.020$, $p = 0.000$), indicating that the model significantly explains the changes in accrual-based earnings management.

The results also indicate that blockholders with 5%-25% of shares have a significant positive impact on accrual-based earnings management ($t = 3.197$, $p = .002$). Blockholders with 25.1%-50% of shares also have a significant positive impact on accrual-based earnings management ($t = 2.646$, $p = .009$). These results are not as predicted, and they imply that low and moderate levels of block ownership could increase accrual-based earnings management practices. The results also suggest that blockholder ownership of over 50.1% has no significant impact on accrual-based earnings management ($t = 1.043$, $p = .298$). This result is not as predicted and implies that a high level of blockholder ownership do not influence accrual-based earnings management practices. On the other hand, largest shareholder ownership has a significant positive impact on accrual-based earnings management ($t = 2.092$, $p = .038$). This result is not as predicted and implies that high ownership concentration can increase accrual-based earnings management. Finally, firm size has no significant impact on accrual-based earnings management ($t = -0.727$, $p = .468$).

4.3.2. Real earnings management

Roychowdhury's (2008) model is used to estimate real earnings management. Table 5 shows the results of the model.

Table 5. Real earnings management model (Roychowdhury's model).

	Sales manpulation			**Reduction of discretionary expenses**			**Overproduction**		
	B	***T***	**Sig**	***B***	***T***	**Sig**	***B***	***T***	**Sig**
(Constant)	0.370	3.489	0.001	-0.120	-1.485	0.157	-0.345	-2.518	0.019
1/Ai,t-1	-2.419	-3.024	0.005	1.330	2.197	0.039	2.327	2.273	0.033
SALESi,t/Ai,t-1	0.223	2.312	0.031	0.053	4.048	0.000	0.820	14.082	0.000
ΔSALESi,t/ Ai,t-1	-0.003	-2.338	0.029	-	-	-	0.004	1.597	0.129
ΔSALESi,t-1/ Ai,t-1	-	-	-	-	-	-	0.096	1.586	0.132
R^2	0.121			0.136			92.8		
F	7.397			12.699			484.286		
Sig	0			0			0		
D-W	1.846			1.868			1.953		

From Table 5, the adjusted R^2 for sales manipulation and discretionary expenses are 12.1% and 13.6%. Although they are higher than the figures reported by Kang and Kim (2012) (4% and 2% respectively), they are lower than those reported by Roychowdhury (2006) (45% and 38% respectively). On the other hand, the adjusted

R^2 of overproduction is 92.8%, which is also similar to that of Roychowdhury (2006) (89%) and Kang and Kim (2012) (90%). The results of regression analysis are shown in Table 6.

Table 6. Blockholder ownership and real earnings management.

	B	***T***	**Sig**
(Constant)	-0.017	-1.514	0.132
Blockholders between 5% - 25%	0.054	3.382	0.001
Blockholders between 25.1%- 50%	0.062	4.892	0.000
Blockholders above 50.1%	0.014	0.979	0.329
Largest shareholders	0.063	5.170	0.000
Firm size	0.041	2.330	0.021
R^2	0.544		
F	15.394		
Sig	0.000		
D-W	2.088		

As shown in Table 6, the R^2 of the model is 54.4%, which means that blockholder and largest shareholder ownership variables explain 54.4% of the variance in real earnings management. Moreover, the model is significant ($F = 15.394$, $p = 0.000$), indicating that the model significantly explains the changes in real earnings management.

The results also indicate that blockholders owning between 5% and 25% ($t = 3.382$, $p = 0.001$) and between 25.1% and 50% of shares ($t = 4.892$, $p = 0.000$) have a significant positive on real earnings management. These results are not as predicted and suggest that low and moderate levels of blockholder ownership could increase real earnings management. Blockholders with over 50.1% have no significant effect on real earnings management ($t = 0.979$, $p = .329$). This result is not as predicted and implies that a high level of blockholder ownership do not influence real earnings management. On the other hand, largest shareholder ownership has a significant positive effect on real earnings management ($t = 5.170$, $p = .000$). This result is not as predicted and implies that the largest shareholder could increase real earnings management. Finally, firm size has a significant positive impact on accrual-based earnings management ($t = 2.330$, $p = .021$).

5. Conclusion

The main objective of the study is to investigate the impact of blockholders and largest shareholder ownership on real and accrual-based earnings management in manufacturing companies listed on the ASE. The current research applies two models (accrual-based earning management and real-based earning management).

The results of the first model (accrual-based earnings management) show that blockholders with 5%-25% and with 25.1%-50% of shares have a statistically significant positive impact on accrual-based earnings management at the 5% level of significance. For the second model (real earnings management), the results show that blockholders owning between 5% and 25% and between 25.1% and 50% of shares have a statistically significant positive impact on real earnings management at the 5% level of significance. On the other hand, blockholders owning more than 50.1% of shares have no statistically significant impact on both accrual-based and real earnings management at the 5% level of significance.

The findings of the study may be useful for Jordanian regulatory bodies to enhance the effectiveness of corporate governance mechanisms. Furthermore, it may bring the attentions of practitioners (investors, bankers, etc.) in the manufacturing companies to give more consideration on the role of the board of directors in the quality of financial reports. A high-quality financial report can assist investors and bankers to make their investment and financing decisions. The results are also useful for the regulators in any improvement process of the corporate governance in Jordan.

The limitation of this research is that it includes only three characteristics of the board of directors. Future research may extend this work by including more board characteristics or other corporate governance characteristics. Future research could also include more control variables, such as performance and audit quality.

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Insights on the Teaching of Ethics to Accounting Graduates in Malaysia

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Abstract

The rising cases of unethical scandal, especially in accounting, have been a hot topic for a long time. It calls for various professional organisations for a greater emphasis on ethics education. The topic of accounting ethics has been discussed in numerous articles and journals. In the business world, ethics deals with whether a decision made in specific business practice is acceptable or not. This paper examines the perception of ethical behaviour of accounting graduates, whether ethics can be taught, and the best approach to teaching ethics to accounting students. Interviews were conducted with two academicians and two practitioners and analysed using thematic analysis. The finding reveals that there is a slight improvement in the behaviour of accounting graduates. However, in the opinion of the participants of the study, ethical behaviour can be influenced by environmental factors. Participants of the study also believe that ethics education can be taught. However, they suggested that a standard course on ethics should be offered to all students. The participants believe that ethics could be embedded in accounting subjects according to their category. It is suggested that good ethics should be continuously nurtured as environmental factors do play a role in influencing one's good ethics; ethics can be taught, and that ethics should be taught through active learning approaches such as debate, discussion and sharing sessions, local case studies, videos, or inviting guest speakers from the industry.

Keywords: Accounting; ethical behavior; ethics education; integrating ethics; teaching approaches

1. Introduction

The integration of ethics education into the accounting curriculum has been discussed for a long time. According to previous research, ethics education in accounting programs has steadily expanded across different subjects/courses, as well as in the types of teaching methods and support materials used, such as lectures and tutorials incorporating textbook examples, in-class debates, real-life case analysis, and journal/news article reviews (Mintz, 2006; Massey, 2009). The rising unethical behaviour or accounting scandal at the international

and local level has concerned all organisation stakeholders, whether public or private. Financial failure or accounting cases like Enron, Waste Management, and Transmile greatly impacted the public trust (Pricewaterhouse Coopers, 2003).

The recent accounting fraud in the private sector involving Serba Dinamik Holding Berhad has been a piece of hot news in the media (Staff, 2021). Fraud or corporate scandals in the public sector of Malaysia have much affected the Corruption Perception Index (CPI) (International Transparency Secretariat, n.d). In 2021, Malaysia was ranked 62nd with a score of 48 on its CPI (International Transparency Secretariat, n.d). The discovery of these scandals will question the integrity and capability of the accounting profession (Sooi, 2021). A solid internal accounting control and an independent auditor can prevent fraud in financial statements (Graham & Graham P.C., n.d). Previous studies have found that accountants with solid ethics and values can influence ethical judgment (Fritzsche & Oz, 2007). This demonstrates the importance of an ethics course in the accounting curriculum (Haywood, McMullen, & Wygal, 2004). Previous studies have shown that accounting education has failed to produce balanced accounting students who are intelligent and with high morality, who will make the best judgments for society and the environment (McPhail, 2001; Inlay, 2003).

In Malaysia, the government has promoted the importance of ethics in education by incorporating professional ethics and morality into the curriculum. The Ministry of Higher Education (MOHE) has outlined a comprehensive model for teaching ethics to all Malaysians through its *Hala Tuju* (Way forward) Report. Three *Hala Tuju* (Way forward) reports have been published with the collaboration of an accounting regulatory body in Malaysia called the Malaysian Institute on Accountants (MIA). MOHE and MIA have standardised the topic covered on ethics education for the accounting profession. The Malaysian Education Blueprint (2013-2025) is another effort by the government to promote the importance of ethics in addition to knowledge and technical competency. All of these initiatives are parallel with the objective of National Education Philosophy; to create citizens of Malaysia who are intelligent and skilled, who uphold high moral standards, who are responsible and able to achieve a high level of personal well-being as well as being able to contribute to the harmony and improvement of the family, the society, and the country (Kementerian Pendidikan, n.d.).

Certified accountants must observe and understand the ethical requirement as they act in the public interest (MIA, 2019). Ethical guidelines in MIA By-Law adopted from International Education Standard (IES) 4 Professional Values, Ethics and Attitude must be mastered by accountants. As this ethical standard is one of the References in ethics education in the accounting curriculum, it should be delivered effectively. A quality accounting graduate with high ethical skills and technical knowledge will be produced through effective ethics education (Okougbo & Okike, 2021). Recently, Profesor Tan Sri Dr. Noor Azlan Ghazali (Chairman of Institut Pembangunan dan Kemajuan Inklusif Malaysia Universiti Kebangsaan Malaysia (MINDA-UKM); is also of the opinion that the ranking system of educational institutions based on their examination result is a big mistake because it does not consider other non-academic measurements such as values and ethics (Mat Ruzki, 2022). Hence, an effective ethics education with the best teaching delivery method must be provided to enhance the ethical behaviour of accounting graduates (Koutsoukos, Fragoulis, & Valkanos, 2015; Okougbo & Okike, 2021).

2. Problem Statement

Corporate scandals are a crucial incident that must be addressed in the accounting profession, demonstrating the necessity for quick action (McPhail, 2001). Whether private or public, accounting scandals such as fraud and money laundering have occurred. Accounting fraud is a general word for intentionally manipulating financial statements to create a misleading image of a company's wealth (Tutino & Merlo, 2019). The accountant's inaccurate representation of an organisation's financial statements will lead to an accounting scandal as it does not provide transparent and reliable information to the stakeholders (Kizil & Kaşbaşı, 2018). This happens when certified accountants do not have strong values and ethical skills to make an ethical judgement (Fritzsche & Oz, 2007). Previous studies proved that accounting education has failed to produce balanced accounting graduates in intellectual, skills, and morals to make the best decisions in the interest of society and its environment (McPhail, 2001; Fritzsche & Oz, 2007).

The decline in accountants' ethical behaviour will affect the company's performance and reputation (Yayla, Kırkbir, & Cengiz, 2007). It becomes worse when the public wrongly perceives the accountants or auditors of the company whenever there is fraud and scandals in the organisation. The Vice-President of the American Institute of Certified Public Accountants (AICPA), Olson Wallace E., stated that "As long as investors suffer losses from a sudden and drastic drop in earnings or the bankruptcy of a corporation which was widely regarded as a good investment, our profession is going to be criticised in the news media " (Olson, 1973). It may be due to creative accounting practices in manipulating and misrepresenting financial reports by the accountants (Sanusi & Izedonmi, 2014). It shows the importance of ethics education in every accounting subject, including creative accounting subjects (Massey, 2009; Ahmad, 2015).

The declining quality of accounting education in terms of academic and non-academic sources has been a concern for practitioners, academics, and professional organisations for many years (Madsen, 2015). According

to previous studies, current accounting education fails to teach accounting graduates the essential skills and improve the character of society (Miller & Pincus, 1997). This may lead to a wrong perception of the accounting profession by society. The discovery of recent accounting scandals has questioned the integrity and capability of the accounting profession (Bhasin, 2016). So, it is essential to have a comprehensive ethics education model in teaching accounting to accounting students.

Apart from the problems mentioned above, the failure of ethics education for accounting graduates is due to ineffective teaching styles. The implementation method also plays a significant role in teaching ethics. Although it is generally recognised that values and ethics should be taught to accounting graduates, McPhail (2001) argues the difficulty of how to do so effectively. Teaching values and ethics need active learning, whereas teaching accounting is more about passive learning. Previous studies have proved that students prefer to have an active learning method like role play (Okougbo & Okike, 2021).

Based on what has been discussed above, ethics education in the accounting curriculum is crucial. It needs to be emphasised by all related organisations to produce an accountant with excellent technical knowledge, skills, and high ethical behaviour. Therefore, this research intends to study the perception of ethical behaviour of accounting graduates in Malaysia, whether ethics can be taught in the accounting curriculum, and the best approaches or delivery styles in teaching ethics to accounting graduates. Hence, the research questions of this study are:

i. What is the perception of ethical behaviour of accounting graduates in Malaysia?
ii. Can ethics be taught in the accounting curriculum?
iii. What is the best approach in the teaching of ethics to accounting students?

3. Literature Review

3.1 Ethical Behavior

Ethics is the ability to do what is right and avoid doing wrong. Prior studies have found that the influence of family and peers (Jogdand & Naik, 2014) on individual behaviour is significant. The upbringing of the family will influence an individual's decision-making and values. According to studies conducted by Hunt and Vitell (1986), an individual's ethical behaviour is influenced by cultural environment, professional environment, industry environment, organisational environment, and personal characteristics (Hunt & Vitell, 1986). It is parallel with the previous studies that found that the working environment of individuals will influence behaviour (Douglas, Davidson, & Shwartz, 2001). According to Rokeach (1973), 39 personal values influence individual behaviour (Rokeach, 1973). The author proposed a list with two value sets: terminal and instrumental values. Terminal values are desirable and end-state; goals that a person would like to achieve during their lifetime may differ among people in different cultures. Meanwhile, instrumental values are the values that a person would like to achieve during his/her lifetime and may vary among different groups of people in different cultures (referring to preferable modes of behaviour; means of achieving the terminal values) (Rokeach, 1973).

3.2 Ethics Education in Accounting Curriculum

According to prior studies, ethics education was incorporated into the business curriculum in 1979 by a professional organisation in America, the Association to Advance Collegiate Schools of Business (AACSB) (Marzuki, Subramaniam, Cooper, & Dellaportas, 2017). The Bedford Committee, the National Commission on Fraudulent Financial Reporting (1987), and the Treadway Commission all made subsequent recommendations for ethics in accounting education (Grundfest & Berueffy, 1989). The International Federation of Accountants (IFAC) established International Education Standard 4 (IES 4), Initial Professional Development - Professional Values, Ethics, and Attitudes, which called for better curriculum standards across countries (IESB, n.d.).

Integrating ethics education into the accounting curriculum is a critical challenge academics face in accounting programs (Huss & Patterson, 1993). Previous studies have discussed issues in integrating ethics into education. These include whether ethics can be taught (Ryan & Bisson, 1978), whether an ethics course should be a stand-alone or embedded in another subject (McNair & Milam, 1993; Blanthorne, Kovar, & Fisher, 2007; Sahin, Tekin, & Angay Kutluk, 2019), whether students should be exposed to ethics course in the first or final year of study (Davis & Welton, 1991), whether accounting lecturers is the right person to teach ethics (Win, Ismail, & Hamid, 2014) and whether active participation of students in ethics course is the best method to teach ethics (Ponemon, 1993; Okougbo & Okike, 2021; Huss & Patterson, 1993).

At the international level, researchers have long emphasised the teaching of ethics. The International Federation of Accountants (IFAC) has established professional values and ethics guidelines in the accounting profession (IESB, n.d.). IFAC has several standard-setting bodies and has outlined several standards. The standard setting bodies under IFAC are International Accounting Education Standards Board, International Auditing and Assurance Standards Boards (IAASB), International Ethics Standards Board for Accountants (IESBA), and the

International Public Sector Accounting Standards Board (IPSASB). The standards issued by these bodies, have been used as a reference and guideline by accountants worldwide. This includes the International Code of Ethics for Professional Accountants (IESB, n.d.), which has been adopted by Malaysia in 2019 (MIA, 2019). The Code of Ethics discussed an accountant or auditor's professional values and ethics that all Accountants should adhere to in carrying out their tasks.

The Code of Ethics is comprised of five principles, which are:

i. **Integrity**. Certified accountants should know what is right and what is wrong. Being just in performing duties with the highest integrity is their responsibility.
ii. **Objectivity**. The principle of objectivity is a trait that adds value to an accountant's services. Accountants' objectivity is protected by independence from connections that seem to obstruct it.
iii. **Professional Competence and Due Care**. Acquiring and keeping a degree of knowledge allows certified accountants to serve efficiently and competently.
iv. **Confidentiality**. Certified accountants must refrain from disclosing the company's confidential information to an outsider unless there is a legal or professional right or duty to disclose it.
v. **Professional Behaviour**. Professional accountants must comply with all rules and regulations and avoid any activity that may bring the profession into disrepute.

In Malaysia, the government has taken initiatives to promote the importance of ethics in education by including professional ethics and morals in education. Two responsible government ministries are involved directly in implementing ethics in education in Malaysia, namely, (i) the Ministry of Education (MOE) and the (ii) Ministry of Higher Education (MOHE). MOE has outlined the Malaysia Education Blueprint 2013-2025 for pre-school until post-secondary education (MOE, 2013). At this level, general ethics is being taught. Based on the Malaysian Education Blueprint 2013-2025, the government will ensure every student leaves school imbued with core, universal values and a solid Malaysian identity (MOE, 2013).

An Islamic subject like Akhlaq is taught in school to teach ethics to Muslim students (Tamuri, Ismail, Md. Noor, & Mohd Pisol, 2013). On the other hand, for non-Muslims, like Christians, Hindus, Buddhists, and others, a program named Moral Education is being taught in school (Balakrishnan, 2010). Students were introduced to the accounting profession by offering a Principle of Accounting course in their secondary education. In this course, students were taught the technical knowledge of preparing financial statements. The course discusses ethics such as ensuring that accounting records should be kept up to date and accountants should be accountable and able to avoid fraudulent practices (MOE, 2009).

The initiative to emphasise professional ethics in accounting is through an accounting program offered at the tertiary level (Hartini & Abdul Wahab, 2017). MOHE wanted to have a standardised accounting programs in higher education in Malaysia, and thus have outlined the *Hala Tuju* (Way Forward) Report which provides a benchmark standard for all private and public universities in Malaysia that are offering Bachelor of Accounting (Ismail, Mustapha, & Minai, 2014). The Malaysian Institute of Accountants (MIA) was also called to assist in the preparation of the *Hala Tuju* Reports. To date there are three *Hala Tuju* Reports issued and the fourth *Halatuju* Report is in the final stage of finalisation. With respect to inculcating ethics to accounting students, *Hala Tuju* 1 Report recommends having one ethics subject, Business Ethics, as one of the core subjects taught in the public university (Mohamed Saat, Porter, & Woodbine, 2010). However, *Hala Tuju* (Way Forward) 2 Report recommended having one stand-alone ethics subject, Business Ethics and Corporate Governance, and ethics education to be embedded in every other accounting subject based on its category (MOHE, 2006). *Hala Tuju* (Way Forward) 3 Report has maintained the same approach used in *Hala Tuju* (Way Forward) 2 Report. However, it emphasises the pedagogies used to improve unsatisfactory soft skills, communication, critical thinking, and application of knowledge, ethics and competitiveness (MOHE, 2015).

In addition, to support the importance of ethics, the government has also introduced the Shared Prosperity Vision 2030 which amongst others, intend to raise the awareness of integrity and accountability to curb Malaysia's corruption (MEA, 2019). All of these initiatives taken by the government show that ethics education is vital for all Malaysians and particularly also for accounting students, who would be future accountants who would be responsible to assist Malaysia to uphold integrity in the private and corporate sector.

3.3 Fraud Diamond Theory

The financial statements of the company will describe the condition of the company. However, it is different when the financial statement is prepared to cover fraud in the company. According to a previous study, fraud is an act that involves deceit, cunning, and dishonesty, as well as impractical methods of deceiving others for one's gain and harming others (Singleton & Singleton, 2010). Fraud is defined as an action that is committed with the goal to utilise something that is jointly owned, consciously, knowingly, and voluntarily (Sujana, Yasa, & Wahyuni, 2019). Fraud Diamond Theory, proposed by Wolfe and Hermanson (2004), is develops the previous fraud theory, called Fraud Triangle Theory. This theory was introduced by Cressey (1953) and had three elements: perceived pressure, opportunity and rationalisation (Sujana, Yasa, & Wahyuni, 2019). Wolfe and Hermanson

(2004) extended the fraud triangle theory by including another factor, called capacity; as a result, the theory came to be known as the Fraud Diamond Theory. Although opportunity and rationalisations, as well as perceived pressures, may exist, Wolfe and Hermanson (2004) and Ruankaew (2016) contend that fraud is impossible without the element of capacity.

4. Research Methodology

This study is an exploratory study and uses interview as a method of data collection. The participants of the interview have been chosen based on purposive sampling method and comprise two academicians and two practitioners. The questions for the interview were based on the research questions of the study. The interviews were conducted in the month of June 2022. The interview took about 1 to 1.5 hours and was recorded.

5. Analysis and Discussions

The data collected from the interview was analysed using thematic analysis to explore and understand:

i. What is the perception of ethical behaviour of accounting graduates in Malaysia?
ii. Can ethics be taught in the accounting curriculum?
iii. What is the most effective teaching delivering approaches for ethics education?

5.1 Background of the Participants

The two academicians are Ph.D. holders in accounting and finance and are MIA members, with experience teaching for over ten years from two universities in Malaysia. Both the academicians have also been involved in the development of *Hala Tuju* (Way forward) *1* Report, *Hala Tuju* (Way forward) *2* Report, *Hala Tuju* (Way forward) *3* Report and also the *Hala Tuju* (Way forward) *4* Report for accounting program offered by universities in Malaysia. Currently, *Hala Tuju* (Way forward) *4* Report is still amid a discussion between the academicians and the Ministry of Higher Education (MOHE). They are also involved in developing the accounting curriculum in their respective universities. The two practitioners have experience teaching accounting subjects in the universities and are currently practicing in their audit firms.

5.2 What is the Perception of Ethical Behavior of Accounting Graduates in Malaysia?

Participants were asked whether, in their opinion, ethical behaviour has improved over the past ten years. They believe that ethical behaviour has slightly improved, but their ethical behaviour can change over the years as it can be affected by other environmental factors. Certified accountants usually conduct unethical scandals as they have the capability to do so. It is consistent with findings from previous studies, where an individual was found to commit fraud or any unethical scandals, if they have the capability, opportunity, rationalisation and capacity to do so (Free, 2015). The Fraud Diamond Theory also explains that opportunity and capacity are the factors that an individual can commit fraud in an organisation (Free, 2015; Wolfe & Hermanson, 2004; Ruankaew, 2016).

The ethical behaviour of accounting graduates is influenced by the background of the family, ethics education, working environment or culture, and value systems of the individuals. Previous studies support the findings. Upbringing in the family undoubtedly influences an individual's behaviour (Jogdand & Naik, 2014). This study is also parallel with the view of Douglas, Davidson and Shwartz (2001), which found that the workplace culture influences employee behaviour (Douglas, Davidson, & Shwartz, 2001). Personal values (Fritzsche & Oz, 2007) and professional values (Subramaniam, Basit, & Hassan, 2017) have been found to affect the behaviour of accounting graduates. Table 1 shows a summary of the perception of the academicians and practitioners about the ethical behaviour of accounting graduates.

Table 1. Summary of the Perception of Ethical Behaviour of Accounting Graduates in Malaysia.

Themes	Academicians	Practitioners
There is a slight improvement in the ethical behaviour of graduates	• New graduates from universities will tend to have good behaviour. They tend to follow whatever instructions are given by their superiors.	• Accounting graduates show good ethical behaviour in general.
The behaviour of accounting graduates is dynamic.	• Accounting graduates will behave ethically but only for the first three years in the industry.	• New accounting graduates are well-behaved. After a few years, they will start showing their unethical behaviour once they are offered more power (position) and money.
Ethical behaviour can be influenced by factors such as family upbringing, school education, working environment, and values.	• The behaviour of graduates needs to be taught since their primary school. Teachers are the role models to teach what is right and wrong. In the workplace, it depends on that organisation's culture or environment. If the organisation emphasises ethics in every decision, it will influence the graduates' behaviour.	• It all started from the upbringing of their parents at home. The value system, working experience, and technical knowledge will influence the ethical behaviour of accounting graduates. Ethical behaviour cannot be taught through ethics education in university.

5.3 Can ethics be taught in the accounting curriculum?

The participants were asked whether ethics can be taught and whether it should be a stand-alone subject or embedded in another discipline. The answer to the interview questions shows that participants believe that a standard course on ethics can be offered to all students. However, it should be embedded into every accounting subject based on its category. The participants also mentioned educators' role in teaching accounting students ethics.

This study found that academicians and practitioners agree that ethics can be taught. However, it depends on the structure or method used in delivering ethics. Academicians also mentioned that educators, accounting professional bodies, and the government should work together to provide students with a better ethics education structure. Otherwise, the goal of ethics education failed to be delivered. This finding can be related to previous studies where the effectiveness of ethics education is still debatable (Yahaya, et al., 2016). Some studies agree that ethics education affects the ethical behaviour of accounting graduates (Mayhew, 2009), while others do not (Davis & Welton, 1991). Collaboration from each role in structuring the most effective ethics education is needed to achieve the objective of ethics education.

The study also found that the participants believe that a standard course or subject on ethics can be offered to all students. However, it should be embedded into every accounting subject based on its category. Practitioners believe that ethics education should be exposed from the first year. Academicians believe that ethics should be included in every conversation with students. This approach will teach students to be ethical every time and not only as accountants. This finding parallels the opinion of Gulgez and Bozkur (2021), where ethical values with education are essential at every stage of life as it is a fundamental process for human life (Gülgez & Bozkur, 2021).

The participants also mentioned the role and responsibility of academicians in teaching ethics. Besides showing an excellent example as a role model to the student, the practitioners also believe that academicians need the knowledge and experience to handle ethical dilemmas in the industry. In that way, they can integrate ethics education into every topic brought into the classroom. This finding is similar to Ahmad (2015) where the author found that the lack of qualified accounting academicians is one of the problems in integrating ethics and values into the accounting curriculum (Ahmad, 2015). Table 2 shows the summary of ethics education in the accounting curriculum in Malaysia.

Table 2. The summary of ethics education in accounting curriculum in Malaysia.

Themes	Academician	Practitioner
The agreement is that ethics can be taught through education but depends on the delivery method and structure.	• Yes, but the role of academicians, accounting professional bodies, and government in structuring the ethics in education need to be emphasised.	• Yes, but it depends on the structure of the education; stand-alone or embedded
Ethics courses should be taught in each category of accounting or can be a general course on ethics followed by an ethics course discussing ethical issues in accounting	• It should be embedded in accounting subjects like audit, financial accounting, management accounting and taxation.	• It could be that an ethics course be offered in the first year and expose the students to the philosophy of ethics and its importance. It could be offered as a common course to all business students. • In the second year, third, or final year, there could be an ethics course specific to accounting students discussing ethical issues related to accounting. • Too many ethics courses may not be necessary as the students can pick up the skills as they enter the workplace.
Educators are role models for students and should be able to bring real experiences in ethics to class	• Educators like teachers and lecturers are role models for the students. "You do what you say, and others will listen to you."	• Lecturers need to have experience with ethical dilemmas in accounting and thus can teach ethics more effectively

5.4 *What are the most effective approaches in the teaching of ethics to accounting students?*

The study has asked the participants' opinions on the best approaches to teach ethics to accounting students. This study found that active learning styles are the most effective in delivering ethics education. This could include role play, discussion and debates. Students should be encouraged to voice their opinions on the issues through debate or sharing sessions. The academicians also mention that sharing from industry through short videos or guest speakers is one of the effective delivering styles. It will give a glimpse to the students of how the industry works in real life. The previous study also proves that students prefer active learning such as case studies, role play and video/film than the standard lecture note delivery (Okougbo & Okike, 2021).

Participants also believe that a case study effectively teaches students ethics. This is in line with findings from previous studies that found that a case study is also a preferred method that should be used in teaching ethics, as it is believed that the goal of ethics education can be achieved using this method (Bonney, 2015). Academicians pointed out that educators, employers, practitioners, and government should collaborate to create more local case studies in this aspect that could be used as a good teaching resource material. Practitioners also mentioned that the case study for the first-year students should be more basic and not complicated. As they move on to a more "senior" level, the case study should be more complex to suit their level of study. Table 3 shows the summary of the most effective approaches in the teaching of ethics to accounting students.

Table 3. The summary of the most effective approaches in the teaching of ethics to accounting students.

Themes	Academician	Practitioner
Active learning styles are more efficient than standard lecture note delivery	• Case study – more focus on local Malaysian case studies like Transmile and Serba Dinamik	• A case study should be used to discuss the ethical issues related to accounting. As the student progresses with each year of study, more complex case studies can be taught
	• A short video on ethics education	• Debate, discussion and sharing sessions on how the ethical issues should be resolved would be more effective in teaching ethics
	• Guest speaker from the industry	

6. Conclusion

Accounting graduates' behaviour has slightly improved over the past ten years. However, in the opinion of the participants of the study, ethical behaviour can be influenced by environmental factors. The upbringing of the family, peers, working environment, values, and ethics education are some factors that can influence the ethical behaviour of accounting graduates. Thus, to mould an ethical accountant, it should begin with family, primary and secondary school, tertiary education, and support from other organisations that the accountant is in. Participants of the study also believe that ethics education can be taught. However, they suggested that a common course on ethics can be offered to all students. In addition, ethics could be embedded in accounting subjects according to the accounting category, for example, in auditing, management accounting, financial accounting and taxation. However, some participants believed that offering too many ethics courses would not be necessary as the accounting graduates can pick up the skills as they enter the workplace when faced with actual ethical

dilemmas. Lastly, it is suggested that ethics be taught through active learning approaches such as debate, discussion and sharing sessions. Local case studies, videos, or inviting guest speakers from the industry are some of the other methods that could be used. Thus, it calls for future research to look at an effective ethics education model in teaching ethics to enhance the ethical behaviour of accounting students.

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The Impact of Leadership Style on Commitment to Change Among Government Accountant in the Jordanian Public Sector (Pilot Study)

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Abstract

The government of Jordan has recently followed the global trend in the application of IPSAS. In 2016, the decision was taken to start the implementation, which would enable the implementation of IPSASs, which in turn will activate transparency, accountability and improve the decision-making process. However, the adoption of a new accounting system may not be easily implementable; a huge gap exists due to the difficulty of the commitment to change. As such, this study intends to conduct a pilot study in order to examine the impact of leadership style on commitment to change among government accountant in Jordanian public sector For IPSAS implementation. Data was collected from questionnaires with a total of 30 respondents within the ministry of finance in Jordan and analysed by using Reliability test. Findings of study reliability show highly reliable. The future work focuses on the hypotheses testing to evaluate the proposed model among Jordan's public sector financial employees.

Keywords: IPSAS; Government Accountant; Commitment to Change; Leadership Style; Public Sector; Jordan

1. Introduction

In recent years, many countries have had a radical accounting reform in the public sector. Whereby, the new public management played a significant role in this reform which has led many public sector organizations to review their procedures and structures. From this premise, one of the reforms under new public management is the implementation of IPSAS which is believed to be able to provide more information for decision-makers; also, to enhances efficiency, effectiveness, transparency and accountability (Monteiro & Gomes, 2013; Obara & Nangih, 2017).

Arguably, the purpose of the government in implementing the IPSAS is certainly to improve the quality of financial information; such as the improvements in terms of transparency and accountability of financial reports. However, the implementation of the IPSAS needs quality and commitment from the government to be able to implement it properly. This problem still becomes an issue since the human resources are not owned as expected (Haija, Al Qudahb, Aryan & Azzam, 2021; Saleh, Isa & Abu Hasan, 2021).

In general, the experiences in IPSAS implementation across developing countries have been very similar Consequently, the development of commitment to change among government accountants for IPSAS implementation to assist the implementation of IPSAS is considered to be one of the most critical factors in ensuring its success (Alghizzawi & Masruki, 2020a; World Bank Group, 2021).

Arguably, commitment to change has become one of the most critical factors in change initiatives. This is because when change takes place in the workplace environment, employees' role as executors and supporters is very important in realizing the change efforts initiated by their respective employers. So, to implement the IPSAS properly, at first it requires buy-in and commitment to change among those who will implement them (Krukowski, Raczyńska & Escher, 2021; Surepno, 2015; Zainun, Johari & Adnan, 2019). So, leadership style is a pattern used by leaders to change the current situation by following those who follow the organizational problem through inspiration, persuasion, and excitement to achieve a higher understanding of the vision for the realization of shared

goals (Canterino, Cirella, Piccoli & Shani, 2020; Hechanova, Caringal-Go & Magsaysay, 2018). Whereas the leadership style plays a crucial role in the process of change, they also function as change agents, directly influencing, through their behaviours, factors in the work environment that enable and support change (Mahmmud, Hassan & Shaharudin, 2020; Putri, Mirzania & Hartanto, 2020). Bottom line, leadership style (Transformational) is considered as the agent of change by stimulating and changing motivation, attitude, and increasing the trust of their members which has an important role in influencing members within the organization and involving members to contribute to the organization consciously; and to achieve the required expectations as well.

After reviewing the previous researches, similar studies in the context of Jordan are rare on the leadership style subject; so, this research will be based on previous studies conducted in other countries and focus on developing countries in particular. So on, to enrich this research and after referring to previous studies, this research chose leadership style as a main factor that impact the commitment to change among government accountants for IPSAS implementation in Jordanian public sector. So, the present study will contribute a better understanding to the emerging literature on highlighting the impact of leadership style with the dimension "transformational" in commitment to change; although, there is evidence of the relationship between leadership style (transformational) in commitment to change, there has been no study that has examined leadership and its relationship to commitment to change for IPSAS implementation in Jordanian public sector (Haija et al., 2021; Al-Kharabsheh, 2021; Al-Kharabsheh, Al-Washah, Kalbouneh & Shaheen, 2020).

Thus, the purpose of this study is to conduct a pilot study in order to examine the impact of leadership style on commitment to change among government accountant in Jordanian public sector for IPSAS implementation. Hence, there is still a gap in the adoption process according to the previous studies. So, this study intends to fill this gap by increasing the focus on human resource through the leadership style which is not done in previous studies. Whereby, due to what was observed in the case of Jordan, the biggest problem facing the public sector in the commitment to change is human resource.

Specifically, the objective of this study is:

1. To examine the relationship between leadership style on the commitment to change among government accountant in Jordanian public sector.

2. Literature Review

2.1 Commitment to Change among Government Accountants

Change is inevitable for organizations in today's environment to stay ahead in the competition, and accomplish their strategic goals. Hence, change has now become a premier need for organizations, and is one of the most important aspects to create effective management; also, changes that occur can be caused by rapid global developments, the risk of a business, where there is a new opportunity, innovation, and a new leadership system (Somadi & Salendu, 2022). Every change that occurs will create a new paradigm, where organizations are required to manage work more efficiently to achieve optimal results. More broadly, implementing change in the organization necessitates effective leadership, because leaders can make significant changes in an organization by creating and communicating a shared vision and motivating the organizational members and employees to do necessary actions in order to achieve that vision (Kim, 2012). Undoubtedly, the changes that occur in organizations are not only seen from the side of the organization but also from the employees in the organization. This is because the success of the changes that occur is also very dependent on the attitudes and behavior of employees in it. In more precisely, when there is a commitment from employees in the organization, the change is more likely to happen smoothly. Therefore, the commitment of employees is an essential element when organizations are intended to implement change initiatives in the organization because organizations are human systems, the success of any transformation effort lies in the people who are tasked to implement changes (Mangundjaya, 2016).

Undoubtedly, no organization can impose change if its employees are not showing acceptance of the change because the lack of commitment by the employees to change is one of the reasons organizational changes often fail. Thereby, the employee commitment to change is considered a factor that must be owned by every individual in the organization to make organizational changes successful because organizational commitment is considered a psychological bond between the employees and the organization that assist to accomplish organizational objectives. Consequently, employees who have a positive attitude and intention to change, are defined as committed employees in the organization and this is considered an important requirement for the successful implementation of change (Jung, Kang & Choi, 2020; Adeel, Khan, Zafar & Rizvi, 2018). Alongside, employee commitment refers to how feel about their employer and how strong they bond with the organization; whereby, research has suggested that committed employees are more creative than those who are not committed to organizational change, better identify with an organization, and are more willing to assist in organizational change (Ribeiro, Nguyen, de Oliveira & Faustino, 2020; da Silva, Castro, Dos-Santos & Lima Neto, 2018).

Commitment to change is defined by Miller, (2022) as a force (mindset) that binds an individual to a course of action deemed necessary for the successful implementation of a change initiative. Also, Mangundjaya (2016) defined the commitment to change as an individual's mindset that directs behavior to take a series of actions that support the successful implementation of change in the organization.

Notably, this study chose affective (desire) commitment, that can be described as the degree to which employees are emotionally attached to their organization, or an employee's desire to commit and remain loyal to the organization (Bray & Williams, 2017). According to Rogiest, Segers and Witteloostuijn (2018), affective commitment to change is the most important dimension in predicting an employee's effort in supporting organizational change, this is because the affective dimension describes an individual's commitment to change based on their belief of the benefit of the change. In the same vein, an affective commitment to change is a commitment based on the desire to provide support for change based on the belief that the change has benefits. As well as, affective commitment to change in previous research has also shown that it is a good predictor in predicting individual behavior shown by employees towards change implementation (Miller, 2022). So, it can be concluded that high affective commitment to change is influenced by how leaders implement change including informing change, persuading, providing instructions, and involving employees in change planning.

Many studies highlighted the role of commitment to change in many other areas such as; education, employee readiness, health industry at private hospitals, innovation, human resources employees, academic institutions and business enterprises (Hechanova, Caringal-Go & Magsaysay, 2018; Miller, 2022; Somadi & Salendu, 2022), but few studies conducted in the area IPSAS implementation. Such as; Alemayehu (2021) investigated the effect of transformational leadership on affective employees' commitment in the banking sector; and, the results showed that there was a positive and strong relationship between transformational leadership and affective employee commitment. Also, Yaseen, Ali and Asrar-ul-Haq (2018) examined the impact of leadership styles on employee commitment toward change in Higher Education Institutions in Pakistan. Then, the result indicated that there was a significant direct impact of leadership styles on affective commitment, continuance and normative towards change. Likewise, Amin, Akram, Shahzad and Amir (2018) investigated the effect of transformational leadership on affective employees' commitment in the banking sector in Pakistan. Finally, the study showed from the results that there was a positive and strong relationship between transformational leadership and affective employee commitment. Meanwhile, Giovanita and Mangundjaya (2017) examined the impact of transformational leadership on affective commitment to change in five finance sector organizations that have recently undergone some level of organizational change, and who had been working for at least two years. The results showed that transformational leadership has a significant effect on affective commitment to change. Alongside, Gelaidan and Ahmad (2013) investigated the relationship between leadership style and normative commitment to change in Yemen public sector context. The findings of this study indicated that transformational style was significant and positively related to the employee commitment to change.

2.2 Leadership Style

Bass (1990) defined leadership as the ability to influence the attitudes and behaviors of individuals within a group and among group members to achieve the desired objectives. Also, Conger and Kanungo (1998) defined leadership as people who create direction for team members and gain the commitment of the members and motivate them to attain the intended outcome. Besides, Rehman and Waheed (2012) defined leadership as a process of influencing people toward achieving individual and organizational goals. Furthermore, Canterino, Cirella, Piccoli & Shani (2020), illustrated that leadership is the process by which a leader influences the behavior and actions of others to achieve a clear goal in a specific situation. Also, their ability to motivate the work with determination and enthusiasm; so, leaders need a vision for the future and the motivation to pursue and realize their goals. Likewise, Harb, Hachem and Hamdan (2021), stated that leadership is the relationship between an individual and a group built around some mutual interest wherein the group behaves in a manner directed or determined by the leader. Therefore, leadership may play a crucial role in developing organizational commitment. The strong determination shown by a leader to ensure all individuals in a group are inspired and encouraged to exert maximum effort to attain organizational set objectives and goals is known as leadership (Northhouse, 2016). Tactics displayed by a leader as a means of providing direction, planning, implementing and motivating the team are recognized as leadership responsibilities. Besides, leadership encompasses communicating and guiding team members, empowering, encouraging and inspiring them to earnestly work towards accomplishing organizational desired set goals (Canterino et al., 2020).

However, considering all the above definitions of prior literature about leadership, there is one common fact noted is that all leaders strive to influence employees to meet targets, and set goals and objectives of the organization which in turn enhance the commitment (Canterino et al., 2020).

Effective leadership changes as conditions change; so, there is not only one type of leadership style that is right in all circumstances and conditions. Consequently, the most famous approach in leadership style literature considers, is transformational leadership (Bass, 1990). Recent research considers one distinct style of leadership,

namely transformational leadership, which will be expounded on and clarified to influence employees, and the goals and objectives of the organization in this research (Harb et al., 2021). Whereby, several researchers investigated the possible differences among leaders. A successful leadership style may not apply in all cases, situations and contexts. For example, organization success may vary according to what criteria or priorities are employed (Bogler, 2015). It is worth noting that a substantial number of scholars have presented evidence about different styles of leadership that any particular leader can adopt to influence employees to seek the highest level of commitment (Oladipo, Adebakin & Iranloye, 2016). Consequently, these researches showed the importance of leadership styles that stimulate employees to willingly exert effort to meet the organization's predetermined goals and objectives (Anastasiou & Garametsi, 2021).

The transformational leadership style has been popular over the last decades, transformational leadership is primarily focused on the follower, leaders engage in interactions with followers based on common values, beliefs, and goals towards a common vision, also transformational leaders seek to satisfy the needs of followers; due to, they are proactive which results in establishing a relationship between leader and follower, further leading to higher motivation, engagement and achieve high-performance outcomes. It is worth noting, that the principal with transformational characteristics is forward-looking and can create an environment that motivates and inspires organization members, and fosters new ways of thinking, creativity, development and innovation, transformational leaders are characterized by enthusiasm, energy and passion (Samanta & Lamprakis, 2018).

So on, transformational leadership is defined according to Harris and Jones (2018), as the leader's ability to transform the energies deployed by his collaborators to bring them to be more motivated in achieving the desired results and objectives, both individually and organizationally. In the same vein, in South Korea, Gemeda & Lee, (2020) observed that the transformational leadership approach had a significant positive relationship with employees' work engagement and innovative work behavior, which means transformational leadership is described as the potential for building great followers and leaders. On top of that, transformational leadership attracts followers based on its advanced moral values and ideals. As result, transformational leadership is more aspirational and explicit in centering the role of influential individuals in the transformation of their followers, that's because transformational leaders are energetic, enthusiastic, trustworthy, passionate, and are admired and respected by their followers (Shaw-VanBuskirk, Lim & Jeong, 2019). Undoubtedly, transformational leaders are considered by their ability to identify the need for change, gain the agreement and commitment of followers, and create a vision that guides and embeds the change due to these leaders are concerned with and involved in the change process and focused on helping every group member succeed individually as well (Tian, Iqbal, Akhtar, Qalati, Anwar & Khan, 2020; Lai, Tang, Lu, Lee & Lin, 2020).

Beauty and Aigbogun (2022) examined the impact of styles of leadership on employees' performance, at Turnall Holdings based in Harare. Results of this study indicated that the transformational leadership style had a significant positive impact on employee performance. In tandem, Ekhsan and Setiawan (2021) determined the effect of transformational leadership style on employee performance and motivation, on the employees of PT. Maxalmina Compressed Natural Gas Transportation is located in Pakistan. The research proved that the transformational leadership style had a significant positive effect on employee performance and motivation. In the same vein, Prayogi and Lesmana (2021) aimed to see how the influence of leadership style and motivation on the performance of employees at the department of employment Langkat. The research result showed that leadership style and motivation positive and significant effect on the performance of employees at the department of employment Langkat, On the contrary, Van der Voet, Kuipers and Groeneveld (2016) examined the relationship between leadership and affective commitment to change in public sector organizations. The findings showed the absence of a statistically significant relationship between transformational leadership behavior of direct supervisors directly and the commitment to change of employees. Instead, transformational leadership indirectly influenced affective commitment to change by increasing the occurrence of planned and emergent change processes. Therefore, such organizational change processes influenced affective commitment to change by providing information concerning the change and stimulating employee participation.

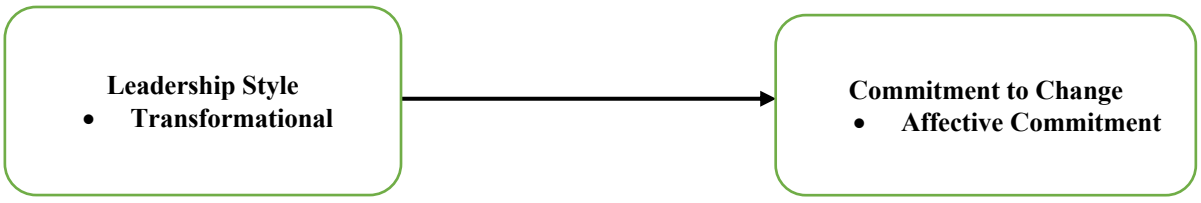


Figure 1: Proposed Model

Hence, based on the review mentioned above, this study proposed the following hypotheses:

H1. Leadership style positively impact on the commitment to change among government accountant Jordanian public sector.

3. Methodology

This study employed a quantitative design using a questionnaire survey. The questionnaire adapted from (Al-Ansari & Al-share, 2019; Bopi-Kerepa, 2020; Schulkers, 2017; Yi Liu, 2005; Wadooda et al., 2016; Allen, 1990). In addition, the five-point Likert scale used for data collection. The last step in the process of developing the measurements was to conduct a pilot study of the instrument. Pilot study is one of the main stages in the search for test study protocols; data collection method, the sample selected and test instrument (Tashakkori & Teddlie, 1998; Zailinawati et al., 2006). The survey was conducted in the MOF in Jordan, due to the MOF is concerned with the implementation of the IPSASs in general. In addition, the MOF is mainly responsible for the management of public finances in the country. The central department of the Ministry is responsible for economic management and forecasting, fiscal policy, money and debt management, financial reporting, coordination of internal control, and audit of all government bodies.

Thus, online survey began on May 22 and continued until Jun 23, 2022, was distributed to 40 financial employees in; Income and Sales Tax Department–Irbid, Financial Directorate of Irbid. During this period, 33 out of 40 from the sample replied to the survey and 3 of them were exclude due to it is not valid for analysis. This study attempts to conduct a pilot study for the commitment to change among government accountant in Jordanian public sector for IPSAS implementation through financial employees due to they are directly involved.

3.1 Reliability Results

A data analysis was applied using SPSS version 24 to examine the reliability of the instrument items (survey variables) by using Cronbach's Alpha Coefficient. The reliability analysis for all variables ranged from 0.906 to 0.919. Despite the fact that the majority of researchers and studies have suggested that 0.70 and above can be regarded as satisfactory cutoff point, also, any value more than 0.60 is acceptable and satisfactory (Hair, Anderson, Tatham & Black, 2017; Sekaran & Bougie, 2010; Tabachnick & Fidell, 2007), Therefore, reliability analysis revealed an satisfactory level of reliability values and appropriateness for the pilot study. Table 1 presents the reliability results for this study as shown below:

Table 1: Reliability Coefficients for all the variables in the study.

Scale Name	Reliability	Items
Leadership style	0.906	8
Commitment to change	0.919	4

4. Conclusion

The public sector financial reform process has become an urgent necessity recently in many countries, where this reform entails disclosing the financial statements that reflect the financial position of the state. Indeed, this proved that it is insufficient to provide the requirements for transparency and therefore the accountability for the prepared financial statements is insufficient or almost non-existent. Therefore, reliance on the IPSAS implementation has become a necessary requirement in knowing the financial position. Consequently, the implementation of IPSAS will achieve countless goals, such as accountability, reliability, verifiability, reform of the public money control system, and the provision of data and clarifications. Taking into account that the implementation of IPSAS, needs to commitment to change among government accountant involved in the reform process due to the complexity of this system through leadership style.

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Development of Accounting Standards in Malaysia: A Conceptual Paper

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Abstract

Over the past few decades, the world has witnessed several devastating financial scandals that consequently lead to heightened scrutiny and ushered in several changes to the accounting function. In addition to that, technological advancements have brought significant changes to accounting resulting in the call for accounting to remain flexible and adaptable to the changes in the business landscape. Therefore, accounting standards which are designed as a means of improving transparency of financial transactions are expected to keep up with the rapid pace of the competitive business environment. It is important to understand how accounting standards develop as properly devised accounting standards can possibly reduce the room for accounting fraud and increase investors' confidence level. Hence, the aims of this paper are: (1) to identify what are the internal and external factors that influence accounting standards development; and (2) to examine the historical events or activities that lead to the accounting standards development. The unit of analysis of this study is based on a single-country approach which is Malaysia. The paper proposes to utilise qualitative research methods such as interviews, observation, and reviews of other secondary or archival data will be utilised. Additionally, an event-sequencing method is proposed for classifying events or activities that gave rise to the development of accounting standards in Malaysia. The research outcomes are anticipated to provide evidence and understanding of the development of accounting standards in Malaysia by highlighting the internal and external factors and the historical events or activities that influence and lead to the development. The findings of the study may provide a useful reference for the interested parties in determining the direction of accounting standards such as formulating Islamic accounting standards for Malaysia.

Keywords: Accounting standards; development; Malaysia

1. Introduction

In today's fast-changing business environment, businesses or organisations have experienced rapid changes, especially in technological advances that subsequently have changed the normal way of conducting a business operation. These advancements have affected many industries, and this is no exception for the accounting industry. This can be seen from the demand and the use of financial information that rapidly changing over time with technology allowing the mobility of data from a variety of devices regardless of location and time, producing real-time data. As such, in producing informative and reliable data, the incorporation of a real-time financial reporting system is crucial. As a result, accounting, in turn, is expected to be able to adapt to these changes to keep up with the rapid pace of business development.

The introduction of e-commerce or online-based business has greatly revolutionised the way how people and business owners interact and communicate. Uber is a great example of a major innovation which has

revolutionised the transportation industry. Uber has been claimed as the largest taxi company in the world that has no assets related to its core business (Goodwin, 2015). Uber does this by leveraging third-party assets to create revenues, as well as enhancing services and developing innovations that customers value by utilising the increased usage of smartphone technology (Basu, 2017). The same innovation can be seen in Grab Holdings Limited, which shares a similar concept to Uber. These examples demonstrate how innovation may affect business functions, and a similar change can be seen affecting the accounting function and its profession. The new trends in technology such as Big Data and cryptocurrencies bring a new challenge to the accounting function with its rigid rules of recognition and measurement practices. The old accounting policies and rules may no longer work and are applicable to the current business environment, warranting new rules to be developed to adapt to the changes (Ramassa & Leoni, 2021).

Another worrying concern is the rising number of corporate scandals over the past few decades. As seen in the headlines, corporate scandals are often associated with embezzlement or mismanagement of funds, corruption, or accounting fraud. One of the main reasons that the perpetrators go to the extent of committing fraud is the pressure to constantly show good business performance in exchange for getting luxurious executive compensation (Widyanto, Sukma, Gayantri & Juniyari, 2022; Bishop, DeZoort & Hermanson, 2017). These scandals are made possible through the abuse of accounting methods or creative accounting such as big bath, cookie jar accounting, premature revenue recognition and many more (Watts and Zimmerman, 1978; Godwin, 1986; Naser, 1993; Baker and Hayes, 2004; Ali Shah, Butt and Tariq, 2011, Yadav, Kumar and Bhatia, 2014). However, the most concerning reason that contributes to these scandals is the loopholes or latitude in the accounting standards that may have provided the opportunity for the manipulation of financial statements, leading to a bigger consequence such as financial fraud or collapses (Jain & Godha, 2015; Gillette, 2013).

As a result, the need for adaptive accounting techniques to cope with the changes and issues arises. The accounting profession particularly is under the pressure to come up with accounting standards that could adapt or cater to the changes experience in today's competitive business world (Ramassa & Leoni, 2021). Essentially, one of the crucial success factors for businesses is having reliable financial information to measure the business performance and support a good decision-making process in an organisation. The accounting standards, therefore, serve as an important mechanism that provides rules and guidance for the accounting personnel in ensuring the financial statements are being prepared in a proper context, to provide useful and reliable information to various stakeholders in making rational decisions.

Thus, it is imperative to conduct research to understand how accounting standards are being developed in a certain institutional context. Therefore, it is important to examine the historical development to understand the process through an investigation of the possible factors and events that shape and lead to the development of accounting standards. Thus, this research aims to examine the development of accounting standards in Malaysia by identifying what and how the internal and external factors influence, affect or contribute to the development of accounting standards in Malaysia through the historical lens of events or activities that lead to Malaysia's accounting standards development.

2. Literature Review

Accounting has evolved over time along with business and technological advancements. In the study by Hassabelnaby, Epps and Said (2003), they mentioned in their study that Belkaoui (1985) suggests that accounting does not develop in a vacuum but rather mirrors the particular environment in which it is developed. Many factors such as cultural, political, legal structure, economic, technological, and social factors affect the development of accounting. Due to this matter, accounting develops differently depending on the surrounding environment and this explains why accounting systems, practices and disclosure differ among countries.

The matter of accounting development has drawn a great deal of attention from many researchers. The issues investigated vary such as (i) how accounting practices have evolved over time (Norizan & Kadri, 2022; Mackevicius & Subaciene, 2016); (ii) how the adoption and development of international accounting standards affect businesses (Christensen, Lee, Walker & Zeng, 2015); (iii) how accounting roles have changed over time (Kroon, Alves & Martins, 2021; Baldvinsdottir, Burns, Nørreklit & Scapens, 2009); and many more. However, research on the development of accounting standards in a country setting is still limited. It is often that research on accounting standards focuses on the factors, barriers and benefits of adopting certain accounting standards and the effect of adoption of international accounting standards on financial reporting (Vendy & Sucahyati, 2022; Soh, Leong & Leung, 2015; Judge, Li & Pinsker, 2010; Hail, Leuz & Wysocki, 2010; Sawani, 2009; Jeanjean & Stolowy, 2008).

There was some prior research that highlighted the issue of accounting standards development and the factors influencing it such as the research conducted by Tang (2000). Tang's (2000) study has revealed that economic reform and increased international exchange activities experienced by China have created a demand for accounting information. Consequently, it led to the development of accounting standards in China as an effort to cope with the demands for financial information from lenders and investors. In his research, Tang (2000) found

that the main objective of formulation of accounting standards to bring China's accounting in line with international standards was not smooth due to several reasons. The reasons are the difficulty in setting the accounting standards, different acceptance of international accounting practice, unreadiness of the accounting profession to cope with the changes, and limited contribution from the academicians towards the accounting development (Tang, 2000). Another research by Hassan (2008) who examined the accounting standards setting process in Egypt also provides evidence that the state's political philosophy, motivations of the regulators and processes of the accountancy profession provided momentum to the formulation of Egyptian Accounting Standards. In addition, his study found that globalisation forces through IMF and USAID financial assistance programmes exert pressure on Egypt to develop its financial accounting standards similar to the International Accounting Standards (IASs).

Furthermore, among the fewer studies which were focused on the development of accounting in Malaysia is a study by Muniandy and Ali (2012). Their study focused on the environmental factors such as social, political, economic, legal and cultural factors that shape the development of accounting practices in Malaysia. In their research, they found evidence that the development of accounting practices in Malaysia is influenced by these environmental factors, as well as significantly influenced by Malaysia's colonial past. Even though their study addresses the development of accounting practices, their findings are applicable in explaining the development of accounting standards in Malaysia. Hence, based on the previous research findings, varying factors influence the development of accounting standards in a country which each is unique to its specific environment. However, little attention has been given to this matter especially in the context of Malaysia, producing a gap in the knowledge. An understanding of the development of accounting standards is important to be observed as this may assist in the formulation of accounting standards in a specific country setting.

3. Underpinning Theory

DiMaggio and Powell (1983) discuss the concept of institutional isomorphism, identified as the process where organisations tend to adopt similar practices and/or structures over time as a response to common institutional pressures. Institutional isomorphism can be divided into three different isomorphism processes: (i) coercive isomorphism; (ii) mimetic isomorphism; and (iii) normative isomorphism. Coercive isomorphism is associated with external factors such as shareholders, governments or financial institutions that can exercise power or pressure upon whom the organization is dependent, and further influence or change the organisation's practices such as the adoption of accounting standards. Secondly, mimetic isomorphism is when organisations try to imitate the practices of other organisations that they view as successful or for legitimacy reasons. Lastly, normative isomorphism is associated with the pressures resulting from common values to adopt institutional practices. Deegan (2009) mentioned, "the professional expectation that accountants will comply with accounting standards acts as a form of normative isomorphism for the organisations for whom accountants work to produce accounting reports (an institutional practice) that are shaped by accounting standards" (p.362). Thus, the institutional theory is deemed suitable for this research to further explain the basis of the development of accounting standards in Malaysia.

4. Research Objectives

The research attempts to achieve the following research objectives:

i. To identify the internal and external factors that influence, affect or contribute to the development of accounting standards in Malaysia.
ii. To examine the historical events or activities that lead to the accounting standards development in Malaysia.

5. Methodology

The paper aims to utilise a qualitative approach due to the exploratory nature of the research. Exploratory research based on an inductive perspective allows the researchers to get insight into a specific topic. Thus, qualitative research is seen as a suitable platform to investigate a research issue that has not been studied more clearly with the intention to establish priorities, develop operational definitions and improve the final research design (Gillham, 2000). Therefore, the research will utilise several qualitative research methods such as interviews, observation, as well as reviews of other secondary or archival data (non-financial documentation). The reviews include the review of newspapers, minutes or announcements made by the related accounting standard-setting bodies and other related documents and literature. The study aims to involve the direct and indirect key players in the formulation and development of accounting standards in Malaysia such as the Malaysian Institute of Accountants (MIA), the Malaysian Accounting Standard Board (MASB), the academicians, and other relevant parties. In addition, the study will employ cross-period analyses through 'the dissection of the

historical chronology of places into analytically useful periods' (Lieberman, 2001; 1017 as cited by Child, Lu & Tsai, 2007). In order to do so, event-sequencing methods will be employed for classifying the events and activities that gave rise to the development of accounting standards in Malaysia.

There are several important justifications for selecting Malaysia to be the focus of the study. One reason is Malaysia has undergone profuse changes and development in the economic environment with many foreign investment potentials where Malaysia is ranked the 36th in the world for foreign direct investment in 2020 (International Monetary Fund, n.d.). As a result, this leads to the development of accounting in Malaysia. Another reason is Malaysia has its own unique historical background resulting from the cultural influences of various countries such as Britain, India and China who used to occupy or had business trades in Malaysia (Mohd Iskandar & Pourjalali, 2000). Based on these reasons, Malaysia offers an interesting and unique setting that presumably would have affected the accounting practices in the country.

6. Expected Contribution

The research outcomes are anticipated to provide evidence of the development of accounting standards in Malaysia, through the identification of internal and external factors that play significant roles in the accounting standards development, and by providing historical and sequential events or activities of the accounting development in Malaysia. Thus, the study aims to contribute to the body of knowledge by venturing into accounting history, specifically into the historical development of accounting standards in a country setting. The findings of the study may provide a useful reference for the interested parties especially in formulating accounting policy and standards, as well as in determining the direction of accounting in Malaysia. The research findings could also possibly assist the policymakers such as the governments, international and local accounting regulators and accounting professional bodies, and academicians in developing and regulating proper accounting standards that suit the business environment in the context of emerging economies, particularly in Malaysia.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Efficiency of Private Tahfiz in Malaysia: A Review on Governance

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Abstract

Every single institution has its own governance structure. Private Tahfiz schools are no exception. The main objective of the establishment of private Tahfiz is purely to produce a Huffaz. However, there are some differences in the implementation and management of Tahfiz schools in Malaysia especially for the private schools. Hence, it is worthwhile to further examine factors that may contribute to the efficiency of private Tahfiz in Malaysia. Hence, this study aims to examine the governance factor that may influence efficiency of private Tahfiz in Malaysia. Based on the existing literature research, this study has identified eight governance factors that may contribute to the efficiency of private Tahfiz.

Keywords: Efficiency; Islamic Religious Schools; Governance; Tahfiz

1. Introduction

In general, Tahfiz school is define as an institutions that focus on memorization of Al-Quran (Bani, Katan, Noor, & Fatah, 2014). Currently, in Malaysia, there are two major types of the governance structure of Tahfiz institutions namely government and private.

At the government level, Tahfiz schools are bound by regulations with the bodies that work with them. It involves core areas such as curriculum, certificate recognition, quality process, teacher, and student qualification. This bond is intended to assure the certificate of the graduate students are recognized for their employment in government or private sector at the federal and state levels (Abdullah, Sabbri, & Isa, 2018). The certificate also recognized by many local and foreign universities for higher education. Therefore, the Malaysian government has delegated this responsibility to Darul Quran as the coordinating body for matters related to the policy.

In the private sector, however, Tahfiz are more traditional which involves only the process of learning basic of the Quran itself. It was later developed by establishing a religious curriculum (al-dini ulum). High demand from parents and limited space in government Tahfiz has given the private sector a huge advantage to grow making private Tahfiz open to the public (Hashim, Tamuri, & Jemali, 2015). It is even more exciting when private Tahfiz offer Tahfiz programs ranging from pre-school to higher education. It has become a new attraction for the whole community to join. Currently, private Tahfiz offer four levels of Tahfiz education, namely, pre-school, primary, middle, and high school. Most certificates by private Tahfiz are not recognized by the government unless they participate in the Tahfiz certification program organized by Darul Quran.

Despite the advances of public Tahfiz, such development is not evident among privately funded Tahfiz schools. This is probably due to a lack of systematic framework or governance in managing Tahfiz in the country. Currently, the overall curriculum and schooling system in Tahfiz schools are not standardized due to the different objectives of the owner or founder of Tahfiz schools as mentioned earlier. This intends to influence the governance of the institutions as well. As an organization, lack of governance contributes to the issue of determining the efficiency and effectiveness of Tahfiz institutions. Thus, this leads to difficulties in measuring the efficiency of Tahfiz schools (Ridza, Jalil, Sipan, & Nukman, 2017). The current scenario post difficulties in determining the efficiency of Tahfiz schools. Despite the difficulties in measuring efficiency, there is a critical need to ensure these institutions achieve their goal and objective.

This study examines and compares the current Tahfiz practices in private Tahfiz schools in Malaysia. It contributes to the literature by providing empirical evidence on Tahfiz governance practices in Malaysia. The findings of this study could also serve as a guide for best governance practices for private Tahfiz efficiency measurement.

2. Overview of Tahfiz Governance

Governance is vital and becomes an important aspect of an organization. Governance is about the system and process of overall direction, supervision, and accountability of an organization (Conforth, 2002). It involves a set of relationships between all members in the company and providing a structure to set the objectives of the company and activities to achieve those objectives and monitor the performance (OECD, 2004). Meanwhile, Chhotray & Stoker, (2010) define governance as the rules of collective decision-making in a setting where there is a plurality of actors or organizations and where no formal control system can dictate the terms of the relationship between these actors and organizations. In general, governance is about achieving the goals of organizations or institutions.

Governance is not another word of government. However, it refers directly to the increased role of non-government actors in policymaking. Governance need not necessarily be conducted by the government however, the involvement of private firms, associations of firms, and non-governmental organizations (NGOs) (Bache, 2003). These organizations are often associated with government bodies to crate government however there is the case also where no government intervention at all. Governance is said to have a positive relationship with the company performance; good governance will positively affect the firms' performance (Gompers, Ishii, & Metrick, 2003).

Governance is always associated with good governance practices. Good governance is the traditions and institutions by which authority in a county is exercised for the common goods. Good governance was first mentioned in the World Bank's report in 1989. Meanwhile, implementing good governance in education will promote the effective delivery of education services for the country. In addition, good governance can reduce corruption and an increasing number of poor governances will directly affect the performance of the education sector (Lewis & Pettersson, 2009).

3. Past Study on Governance of Tahfiz

As far as this study has concerned, in Malaysia, it was found that only three studies on the governance of Tahfiz in Malaysia. These three studies also do not focus on the performance and efficiency of the institutions. For instance, Bani et al., (2014) developed an accountability indicator for private Tahfiz institutions by using the stakeholder approach. This study has focuses on the Privately owned Tahfiz center (POTC) accountability indicators from the student perspective. Hence this study has come up with the indicators which consist of two major categories namely internal indicators and external indicators. The internal indicators only focus on student assessment on their memorization performance and akhlaq implementation. While the external indicators focused on student assessment on how POTC address rules and regulation, facilities provided, health and safety measures as well as the support system. Hence, these indicators can be used to measure the level of accountability of POTC toward their students in helping them to achieve their sole objective to produce a student that can memorize the whole al-Quran with a better akhlaq.

Bani, Jaaffar, Katan, & Mohd Noor, (2017) have further their study by investigating the external governance mechanism and accountability of private Tahfiz schools from the religious regulatory bodies viewed. By using the quantitative analysis method, the researchers have interviewed representatives from selected State Islamic Religious Councils, State Islamic Foundation, and National Religious Department in Malaysia. The result was analysed using thematic analysis and it was found that there are two tiers of governance structure infrastructure in Malaysia namely state and Tahfiz schools' infrastructure. This study also suggested efficient and good governance if Tahfiz schools are expected to report their compliance status to external stakeholders. In addition, this study also has highlighted eight key players of Tahfiz schools in Malaysia. This study also has suggested future research to focus on the evaluation of the performance of Tahfiz institutions. They believed that the best practice of management will indirectly raise their performance and reach the objective stated.

Meanwhile, a study by Anas, Samori, Hamid, Zulkipli, & Noor, (2019) also mentioned the governance of private Tahfiz schools by proposing a transformational via social entrepreneurship model. This study attempts to propose a Tahfizprenuer Model that later can be implemented by all private Tahfiz schools to generate funds for their sustainability. The researcher has mentioned that there are three main aspects to be considered before proposing a model. Firstly, identifying the actual and real problems surrounding private Tahfiz schools. The analysis of this study found out several problems namely unstandardized infrastructure and facilities, poor and weaknesses of private Tahfiz schools management and governance, insufficient financial resources, and issues in accountability when doing crowd fundraising against the rules and regulation stated. The second aspect to be

considered is the Islamic entrepreneurship knowledge among the stakeholders. This study has concluded that Muslim entrepreneurs should follow all the standards and guidelines prescribed by Islam in doing their business. Muslim entrepreneur also needs to attain the goals and blessing from Allah SWT as one of their ultimate goals and objective in doing business. While the last aspect is the effective marketing of the Tahfiz entrepreneur product or services provided. It is highlighted that they should follow the rules of Dakwah by prophet Muhammad SAW in doing business and follow the seven ethical marketing of Muslim products. Hence, it can be concluded that this study tries to suggest a model of entrepreneurship for the Tahfiz schools especially the private Tahfiz to have their own business for them to sustain without fully depending on crowdfunding and government grant.

4. Methodology

This study uses a qualitative approach through content analysis. Data collection is done through secondary sources are such as journals, conference papers, documents, theses, and books related to education. For the purpose of data analysis, the writer uses the text analysis method to analyze related data.

5. Governance Factors Influencing Efficiency of Private Tahfiz

Based on the existing literatures, there are eight main elements that have been identified as the main aspect of the discussion of scholars and knowledge in improving efficiency of private Tahfiz in Malaysia as shown in Figure 1 below.

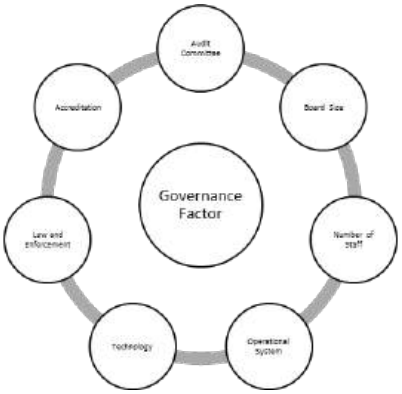


Figure 1. Governance Factors

5.1. Audit Committee

The audit committee and reporting are some of the important elements of corporate governance. The role of the audit committee has been studied in various aspects such as its functions, activities, and financial reporting quality (Turley & Zaman, 2004). The function of the audit committee includes ensuring the quality of the financial accounting and control system. The existence of an audit committee is expected to improve the accountability as well as the quality of governance of the institutions. Most organizations including education institutions need to have an audit committee to improve the internal control over their institutions. The appointment of the audit committee is based on the consent of the board members. Since private Tahfiz schools received funds from various sources, it is crucial to report all the financial activities. By having an audit committee, the flow of money can be control and monitor. However, the current scenario in Tahfiz schools, most of these institutions did not have an audit committee due to a lack of knowledge in preparing the financial report.

5.2. Board Size

The board of directors is an independent entity that has been granted the stewardship of corporate governance with the vested power to monitor, control, and advise the senior management team (Rebeiz & Salameh, 2006). The role of the board of directors is to minimize agency costs arising from the separation of ownership and control and to preserve shareholder value. One of the important elements of boards of directors is their size. Most of the existing literature has provided evidence that board size plays an important role in firm performance (Haniffa & Hudaib, 2006; Hsu & Petchsakulwong, 2010; Khanchel, 2007; Rebeiz & Salameh, 2006) A larger board size should be beneficial to the efficiency performance of a firm because more members on the board would mean more knowledge backgrounds and varied opinions available to a firm as well as having stricter monitoring to ensure the reduction of financial fraud. However, some studies found different results in the analysis of board size stated that smaller board sizes are more effective since they experience fewer communications and lack of

administration problems (Khanchel, 2007). For private Tahfiz schools in Malaysia, the size of the board is different in each state following its own state enactment. For instance, in Perak, the number of a board member is 10 while in Melaka is eight. In Selangor, upon the registration of Tahfiz schools, they must fulfill all the requirements stated in the enactment. If they fail to complete the requirement, their registration cannot be processed. However, Melaka most of the private Tahfiz schools establish their schools before register with the SIRC. Hence, most of the schools did not fully prepare all the requirements needed and mostly did not have a complete board member.

5.3. Number of staffs

Human capital is one of the main inputs in production and should never be ignored in the evaluation of efficiencies. Workers serve as an important resource in achieving the objective of the organization. However, it is not the number of workers that matters, but how motivated they are, and how efficiently they perform a task given. In education institutions, human capital consists of teachers and other supporting staff such as accountants and clerks. The existence of these staff can improve the quality of work and indirectly help in increasing the efficiency of the intuitions. The human capital for Tahfiz institutions basically is the teacher and other admin staff. It is suggested that the best ratio of teacher to students are 1:10. However, not all Tahfiz schools practice the same ratio. Basically, the ratio is depending on the size of schools and their financial stability. The common practice among private Tahfiz in Malaysia is one staff will handle the various task at one time such as teaching, finance, and administration. This situation will indirectly reduce their quality of work because of the limitation of time.

5.4. Operational System

Meanwhile, an operational system is a term used in data warehousing to refer to a system that is used to process the day-to-day transactions of an organization. These systems are designed in a manner that the processing of day-to-day transactions is performed efficiently, and the integrity of the transactional data is preserved. In the education system, the operating system may be the student data or accounting system. Most of these systems need to be subscribed to by the school and it will incur some cost of operation. For the small size of schools, most of them did not prefer this type of operating system and would stick to the manual operation for the record. The existence of an operational system in Tahfiz institutions will help in efficiently managed data and records. However, most of the Tahfiz schools did not have an operational system and use manual data-keeping. This type of traditional way of data-keeping is less efficient. Some of the reason is lack of fund to subscribe to the system and the schools have a small number of students.

5.5. Usage of technology in memorization

Besides the impact of ICT on company performance, its major impact on the university, teaching, and learning methods is also undeniable (Aristovnik, 2006; Ben Youssef & Dahmani, 2008). Hence, the use of ICT is expected to improve the efficiency of educational institutions. Concerning Tahfiz schools, two different technological advancements are found available. The usage of technology in the teaching method helps the student to memorize better and faster. The existence of technology such as application indirectly will make the student memorize the al Quran faster to get their certificate. Hence, the number of graduate students also will be increased. The technology is also said to help the student in maintaining their memory.

5.6. Existence of Law and Regulation and Enforcement

Meanwhile, enforcement is essential to ensure that existing law is followed. (Karim, 2011) in her study to examines the role and function of enforcement to overcome the symptoms of disobedience. She found that enforcement plays an important role in controlling the symptoms of disobedience, besides the enforcement of the law by the responsible party itself. Another empirical finding by (Alam, 2009) suggests that having a strict monitoring of banking operations and higher supervisory power of the authorities increases the technical efficiency. Since there is no specific law of Tahfiz, some SIRC did not have a specific structure for Tahfiz schools. Thus, there is a lack of monitoring done by the SIRC as their staff also need to cover for other types of Islamic schools which indirectly lead to a lack of enforcement. In addition, due to the increasing number of Tahfiz schools also become the major issue that regular inspection cannot be done.

5.7. Accreditation of Tahfiz Certificate

Accreditation or acknowledgment of a program by an authorized body such as government is crucial because it shows that the program is on a reasonable level that acknowledges by the community and industry. Accreditation

is seen as one of the important elements to be considered to make sure the education program offered by the educational institutions in acceptable quality which is recognized by other educational institutions and employers. A study by (Mohd Said et al., 2013) stated that accreditation allows graduates from an engineering program to proceed to apply to professional engineering qualifications. Accreditation of certificates is one of the major issues of private Tahfiz. This is because most of the schools use their own curriculum. In addition, SIRCs does not intervene in what type of curriculum offered by the schools as long as it is not against the Ahli Sunnah Wal Jamaah. In Malaysia, the only certificate from Darul Quran is acknowledged by the government to be used to continue study at the tertiary level or applying for a government job.

6. Conclusion

Tahfiz is one of Malaysia's most important educational institutions today. The rising popularity of Tahfiz among Malaysian parents has increased the number of private Tahfiz. However, there are several issues arise related to Tahfiz operations and efficiency. This problem, however, must be treated seriously by authorized entities to ensure that the Tahfiz regulator does not engage in any misconduct. Hence, this study has identified seven factors that may contribute to the efficiency of private Tahfiz in Malaysia which focusing on governance. Hence, by implementing good governance in education, it will promote effective delivery education services for the country especially for the private Tahfiz. In addition, good governance can reduce corruption and directly affect the performance of the private Tahfiz.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Tax Treatment on Islamic Home Financing in Malaysia and Jordan

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Abstract

Home ownership is a necessity for human and one of the critical issues is to obtain affordable financing in purchasing a house. While Islamic home financing has been widely discussed in the form of cost, not much has been highlighted on the tax impact specifically tax incentives for Islamic home financing. Therefore, this paper discusses the tax treatment of Islamic home financing in both Malaysia and Jordan. A comparative analysis on the tax treatment of Islamic home financing between these two countries are worthy to be explored considering both are Muslim majority populated countries. The paper uses descriptive content analysis in examining relevant tax documents and past studies to compare the tax treatment of Islamic home financing in both countries. The discussions concluded that Islamic home financing in both countries is not given the appropriate tax incentives to encourage bank customers to obtain Islamic home financing. Very few studies have attempted to highlight this issue despite the importance of Islamic home financing in the society which suggests an opportunity for researchers to explore this area.

Keywords: Islamic home financing; Tax incentives; Malaysia; Jordan; Comparative review

1. Introduction

Islamic finance is described as performing finance activities according to the Shariah law. Basically, there are 5 key elements that required to be strictly followed to comply with the Shariah. There are believe in divine guidance, prohibition of interest, prohibition of haram investment, encouraging risk sharing and financing is performed based on real assets (Malaysian Institute of Accountants, 2012). In complying with the Shariah, every financial activity must not involve the elements *of Riba* (interest), *Maysir* (gambling) and *Gharar* (uncertainty). Following the global financial crisis, there has been increased interest in Islamic finance, owing to concerns about the integrity of mainstream financial assets and the strict rules that apply to Islamic finance (Ahmad, 2020).

The needs to have a shelter is indicated as one of the important needs in the hierarchy of needs of a human. Indeed, in the *Maqasid Shariah*, protection of live is ranked the second among the five necessities of a man. Thus, a house is among the necessities that a person requires to live. To own a house, one must consider the affordability of funding and for practicing Muslims, the issue of *halal* financing is also important. From the state perspective, as argued by Ratcliffe et al. (2021), the financing of housing and real estate sectors is inextricably linked to the

overall growth of the economy, because they are interconnected with many other sectors, and any changes in them have an impact on the entire economy.

In a modern world the role of a tax system is not confined to collect revenue for a government, but it is also a tool to help the government fulfils its objective effectively. The tax incentives for example help to attract foreign direct investment to the country and boost the Islamic finance market. Due to the importance of home financing especially Islamic home financing and tax incentives in a tax system, this paper attempts to examine the tax treatment applied on Islamic home financing in Malaysia and Jordan by answering the question of "What are the tax treatment of Islamic home financing in Malaysia and Jordan?". The comparisons are made between Malaysia and Jordan since both are considered as Muslim Majority countries and home financing is a relevant issue in both countries.

This paper is structured as follows. This section presents an introduction to the study as well as the research objective and research question. Next is the Literature Review and followed by the Research Methodology section which explains the method used in the study. The findings, discussions and conclusion section are presented in the final section.

2. Literature Review

2.1 Islamic home financing

Islamic financing is an alternative tool from the conventional product that is used to acquire assets. Like the conventional, Islamic home financing is a system of financing a home by banks and financial institutions except the Islamic home financing is without interest. This operation is based on profit and loss sharing or sale contract, and the risk is shared between the two parties (i.e., homebuyer and the financial institution).

The home purchase financing structures provided by banks and financial institutions that provide *Shari`ah*-compliant alternatives are: (1) the cost-plus sale (*Murabahah*); (2) the deferred payment sale (*bay' bithman ajil)*, which is common in Malaysia and Indonesia but infrequent elsewhere; (3) the buy-back leasing (*ijarah wa iqtina*); and (4) the diminishing partnership or diminishing *Musharakah* (*Musharakah mutanaqisa*).

2.2 Islamic home financing in Malaysia

Malaysia has maintained its position as the global leader in Islamic finance, according to the latest report published in year 2021 by the Malaysia International Islamic Financial Centre in collaboration with the Islamic Corporation for the Development of the Private Sector (Gani and Bahari, 2021). Malaysia Islamic banking and finance, especially Islamic real estate finance, is one of the most renowned and established in the world and they have been in operation since the enactment of the Islamic Banking Act in 1983 and the establishment of Bank Islam Malaysia Berhad in the same year (Mukti, 2020). In Malaysia, there are three Shariah-compliant Islamic home financing instruments which are *Bai Bithaman Ajil, Musharakah Mutanaqisah*, *Tawaaruq* and *Al-ijarah Muntahia Bittamleek* (Bilal et al., 2019).

In a study by Ibrahim and Kamarudin (2018) on the type of Islamic home financing offered by Islamic banks in Malaysia between 2000-2016, suggests that most banks prefer the debt financing instrument and the commonly used are *Tawaaruq* and *Bai Bithaman Ajil.*

2.3 Islamic home financing in Jordan

Jordanian law defines seven types of Islamic finance exclusively: *Ijarah, Mudarabah, Murabaha, Musharaka, Salam, Istisna* and Usufruct sale. The Central Sharia Supervisory Board gave permission for any other type that is compatible with the provisions of Islamic Shariah (Ahmad, 2020). The Jordanian law also specified the entities that issue Islamic finance directly or through a special purpose company, which are: the government, official public institutions, and public institutions after obtaining the approval of the Council of Ministers, Islamic banks, companies that provide Islamic financing services, and companies and institutions that obtain the approval of the Council (Khir-Allah, 2021).

It also specified the conditions for the projects that issue Islamic finance contracts, which are: an income-generating entity, independent of the rest of the issuing entity's projects, with independent accounts, and is not prohibited by Shariah (Ahmed, 2021). The law exempts these companies from all licensing fees, general taxes and income. The profits arising from the Islamic finance are also not subject to income tax (Ahmed, 2021). To benefit from these exemptions, it is required to submit pledges from the special purpose company and the entity that established it to issue the Islamic finance within a period not exceeding one year from the date of transferring the subject of Islamic finance (Gamba et al., 2021). Jordanian law permits the Islamic bank to carry out financing operations based on a non-interest basis, and in the economic fields that do not conflict with the provisions of

Islamic Shariah, using the forms of Shariah contracts, such as *Mudarabah* contracts, *Musharaka* contracts, Diminishing *Musharaka, Murabaha* sale to buy order, *Istisna*' contracts, and sale contracts.

The *Salam,* operational lease contracts, ownership lease contracts, and other forms of financing contracts approved by the Shariah Supervisory Board, *Mudarabahh* and *Ijarah,* ended by own services are the most promoted products for home financing in the real estate industry in Jordan (Abdullahi and Yusuf, 2022).

2.4 Taxation systems in Malaysia

Before analyzing the tax incentives for Islamic home financing in Malaysia, it is worthy to understand the taxation system in Malaysia in brief. Generally, there are two types of taxes in Malaysia, first are the direct taxes and these are administered by the Inland Revenue Board and secondly the indirect taxes, which are governed by the Royal Customs and Excise Department of Malaysia. The direct taxes in Malaysia basically fall under the Income Tax, Petroleum Income Tax, Real Property Gains Tax and Stamp Duty.

The history of modern income taxation in Malaysia commenced in 1947, during which the British Administration introduced a modern taxation system in the then Persekutuan Tanah Melayu under the first Income Tax Ordinance. As for Sabah, the first Income Tax Ordinance was introduced in 1957 and much later, in 1961, in Sarawak. In 1968, the Malaysian Parliament enacted the Income Tax Act (ITA) 1967 which took effect from 1 January 1968.

Essentially, the scope of income that is taxed in Malaysia under the ITA 1967 is determined on territorial basis. However, certain industries such as the insurance services, banking and finance, and sea and air transport services, are taxed based on worldwide income basis. To date, most of the contribution from Federal Government revenue comes from tax collection which significantly comes from direct tax revenue. The average ratios from 2020 to 2022 between direct and indirect taxes are 74: 26 percent which indicate the reliance of Malaysia on direct tax rather than indirect tax. The largest contribution to direct tax revenue comes from corporate taxes, followed by individual taxes and petroleum sources as indicated in the following Figure 1 (Fiscal Outlook Ministry of Finance Malaysia, 2022).

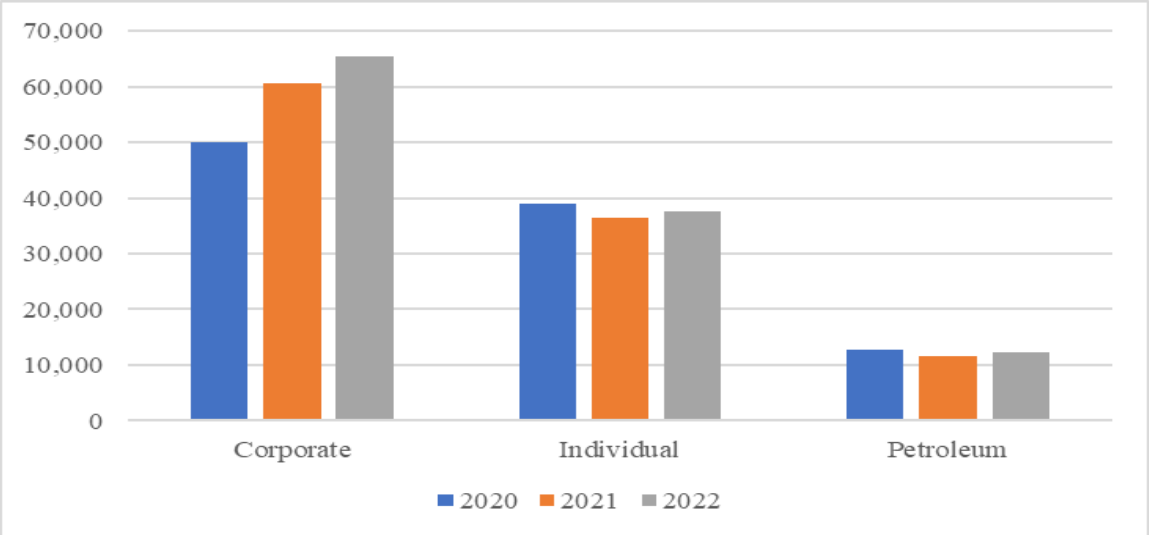


Figure 1. Federal Government Income from Direct Taxes (in Million Ringgit)
Source: Fiscal Outlook Ministry of Finance (2022, p. 136)

Over the years, the Malaysian tax system has undergone several transformations. In 2000 for instance, the current year tax basis replaced the preceding tax basis as the first transition step to a full self-assessment tax system which requires voluntary tax compliance. In 2014, changes from imputation dividend income tax system to single tier dividend system were established. Later, the Goods and Services Tax (GST) was introduced on 1 April 2015 to replace the Sales Act 1972 and Services Tax Act 1975. The change in the politics landscape after the May 2018 election resulted in the abolishment of GST on 1 June 2018 and replaced by the re-introduction of Sales and Services Tax on 1 September 2018.

2.5 Taxation systems in Jordan

After the economic and financial crisis of 1989, Jordan embarked on a series of deep fiscal reforms conditioned and guided by the International Monetary Fund (IMF). The reforms completely revamped the tax structure that

had existed before the crisis and were focused on introducing a general sales tax such as Goods and Services Tax (GST) as well as eliminating trade related taxes such as customs tax. The reforms took significant time to unfold due to national opposition but were eventually introduced in a gradual manner.

For example, Jordan has reduced its tariff rate from over 300% to 35%, in the period from 1989 to 2004. Many other tariffs were also abolished when Jordan joining the World Trade Organization in 2000. On the other hand, this period witnessed the introduction of a general sales tax of 7% which gradually rising to 16% by 2003. The reforms in the Jordanian tax system are followed by the reform in its tax institutions. As a result, the Income and Sales Tax Department (ISTD) was established in 2004.

With the reform, the Jordan's Income Tax Law was also amended in 1995 for the purpose of simplification and thus to limit the extent of tax evasion. Since 2004 and until today, the income tax law passed through a few amendments including once in 2009 and later in 2014. The GST law was also amended several times in this period with the latest amendment being in 2009.

The total tax revenue has increased from JD 4.34 billion in 2017 to JD 4.96 billion in 2002. The three main sources of tax revenue came from sales tax, corporate income tax and international trade. Small contributions of tax revenue are also collected from salaried individuals, taxes from financial transactions and real estate as well as individuals. Over these period, sales tax contributed around 71.3 percent to the tax revenue in Jordan, as compared to others (Jordan Strategy Forum, 2021) and this is an opposite scenario to Malaysia. The following Figure 2 indicates the amount of tax revenue from each source.

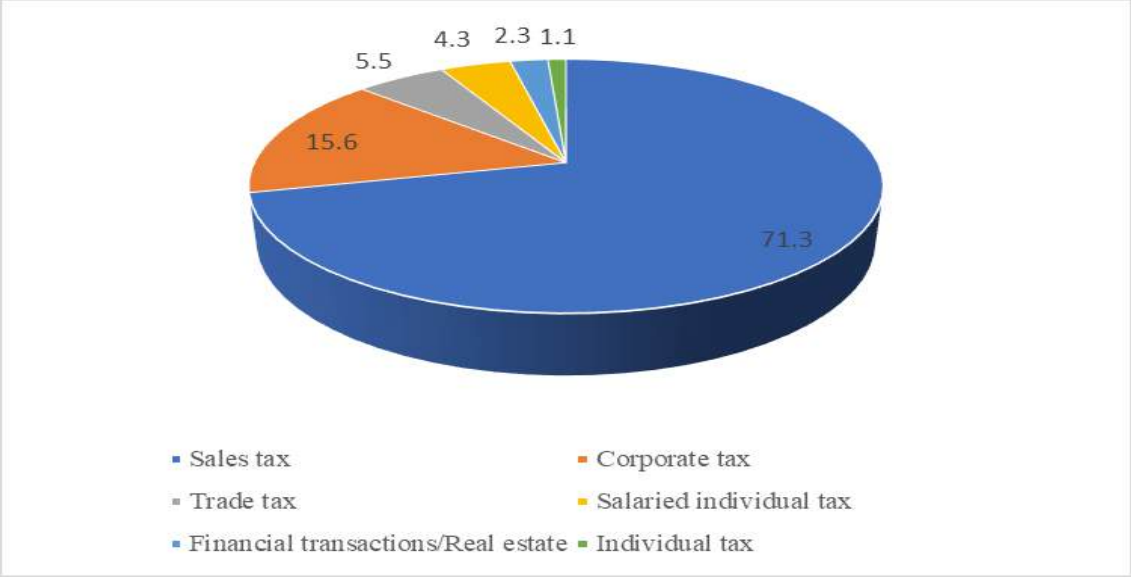


Figure 2. Sources of tax revenue in Jordan
Source: Jordan Strategy Forum (2021)

2.6 The importance of tax incentives in a taxation system

Tax incentives have been used by many countries throughout the world to promote economic growth and attract foreign direct investment to the host country. Despite the debatable effectiveness of tax incentives, Malaysia has a wide variety of incentives covering certain major industries. Tax incentives can be granted through income exemption or by way of allowances. Where incentives are given by way of allowances, any unutilised allowances may be carried forward indefinitely to be utilised against future statutory income except for certain incentives such as reinvestment allowance and investment allowance for approved service projects where a seven-year limitation applies.

For example, there are basically 12 main types of tax incentives under the Malaysian tax system as follows:

1. Pioneer status and investment tax allowance
2. Special incentives schemes
3. Regional operation
4. Financial services sectors
5. Petroleum sectors
6. Special economic regions
7. Information and communication technology
8. Green incentives
9. Biotechnology industry
10. Research and development

11. Other incentives.
12. Foreign tax credit

The importance of tax incentives has been examined in past studies and many have conducted studies at companies' level. In a study by Abd Hamid (2015) for example, indicates that most SMEs in Malaysia are unsuccessful in utilizing the tax incentives available in the tax system because they did not make profit consistently. The tax incentives given at certain period of operation such as at the initial stage do not help them to improve their financial position. One of the reasons is due to the lack of monitoring by the relevant bodies that offered the tax incentives.

However, in another study by Abd Hamid et al (2016) suggests that tax incentives given on Islamic home financing have benefitted the taxpayers, homeowners, developers, and the Islamic finance industry. A similar support is also provided by Ahmad et al (2017) which found that, the increase in exporting activities of SMES are associated with export incentives provided by the Malaysian government such as, tax exemptions on the value of increased exports, Industrial Building Allowance (IBA), Duties and Sales Tax exemption, and Export Financing Facilities.

A review by Munongo et al (2017) suggests that while many studies indicate that tax incentives are important to attract investment, they are more effective when combined with other non-tax factors. In addition to that, applying tax incentives may bring benefit to the welfare of the residents that adopt the incentives but may contribute to costs implications to those residents in jurisdictions that do not adopt the tax incentives. The effectiveness of tax incentives for instance in research and development has also been examined recently in Argentina by Crespi et al (2018). The study found that tax incentive has been effective in increasing firms' innovation efforts. However, the effects vary depending on the type of innovation investment being subsidized, industrial sector, and size of the firm.

3. Research Method

In this study, the content and descriptive analysis approaches were adopted to analyse relevant documents and recent relevant studies on the tax treatment of Islamic home financing particularly in Malaysia and Jordan. The search for relevant documents and research papers started with literature review of past studies and formulating research question for the study. Later, comparisons on the tax treatment of Islamic home financing in Malaysia and Jordan are presented and discussed.

4. Findings and Discussions

4.1 Tax treatment on Islamic home financing in Malaysia and Jordan

Tax incentive is an important tool that has been used by the Malaysian government to promote Malaysia as the most preferred Islamic financial hub. This can be seen from various tax incentives for Islamic finance which have been offered by the Malaysian Government since Budget 2007. Indeed, every year, the Islamic finance sector will not miss any takeaways from the Malaysian budget. For example, the following Islamic finance sectors are enjoying an exemption under the Budget 2022 (Malaysian Institute of Accountants, 2021):

a) Issuance of *Sukuk* and Retail *Sukuk* under the principles of *Wakalah* (until year of assessment 2025)
   - Deductions of expenses on the issuance of the *Sukuk*
   - Deduction on expenses and double deduction on additional expenses for the issuance of Retail *Sukuk*

b) Issuance cost of SRI *Sukuk (until year of assessment 2023)*
Tax deduction is given on the issuance costs of SRI *Sukuk* approved, authorized by or lodged with the Securities Commission.

c) Special purpose company (SPC) for issuance of Islamic securities
Single deduction for the cost of issuance of the Islamic Securities incurred by the SPC established solely for the purpose of issuance of Islamic securities.

Despite a wide range of tax incentives given for Islamic finance in Malaysia, not much is given specifically on Islamic home financing. In 2009 and 2010 for example, tax incentives were given to individual taxpayers who bought residential accommodation from 10 March 2009 until 31 December 2010. The tax incentives were given in the form of RM10,000 tax deductible for a period of 3 consecutive years under S46B of the Income Tax Act 1967. This tax incentive is applicable to both conventional loan and Islamic home financing.

Another tax incentive given on Islamic home financing is the exemption of Stamp Duty (Exemption No.4 Order 2021) on any loan agreement with a licensed Islamic bank for the financing of purchasing a residential

property under the Home Ownership Campaign 2021. However, the value of the residential property is more than RM300,000 and less than RM2.5 million and this exemption is also applicable to conventional home financing (Attorney General's Chambers, 2021).

Mudarabah and *Ijarah* ended by own services are the most frequent products promoted for real estate financing by Jordanian companies (Hassan et al., 2020). However, *Mudarabah* and *Ijarah* ended by own services are affected by different types of taxes than in traditional banks (Nazal, 2018). The tax implication on securing an Islamic home financing in Jordan came in the form of cost-of-service cycle when using the services from Islamic banks. For example, Jordan Islamic Bank *Ijarah Tamwilia* cycle is affected by different types of taxes if compared to conventional bank. The tax builds up in the *Ijarah Tamwilia* (lease and sell) service since it obligates the yearly building tax based on the type of commercial.

As a conclusion, despite shelter is a necessity for human and owning an affordable house in an issue in many countries such as Malaysia and Jordan, not many tax incentives are provided for Islamic home financing. In the case of Malaysia, over the years since tax incentives were first given to Islamic finance industry, the tax incentives for Islamic finance are focused more on other Islamic finance products such as *Sukuk* and *Takaful*. In the case of Jordan, Islamic home financing yields higher tax impact as compared to conventional loan. In addition to that, very few studies have been performed to highlight this issue which suggests that more opportunities for researcher to explore.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Public Views on Post-Pandemic Economic Recovery Strategies and Carbon Tax Implementation (Extended Abstract)

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1. INTRODUCTION

The worldwide economy and financial markets have been badly impacted by the COVID-19 pandemic. The disease has a number of adverse effects, including substantial income declines, an increase in unemployment, and disruptions in the manufacturing, service, and transportation sectors (Gnangnon, 2021). As poverty rates rise, the pandemic issue would have a substantial impact on middle-income countries, which may house 82 percent of the new poor[5] (World Bank, 2021). The COVID-19 economic recovery strategy in Malaysia and developing nations should concentrate on fiscal and financial matters and incorporate a green economy approach to producing money while safeguarding the environment.

2. MATERIALS AND METHODS

The Paris Agreement mandates the reduction of increased greenhouse gas (GHG) emissions with the goal of limiting the increase in the global mean temperature to less than 2°C by 2050, ideally less than 1.5°C (United National Framework Convention on Climate Change, 2015). Policymakers need to establish a sustainable environmental policy in order to meet the objective for the mean temperature. Many countries, including Malaysia, are paying increasingly serious attention to the carbon tax among the numerous methods of environmental policy. The Malaysian Prime Minister has assertively announced a carbon tax in the 12th Malaysian Plan (2021-2025). However, implementing the carbon tax policy is more challenging in the COVID-19 economic recovery plan.

When the COVID-19 strike, the Malaysian government allocated RM45 billion for COVID-19 Fund for three years ending 31 December 2022. The fund is for several packages comprising the economic stimulus package, food security programme, cash assistance to the public, and subsidies, incentives and loans for small and medium enterprises (Ministry of Finance, 2020). Without a feasible economic recovery plan, unemployment would remain significant, the federal government deficit would be growing, and external debt would continue to be high. This paper aims to explore public views on post-pandemic economic recovery strategies and carbon tax implementation.

A quantitative research methodology is adopted in this study. The public was asked about their:

1. views on the most important priorities for the Malaysian government coming out of the pandemic
2. preference for primary policy instrument to address climate change
3. how the government should spend the revenue from carbon tax collections if the policy is implemented

A Google Form-built questionnaire was used to collect the data. On social media, the form was disseminated via Facebook and Instagram, as well as messaging services like WhatsApp, Facebook Messenger, and Telegram. Several enumerators distributed the questionnaire to each of Malaysia's 16 states.

[5] The new poor means people who are more urban than the chronic poor, more engaged in informal services and manufacturing and less in agriculture and live on congested urban settings and work in the sectors most affected by lockdowns and mobility restrictions (World Bank, 2021b).

3. RESULTS AND DISCUSSIONS

After two months of data collection, 566 respondents completed the survey. The majority of the respondents are between 21-39 years old (66.6%), have a Bachelor's degree (47.9%), have full-time employment (49.6%), receive a monthly gross income less than RM1,200 per month (39.6%), female (71.2%), Malay (87.6%) and live in Negeri Sembilan (18.2%).

The results of the survey are shown in Table 1. The majority of the respondents perceived that the government should focus on assisting businesses to grow again. This is followed by ensuring children reach their learning targets, resolving political crises and making sure less pollution by the public. Only 10% of the respondents preferred the government to increase its revenue through a broader tax base.

When asked about policy instruments to address the climate change issue, the top three preferences by the public are the government's enactment of environmental regulations, public campaigns and subsidies for environmentally friendly activities. Implementation of a carbon tax is the least preferred policy.

Regarding allocation of carbon tax revenue if the government finally implemented the policy, 26% of the respondents prefer the revenue to be spent for investment in green technology solutions. While 23%, 20% and 16% of respondents suggest that the collection should be kept as a general income, given back to the low-income group and used to reduce the national debt respectively. The least preference is to fund a reduction in individual taxation.

Table 1. Public Views on Post-Pandemic Economic and Social Strategies and Carbon Tax Implementation

Question	Percentage
a) Views on the most important priorities for the Malaysian government coming out of the pandemic	
Getting businesses back on their feet	29%
Ensuring children reach their learning targets	27%
Resolving political crises	17%
Making sure public/businesses don't increase air, water and other pollution	17%
Making sure government increase its revenue through a wider tax base	10%
b) Preference for primary policy instruments to address climate change	
Enacting regulations that seek to protect the environment	28%
Organising public campaigns that promote environmental consciousness	22%
Providing individuals and firms with subsidies for environmentally friendly activities	19%
Integrating climate change education into the school curriculum	18%
Enacting carbon tax	13%
c) How the government should spend the revenue from carbon tax collections if the policy is implemented	
Investment in green technology solutions	26%
Kept as general government income (health, education, defence, facilities)	23%
Give back to B40 society in terms of Bantuan Keluarga Malaysia (BKM)	20%
Reducing the national debt	16%
Funding a reduction in individual taxation	15%

4. CONCLUSION

For an environmental tax to be effective and sustained, gaining public support is essential. The policy is expected to encounter major challenges during implementation and might not continue long enough to have the desired effects on the economy and environment without the support of the public. This study is among the few limited studies exploring public views on post-pandemic economic recovery strategies and Malaysia's proposal of carbon tax implementation. Results show that the public wants the government to focus on rebuilding the nation's socio-economy before widening its tax base. A carbon tax is the least preferred strategy in resolving climate change issues. If the government finally implement the policy, the tax collection should be used for green technology solutions. Future studies should examine public acceptance behaviour after the carbon tax is finally implemented in Malaysia.

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Business Management

THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Role of Financial Well-being in Employees' Performance (Extended Abstract)

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1. INTRODUCTION

Employee well-being is an important factor for organizational excellence, where the well-being of employees affects the employee's work performance and directly contributes to organizational performance (Jamil et al., 2021) and the country's economy as a whole. When economic and political crises have become more frequent (McGuire, 2015) in the past decade and recent years, coupled with the current ongoing health crisis, working conditions are unpredictable, resulting in poor work-life and disrupting job performance. Measuring and capturing the actions and behaviours that contribute to employees' performance (EP) on the job has been the focus of many researchers for the past 50 years (Fauth et al., 2009). EP is increasingly acknowledged as a multidimensional construct of distinct behaviours influencing overall organizational functioning. Performance assessments often capture more generic behaviours that are not necessarily related to individuals' main duties but are considered significant to overall performance and the job-specific behaviours that characterize the performance. Although studies vary in examining EP determinants, financial well-being (FWB) is typically examined. Similarly, although many factors determine employee well-being for many organizations, FWB is a major concern.

Many industrial and academic research has been conducted to examine the relationship between FWB and EP globally (Barclays, 2014; Chan et al., 2018; Cox et al., 2009; Delafrooz et al., 2010; Jackson & Fransman, 2018; Jamil et al., 2021; Joo & Garman, 1998; Kim, 2000; Mokhtar et al., 2015; Rahim et al., 2018; To et al., 2020; Zaimah et al., 2013). For example, Barclays report (2014) and Joo and Garman (1998) demonstrated that employees' FWB and productivity are positively connected. In the context of Malaysia, studies by To et al. (2020), Rahim et al. (2018), and Mokhtar et al. (2015) agreed that FWB significantly influenced EP. However, Jamil et al. (2021) found an insignificant correlation between personal FWB and work performance.

Although previous studies emphasized the importance of FWB in EP, variations are noted in their research determinants, measurement items, and sampling and sample size, thus yielding mixed and inconsistent results. Furthermore, the study of FWB is relatively new in Malaysia; hence limited Malaysian research has documented the role of FWB in EP in the workplace. Therefore, the role of FWB in EP warrants further investigations.

2. LITERATURE REVIEW

2.1 Financial Well-being (FWB)

The financial landscape is changing, and many organizations, employers, and employees are aware of this situation. Financially unwell employees can result in significant costs to businesses. As a result, organizations and employers are looking for ways to help improve their employees' financial well-being (FWB). Therefore, FWB and EP have become popular research topics due to their importance.

The term FWB tends to be used interchangeably with financial wellness, financial satisfaction, and economic well-being. FWB has been studied in various fields such as marketing, economics, consumer decision-making,

and financial counselling and planning. Thus, there is no universally agreed-upon definition or measurement of FWB (Brüggen et al., 2017). Bank Negara Malaysia (BNM) defines FWB as an individual's ability to meet ongoing financial obligations, stay resilient to income shocks, achieve future financial goals, and make financial decisions to improve the overall quality of life (BNM, 2022, p.52). Other researchers suggest that FWB refers to being financially healthy, happy, and free of financial worry (Joo et al., 2008; Sabri & Falahati, 2012). These definitions denote FWB as the situation where one can meet their current and ongoing financial obligations, feel secure in their financial future, and make choices that allow them to enjoy life.

Research on FWB and EP has attracted researchers worldwide, including in Malaysia. Chan et al. (2018), Delafrooz and Paim (2010), Delafrooz et al. (2011), Dewi-Izzwi and Emenike (2021), Jamil et al. (2021), Zaimah et al. (2013), and Zaimah et al. (2016) are among the researchers who examined the relationship between FWB and EP in Malaysia. Dewi-Izzwi and Emenike (2021), in their study, indicated that FWB influences work performance. In contrast, Jamil et al. (2021) found no FWB and work performance evidence.

In measuring an individual's FWB, subjective perceptions and objective indicators of an individual's financial status are used (Brüggen et al., 2017, Mahdzan et al., 2020; Zaimah et al., 2013). Subjective perceptions include individual satisfaction with their current and future financial situation, whereas objective indicators include income, debt, savings, and financial capability. The present research suggests using the subjective approach as it is a more appropriate measure since an individual can assess his level of FWB, a similar approach by Brüggen et al. (2017) and Mahdzan et al. (2020).

2.2 Employees' Performance (EP)

Employees' performance (EP) is very important for individual employees' growth, the company, shareholders, other stakeholders, society, and overall national economic growth. EP also refers to work performance or job performance which is the individual performance at work. Like FWB, EP is arduous to define and measure due to different or multiple aspects of job-role behaviour assessments (Atatsi et al., 2019). Therefore, researchers describe EP according to contexts. For example, Pawar (2013) defines EP as a task or in-role performance related to completing tasks specified in job descriptions. While Bohlander et al. (2001) and Mathias and Jackson (2000) define EP as the employee's insight to accomplish work goals, fulfil expectations and meet job targets.

EP can be measured and quantified using objective and subjective measures (Bayo-Moriones et al., 2011). The objective tools include key performance indicators, and the subjective tools include productivity per employee, efficiency, output, and satisfaction. This research proposes employing productivity as the measurement of EP. Work productivity is a multidimensional concept with many meanings depending on the context.

3. RESEARCH FRAMEWORK

Prior studies have examined the relationship between FWB and workplace outcomes (Chan et al., 2018; Omar & Yong, 2018; Cox et al., 2009; Delafrooz et al., 2010; Kim & Garman, 2003; Joo, 1998; Joo & Garman, 1998; Kim et al., 2006; Mokhtar et al., 2015; Rahim et al., 2018; To et al., 2020; Zaimah et al., 2013). Financially unwell employees contribute to personal finance-work conflict, low organization commitment, less salary satisfaction, absenteeism, and poor health. Conversely, financially well-off employees would be healthy, happy, and stress-free, making them work productively, efficiently, and effectively. The proposed research hypothesized a significant relationship between FWB and EP. Figure 1 depicts the proposed framework for the study.

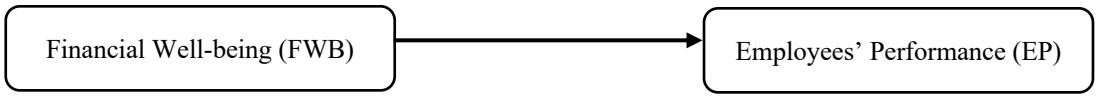


Figure 1. The link between financial well-being (FWB) and employees' performance (EP)

4. DISCUSSION AND CONCLUSION

The importance of economic growth is inevitable for a small country like Malaysia. The growth of an economy depends on its national outputs, and the efficiency of processing the outputs depends on labour, land, capital, and technology. The performance of an individual in a workplace would impact the organizational performance and the overall national performance and productivity. The economic situation represents an unprecedented challenge to the well-being of employees. Therefore, it is fundamental for organizations and employers to care about their people; consequently, their employees can have a healthy work-life balance and contribute to business performance.

The main thrust of this current research is to explore the role of FWB in EP among Malaysian workers. The previous studies found a correlation between FWB and EP. However, their findings varied due to different

constructs, measurement items, and sampling and sample sizes. Therefore, the current research will focus on the subjective measures of both FWB and EP and see if there is a significant relationship between the two.

Given all that has been mentioned, building a holistic understanding of the topic of FWB and its impact on EP is relevant and current. Theoretically, this research adds to the burgeoning literature in the area of FWB and EP. Practically, this research hopes to assist organizations and employers in creating a program to produce a healthy workplace where their employees can flourish, reach their potential, and significantly contribute to their organization's performance. Additionally, this research hopes to help the government track the effectiveness of their policies, which is in line with the Malaysia National Strategy Financial Literacy 2019 - 2023 which aims to improve well-being among Malaysians and the national Shared Prosperity Vision of becoming a high-income nation by the year 2030.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*iBAF* 2022)

Blood Donation Among Muslim Young Adults (Extended Abstract)

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1. INTRODUCTION

Blood is a vital component needed in medical institutions to save lives in several circumstances, including operations, blood disorders, injuries, pregnancy difficulties, transplants, and many other diseases. Donating blood in Islam is permitted if it is not harmful to the donor's health and well-being and when it is deemed helpful to other Muslims that need it. Early this year, the Health Ministry of Malaysia has extended urgent plea for the public to donate blood as a surge in demand has led to a depleted inventory at the NBC (Arumugam, 2022). Thus, the need for blood donation is high.

Previous studies have demonstrated distinguishing characteristics between blood donor and non-blood donor (Ling et al. 2018; Beerli-Palacio and Santana, 2015). Young people are less inclined to donate blood than older persons, according to Marantidou et al. (2007). Similar findings were found in studies conducted by Kasraian (2010), Volken et al. (2013), and Ou et al. (2015). The authors reported that higher responses rates were among older donors. Therefore, this study investigates the drivers, barriers, and facilitators of blood donation among Muslim young adults in Malaysia who are both donors and non-donors. By analysing the difference between donors and non-donors' behaviour, specific marketing program can be suggested to increase participation among Muslim young adults in blood donation. In addition, blood donation can contribute to the achievement of Goal 3 of Sustainable Development Goals (SDGs) which is "Health and Welfare for All".

2. METHODS

Using convenience sampling, a total of 198 completed survey questionnaires were received in this study. The survey questionnaire was divided into two main sections. The first section contained general questions on respondents' demographic information (such as gender, age, and location) and blood donation experience including previous experience in blood donation and blood type. In section two, respondents were asked about their views and opinions on drivers, barriers, and facilitators to donate blood. All items were measured by asking respondents questions in the form of a five-point Likert scale ranging from "1" (strongly disagree) to "5" (strongly agree).

3. RESULTS AND DISCUSSION

3.1. Descriptive Analysis

Table 1 illustrates the respondents' profile and blood donation experience. In total, 74.7% of the respondents were females and 25.3% per cent were males. The information on age showed that more than half (87.9%) aged between 18 and 24 years old and the remaining (12.1%) aged between 25 and 34 years old. With regards to the respondents' location, 40.6% came from East of Malaysia, followed by South of Malaysia (23.4%), Central (20.3%), and Sabah & Sarawak (1.0%). Out of 198 respondents, 75 respondents or 37.9% have donated blood while 123 respondents or 62.1% have not donated blood.

Table 1. Demographic Profiles and Blood Donation Experience.

Description		**(n=198)**	
		Frequency	**(%)**
Demographic Profile			
Gender	Male	50	25.3
	Female	148	74.7
Age	18 - 24	174	87.9
	25 - 34	24	12.1
Location	North (Perlis, Penang, Kedah, Perak)	29	14.7
	East (Pahang, Kelantan, Terengganu)	80	40.6
	Central (Kuala Lumpur, Selangor, Putrajaya)	40	20.3
	South (Negeri Sembilan, Melaka, Johor)	46	23.4
	Sabah & Sarawak	2	1.0
Blood Donation Experience			
Experience in donating blood	Yes (Donor)	75	37.9
	No (Non-Donor)	123	62.1
Blood Type	Type A	26	13.3
	Type B	30	15.4
	Type AB	15	7.7
	Type O	59	30.3
	Not sure	65	33.3

3.2. Chi-Square test of independence

Chi-square statistics were used to examine association between gender (male and female) and experience in donating blood (yes and no). Based on Table 2, there is significant association between gender and experience in donating blood. Females are more likely than males have the experience to donate blood (x^2 = 4.101, df = 1, p<0.05).

3.3. Independent t-test

An independent samples t-test was conducted to compare between donor and non-donor on the drivers, barriers, and facilitators to donate blood. As shown in Table 3, there were significant differences (t(188) = 2.721, p<0.05) in the mean scores of drivers to donate blood with mean score for donor (M =4.0078 SD = .57484) was higher than non-donor (M =3.7717, SD = .58634). In addition, significant differences (t(189) = -6.146, p<0.001) in the mean scores of barriers to donate blood with mean score for non-donor (M =2.8884 SD = .66121) was higher than donor (M =2.1290, SD = .87545). This result shows that non-donor perceived more barriers to donate blood as compared to donors. Finally, no significant differences were found between donor and non-donor in terms of facilitator to donate blood (t(189) = -1.457, p=0.147).

Table 2. Crosstabulation Table (Gender * Experience in Donating Blood).

			Gender		**Total**
			Female	**Male**	
Do you have an experience donating blood?	Yes	Count	62	13	75
		% within Do you have an experience donating blood?	82.70%	17.30%	100.00%
		% within What is your gender?	41.90%	26.00%	37.90%
	No	Count	86	37	123
		% within Do you have an experience donating blood?	69.90%	30.10%	100.00%
		% within What is your gender?	58.10%	74.00%	62.10%
Total		Count	148	50	198
		% within Do you have an experience donating blood?	74.70%	25.30%	100.00%
		% within What is your gender?	100.00%	100.00%	100.00%

Chi-Square Tests

	Value	**df**	**Asymptotic Significance (2-sided)**	**Exact Sig. (2-sided)**	**Exact Sig. (1-sided)**
Pearson Chi-Square	4.011a	1	0.045		
Likelihood Ratio	4.165	1	0.041		
Fisher's Exact Test				0.063	0.032
Linear-by-Linear Association	3.991	1	0.046		
N of Valid Cases	198				

a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 18.94.

b Computed only for a 2x2 table

Table 3. Independent Samples Test.

		Mean	SD	Levene's Test for Equality of Variances		t-test for Equality of Means						
				F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
											Lower	Upper
Drivers to donate blood	Donor	4.0078	.57484	.010	.922	2.721	188	.007	.23616	.08680	.06493	.40738
	Non-Donor	3.7717	.58634			2.733	155.220	.007	.23616	.08640	.06548	.40683
Barriers to donate blood	Donor	2.1290	.87545	.951	.331	-6.146	189	.000	-.75939	.12356	-1.00312	-.51565
	Non-Donor	2.8884	.79738			-6.006	139.081	.000	-.75939	.12644	-1.00938	-.50939
Facilitator to donate blood	Donor	3.2726	.66121	.438	.509	-1.457	189	.147	-.13709	.09408	-.32267	.04848
	Non-Donor	3.4097	.61062			-1.429	140.644	.155	-.13709	.09595	-.32678	.05259

5. CONCLUSION

This study investigates the drivers, barriers, and facilitators of blood donation among Muslim young adults in Malaysia who are both donors and non-donors. Results showed that females were more likely than males have the experience to donate blood. Also, donor showed a significant higher mean scores of drivers to donate blood while non-donor showed a higher means in terms of barriers to donate blood. This finding suggests that to motivate non-donors to donate blood, barriers that prevent them from doing so should be addressed.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Conceptualization of SMEs' Business Resilience: A Systematic Review

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Abstract

Business resilience research is highly desirable because there is an urgent need to explore the precarious environments in which small and medium-sized enterprises (SMEs) activities. Despite fragmented literature on definitions, measures, and variables impacting the notion, the academic community's interest in business resilience research has expanded significantly. This research aims to understand SME businesses' resilience from a business and management viewpoint. This study uses a systematic review of articles utilising Transfield's five stages, divided into three academic dialogues, to establish the basis for a critical debate on each study area. The techniques used a systematic review of papers published between 2000 and 2022. This research analyses terminology about the business resilience of SMEs and offers a novel conceptual framework. Based on the review results, identify the differentiating characteristics of resilience and suggest extending the theoretical foundations of future resilience research. This study contributes to the theoretical discourse on resilience by addressing resilience concepts, measures in SMEs, and factors impacting the resilience of businesses. In general, the current research has highlighted an extensive and productive topic covered in the existing literature about the business resilience of SMEs.

Keywords: Resilience; business; business resilience; SMEs

1. Introduction

Business resilience research is highly desirable as it responds to the urgent need to investigate vulnerable situations in which small and medium-sized enterprises (SMEs) carry out their activities (Ates & Bititci, 2011; Burnard Bhamra, 2011; and Kantur & Say, 2015). However, there is currently no agreed definition of resilience in business or management (Williams & Vorley, 2017). Several authors have stressed the need to systematise research in this field to advance in the general field of business, particularly in the field of SMEs (Tognazzo et al., 2016; N. Williams et al., 2013; and Saad, Hagelaar, Velde, & Omta, 2021). In addition, over the past several years (Alberti, 2018), resilience and small and medium-sized enterprises (SMEs) and their combination, SME resilience, have been at the forefront of academic and policy-making agendas (Linnenluecke, 2017; Williams & Vorley, 2017). Thus, there is sufficient scientific and policy interest to encourage a relevant extension of the body of knowledge. However, studying SMEs' resilience was difficult due to inconclusive evidence (Dahlberg & Guay, 2015; Tognazzo et al., 2016). Business resilience is an organisation's ability to adapt to its environment and new circumstances after a major incident to overcome its effects. Therefore, existing literature on business resilience

requires extensive collaboration and understanding (Hadi et al., 2019). In business, resilience is synonymous with crisis management, business continuity and a response to the various risks organisations may face. Thus, this includes cyber threats, natural disasters, and many other things. (www.itgovernance.co.uk, 2020).

Over the last few decades (2000-2022), the number of published articles on business resilience has increased, but the concept and definition of the term remain fragmented (Hadi, 2020). For example, according to a study by Baggio et al. (2015), which identifies resilience in various research areas, the definition of resilience in management and commercial literature remains unclear. In addition, the majority of research has focused on system resilience (Hosseini et al., 2016), supply chain (Ambulkar et al., 2015), and destination (Williams et al., 2020), as well as the study by Conz & Magnani (2019), who conducted a review only through 2017. This means that those intending to research business resilience will likely have questions that have not been answered recently. As such, it contributes to the continuing confusion on the issue. As such, a systematic review of the resilience of SMEs is needed, and the year 2022 is an ideal time to revitalise the concept and define the resilience of businesses by focusing solely on SMEs.

This research looks for August 2022 e-resources and academic articles with the keywords "Resilience and SMEs," which have gained popularity since 2000 and are anticipated to remain. This research refers to the past phenomenon of the resiliency of SMEs and contributes to the case for resiliency in business, management and organisational justice (Hadi, Tjahjono, & Palupi, 2019 Linnenluecke, 2017). In addition, it addresses research gaps in the definition and conceptualisation of business and management resilience. As a result, a systematic literature review of business resilience articles published between 2000 and 2022 was conducted. The authors analysed the definitions of the selected articles and presented the conceptual framework for the resilience of SMEs.

2. Literature Review

The word resilience comes from the Latin word "resiliere", which means bounce back (Sabatino, 2016). It is a function of ecology, the ability of a system to regain stability after a disturbance (Holling 1973). Resilience is the ability of an organisation to stand up to external turbulence and be spared (Kurtz & Varvakis, G, 2016). Păunescu & Mátyus (2020) have defined business resilience as an organisation's ability to sustain its resources by streamlining and self-sustaining its activities during a disruptive event. Resilience has been applied in many domains, including emergency management, engineering, psychology, sociology, and business administration (Korber & McNaughton, 2017). A resilient organisation can always take calculated risks and benefit from anything (Aldianto et al., 2021).

Resilience depends on personality characteristics and a dynamic developmental process (Walker et al., 2003). According to Walker (2020), resilience is the maintenance of a system's functionality in the event of disruption or retention of items necessary to update or rearrange a system's function after an interruption. A resilient organisation will always find opportunities to take risks and benefit from them. Donnellan (2009) found that resilience involves anticipating and avoiding unexpected threats. It is also essential to display sensitivity, change perceptions and manage a flexible decision-making process. For example, economic volatility and business discontinuity require organisational flexibility and resilience. According to Linnenluecke and Griffiths (2010), resilience is an ability to take up adversity and recover from it. Similarly, Kurtz and Varvakis (2016) define resilience as a system's ability to resist interference from external phenomena while remaining unchanged.

According to Lengnick-Hall and Beck (2003), "organisational resilience is a complex combination of behaviours, views and interactions that can be developed, measured and managed." Resilience is demonstrated as a result of an event or crisis Wildavsky (1998). Business resiliency allows organisations to adapt quickly to disruptions while maintaining sustainable business activities and protecting people, assets and brand equity (Simeone, 2015). Hence, business resilience is "the capacity of businesses to survive, adapt and grow in the face of disruptive change" (Filsel, 2006; Hamel & Valikangas, 2003). Dahles and Susilowati (2015) argue that addressing rapid change and shocks is essential for economic growth. Business resilience can recover from disruptions and adapt, significantly changing its business model (Fiksel, 2006). Small businesses respond to external shocks because they are more flexible, innovative and adaptable than large companies. Innovative and adaptive skills are crucial to recovering from a crisis (Engle, 2011).

There are three separate perspectives on resilience based on Dahles and Susilowati (2015). First, according to Scott and Laws (2006), resilience returns to the previous state, considered "normal." The second approach describes resilience as the ability to recover from a crisis by re-establishing damaged infrastructure and markets (Scott & Laws. 2006). Finally, the third approach to resiliency foresees a crisis that leads to fundamentally different conditions. As a result, the business concept is changing dramatically and in unpredictable ways, resulting in new operating methods, business partners, network relations, markets, products, Crisis Management sources and managers.

COVID-19 is a unique and rapidly expanding challenge for organisations worldwide. As a result, businesses, particularly start-ups, need to understand the necessary precautions and prepare the organisation to be as resilient as possible to protect employees and sustain operations. This includes understanding the organisation's position

on business continuity and crisis management, especially concerning people, suppliers, supply chains, operations and I.T. infrastructure. In addition, business resilience is responsible for identifying and understanding key organisational and operational risks associated with providing products and services along with the sustainability of operations in emergencies, including products and services, management and personnel, operations and facilities, customers and suppliers, and the entire value chain (Simeone, 2015).

Systematic empirical studies have shown little attention to resilience (Sutcliffe & Vogus, 2003). Instead, the resilience literature has followed more theoretical approaches, focusing on conceptual development and related areas. There are three categories of resilience literature: preparedness and readiness, response and adaptation, and recovery or adaptation. Previous research has identified several areas where resilience research is advancing, such as the relationship between human and organisational resilience and understanding the interface between resilience and organisational infrastructure.

3. Methodology

This research is a systematic literature review highlighting SMEs' challenges in business resilience. A literature review is key in the hierarchy of scientific evidence-based knowledge generation. Tranfield et al. (2003) recommended five sequential stages as relevant to conducting a well-structured and evidence-informed literature review:

1. Planning the review
2. Identifying and evaluating studies
3. Extracting and synthesising data
4. Reporting descriptive findings
5. Utilising the findings to inform research and practice

Stage 1: Planning the review
The primary objective of this review is to ascertain the nature and scope of the research conducted on SMEs' business resilience.

Stage 2: Identifying and evaluating studies
This research aims to address the past phenomenon of the resiliency of SMEs and contributes to the case for resiliency in business, management and organisational justice.

3.1 Inclusion and exclusion criteria

Table 1 shows this research paper's inclusion and exclusion criteria for our analysis.

Table 1. Inclusion and Exclusion Criteria

Criterion	Inclusion	Exclusion
Literature Type	Indexed Journal (Research Articles)	Non-Indexed Journals, Systematic Review Journals, Chapter in Book, Conference Proceeding
Language	English	Non/English
Index	Social Science Citation Index	Science Citation Indexed Expanded

3.2 Search strategy

This systematic review uses relevant articles that are appropriate to the topic of this study and conducts article searching using big digital data from e-resources. This paper uses a digital library with data on management and business, including Emerald, Scopus, and Science Direct. No consensus states how many digital libraries can be used, and the last years of the data should be used in the systematic review study (Hadi, Tjahjono, El Qadri, et al., 2020). The search period covers from 2000 to August 2022. The data used in 2000 as the starting point is justified since the concept of resilience (especially SMEs resilience) was not discussed much before 2000.

Emerald Publishing is one of the world's largest digital publishers and, on top of that, orders organise and presents research that has the potential to make a meaningful difference. Therefore, Emerald is pleased to announce that they have achieved their highest impact factor. Scopus is an excellent journal because the Scopus database only indexed journals that had been subjected to peer review. Research journals of significance are indexed in the database. As a result, it can now be seen as valuable to researchers worldwide. In addition, with high-quality books and reference content and journals, the ScienceDirect platform uniquely supports an uninterrupted workflow, so researchers move seamlessly between books and journals and across topics and disciplines.

The process of searching in the systematic review applies operator Boolean logic of "Or", "And", and "Not' as the combination of the keywords determined that "resilience" and "business resilience" and the keywords related

to SMEs, including: "SME", "SMEs", and "Small and medium-sized enterprises". The keyword searching in the digital library is done several times to increase the reliability of this research (Hadi et al., 2019). Each digital library is unique in the process of searching, such as Emerald (Title, Publication Date 2000-2022), Scopus (Title, Publication Date 2000-2022), Science Direct (Publication Date 2012-2022, and Source Types Research articles), Finally, this paper identified 21753 potentially relevant articles, and then they were filtered according to the inclusion and exclusion protocol of systematic

Stage 3: Extracting and synthesising data
Papers were collected from three major databases: Emerald, Scopus and ScienceDirect.

4. Results

Stage 4 and 5:

Stages 4 and 5 of Tranfield are combined and presented in this section. The results of recapitulation of inclusions and exclusions articles in this systematic review can be seen in Figure 1, summarising and describing the flow of systematic reviews using Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) developed by Moher, Liberati, Tetzlaff, Altman, and The PRISMA Group (Moher et al., 2009).

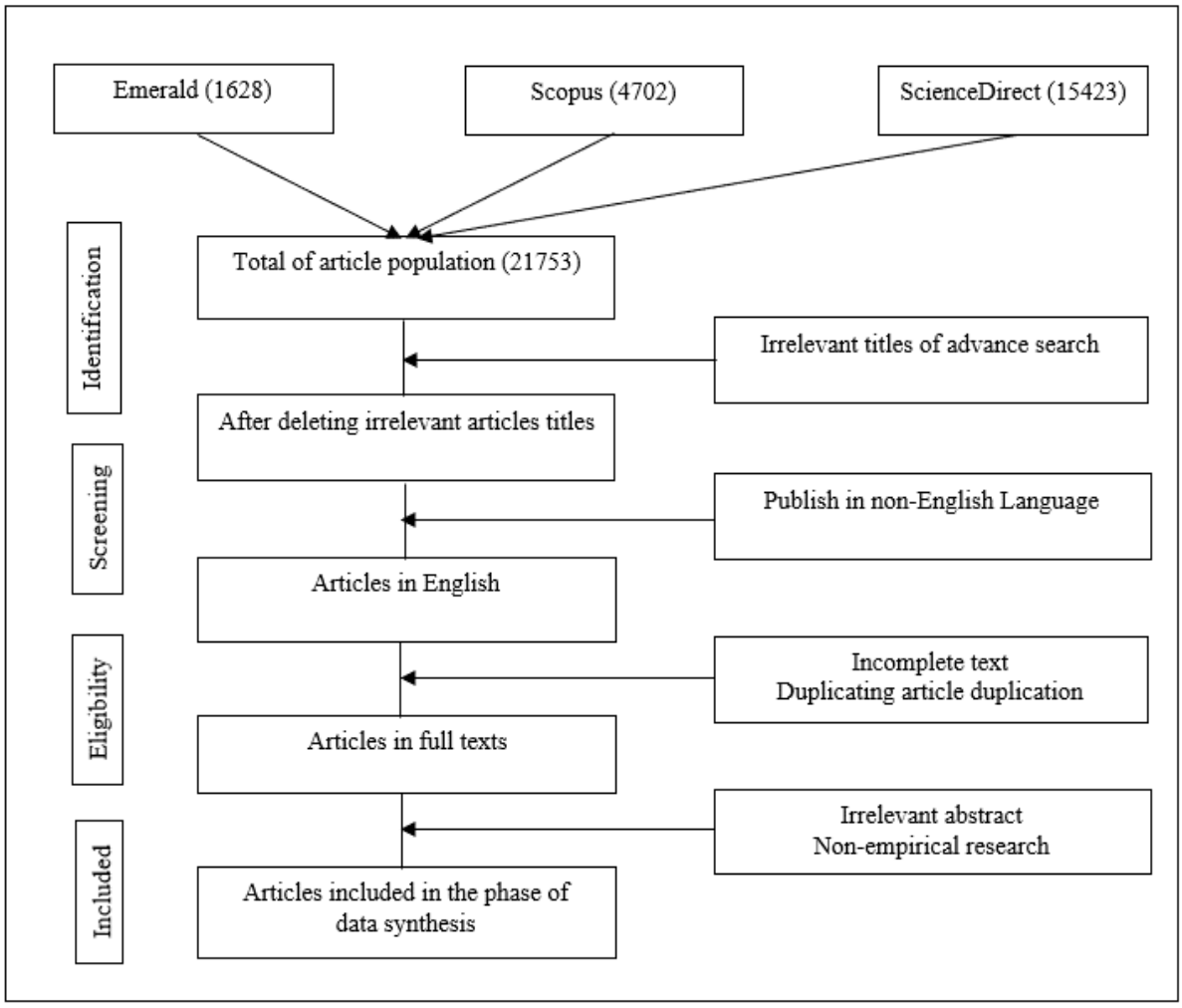


Figure.1. Information PRISMA Flow of Systematic Review – screenshot figure

The search strategy summary is presented in Table 2. The ScienceDirect databases recorded the highest number of resilience papers. When the search was executed with many keywords combined, Emerald, Scopus and ScienceDirect showed three related papers each of online databases. However, it found only nine papers when the search for the final combination of resilience and "business resilience" and SME and SMEs and "small and medium enterprise" was executed.

Table 2 shows the results based on all the sources and groups of keywords mentioned above. When "resilience" was used, 21753 articles were discovered. This figure dropped to 3259 when using "resilience and business

resilience". When it used the keywords "resilience and business resilience and SME", resilience and business resilience and SME and SMEs"; 168 and 167 articles were produced accordingly. Following the careful selection based on the inclusion and exclusion criteria described in the following section, nine (9) papers about resilience and "business resilience" and SME and SMEs and "small and medium enterprise" were identified.

Table 2. Search Strategy.

Database Online	**Keyword Combination Used**				
	Resilience	Resilience	Resilience	Resilience	Resilience
		And	And	And	And
		Business Resilience	Business Resilience	Business Resilience	Business Resilience
			And	And	And
			SME	SME	SME
				And	And
				SMEs	SMEs
					And
					Small Medium Enterprises
Emerald	1628	234	5	4	3
Scopus	4702	66	8	8	3
ScienceDirect	15423	2959	155	155	3
TOTAL	21753	3259	168	167	9

The fraction of papers is shown in Table 3. This research further analysed the eight papers to gain some insights. Unfortunately, one of the papers was found to be unrelated papers. Hence, only eight (8) papers were included in this analysis, as shown in Table 4.

Table 3. Fraction of Papers by a Combination of Keywords.

Keywords	**Paper Count**	**Percentage**
Resilience	21753	100.000%
Resilience and Business Resilience	3259	14.982%
Resilience and Business Resilience and SME	168	0.772%
Resilience and Business Resilience and SME and SMEs	167	0.768%
Resilience Business Resilience and SME and SMEs and Small Medium Enterprises	9	0.041%

Table 4. Synthesis of Literature on Resilience.

No.	**Authors (Year)**	**Titles of Articles**	**Findings/Themes**
1	Jabeen, F., Faisal, M. N., Al Matroushi, H., & Farouk, S. (2019).	Determinants of innovation decisions among Emirati female-owned small and medium enterprises	Prioritise government policies, R&D, innovation strategy, and skill development when making innovation decisions. Business owners put skill development at the top of their list because these skills could help them increase innovation and success in their ventures.
2	Wedawatta, G., & Ingirige, B. (2012).	Resilience and adaptation of small and medium-sized enterprises to flood risk	SMEs have implemented various asset safeguards and business continuity/risk management measures according to their needs.
3	Fath, B., Fiedler, A., Sinkovics, N., Sinkovics, R. R., & Sullivan-Taylor, B. (2021).	International relationships and the resilience of New Zealand SME exporters during COVID-19	SME network partners were chosen based on pre-pandemic relationships and market impact. Create new opportunities. SME relationships strengthen resilience as network partners accelerate the transformation of the business model.
4	Hu, M. K., & Kee, D. M. H. (2021)	Fostering sustainability: reinventing SME strategy in the new normal	SMEs need to be dynamic, forward-thinking, and transformative to seize opportunities. SMEs need to sharpen their internal skills and realign their business strategy to seize international opportunities.
5	Sitinjak, I., Malau, A. R., & Silalahi, A. D. K. (2022, May).	Organisational Ambidexterity and Public Policy Support as Determinants of Business Resilience Among SMEs in Medan, Indonesia: Findings From Regression and fsQCA	SMEs must take internal factors more serious, such as organisational ambidexterity. Ambidexterity is the capacity to achieve many goals (excellent daily operations).
6	Blackwell, P., Shehab, E. M., & Kay, J. M. (2006)	An effective decision-support framework for implementing enterprise information systems within SMEs	SMEs businesses that lack financial resources and resilience need to integrate data. Integrated systems projects save time, reduce risk and support decision-making.

7	Nassereddine, A., & Wehbe, A. (2018). C	Competition and resilience: Lean manufacturing in the plastic industry in Lebanon	Increased competition in this sector has led many companies to adopt better, more cost-effective manufacturing systems. However, according to the findings, many companies use lean manufacturing without knowing it.
8	Davila, A., & Foster, G. (2009).	The Adoption and Evolution of Management Control Systems in Entrepreneurial Companies: Evidence and a Promising Future	Management control systems have traditionally been considered harmful to start-ups. However, recent data indicate that these management control systems are required for these companies to grow.

An increase in the number of articles needs to be accompanied by a systematic review to see the gap between various articles on a particular topic, and it can be used as a basis for further theoretical and empirical development in the field. Such as, the topic of SME's business resilience still loses the conceptualisation of the term. Thus, many studies often use the definition of resilience from contextual and different levels of analysis; as a result, overlapping concepts of SME business resilience occur.

5. Conclusion

Based on this systematic review of 21753 journal articles, the study suggests that SMEs need to adopt the following elements to be resilient in the challenge of disasters.

1. SMEs must establish management control systems for their businesses.
2. Adopt more efficient, cost-effective, and less costly manufacturing systems.
3. Adopt a business continuity plan, including measures to manage risks.
4. SMEs need to strengthen relations with network partners to be resilient.
5. Enhancing skills development can increase innovation and success in their businesses.
6. SMEs need to be dynamic, forward-thinking, and transformative to seize opportunities and sharpen their internal skills.
7. SMEs need to integrate data to support decision-making.

This research answered the studies into the resilience of SMEs by structuring the diverging views in the literature and laying the foundations for future study in the field. Using a well-defined methodological approach, the studied existing literature on the business resilience of SMEs was published in a widespread set of articles from 2000 to 2022. This study contributes to the theoretical debate on exploring resilience definitions, measures in SMEs and factors influencing business resilience. The present research has highlighted several wide-ranging fertile issues discussed in the existing literature related to SMEs' business resilience.

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A Contribution of Uses and Gratification Theory towards the Brand Equity of Private Higher Education Institutions (PHEIs)

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Abstract

A university's brand equity is a key driver in communicating its values to prospective students. Meanwhile social media usage facilitated those prospective to gather information relevant to higher education institutions. A dynamic model focusing on customer-based brand equity often lack empirical support in higher education sectors, particularly in Malaysia. This study explores the role of social media usage as a factor to brand equity. It is believed that contribution of this social media uses, and gratification theory will help Private Higher Education Institutions (PHEIs) to better understand how the satisfaction of social media usage would increase its brand equity. Hence, this study aims to examine the relationship between social media usage and brand equity. This paper reviews literature related to social media usage towards brand equity in PHEIs with theoretically integrate the theory of uses and gratification. Drawing from the theory of uses and gratification the purpose of this study is to examine how social media usage influences brand equity. The quantitative findings from 180 undergraduates indicated social media usage influences the brand equity of higher education institutions. The results from structural equation modeling provided insight into how relationship developing, information sharing, self-presenting, entertaining of social media usage influences brand equity

Keywords: Social media usaage; brand equaity; Uses and Gratification Theory; PHEIs

1. Introduction

Since 1957, Malaysia has begun to develop human capital to replace expatriates and to help build the country. Therefore, higher education was seen as a crucial national agenda. However, before 1970, access to local higher education was limited only to one, namely University Malaya, and most of these students were from elite families

that have the resources and opportunity to send their children to further their studies. However, profitability was never an issue hence marketing activities were almost non-existent to attract students. (Sivalingam, 2006).

Four decades later, the Malaysian higher education landscape changed tremendously, especially after the Malaysian Government in 1996 liberalized the higher education sector by welcoming private participation (M. N. N. Lee, 2008). Malaysia is fast leading to become a center of educational excellence in the region as well as internationally. The door towards higher education was widely opened and the education sector has become a "commodity". While higher education providers become "private business entity" ,profitability and survival were concerned (Naidoo, 2003). With the liberalization of Malaysian education policies, more Private Higher Education Institutions (PHEIs) have sprung-up to provide more space and opportunities to potential students that create new and greater challenges among industry players. There are too many institutions offering the same courses and they are competing for the same limited number of students. Thus, in order to attract and retain students and running profitability, the PHEIs should build the corporate image or brand as well as improve the quality of the services. PHEIs must put more effort to boost their brand equity in order to secure students' enrolment and retention. Therefore, students as customers have become the main focus for PHEIs when strategizing their promotional activities (Ismail & Faridah, 2015). Recognizing and accepting education as an industry, higher education institution providers realize that under this current competitive global market, they must compete for students in order to survive. They must know and study what are the factors that can attract and retain students at their respective institutions.

Higher Education Institutions (HEIs), like any other business, are no exception. With increasing costs of education, students, parents, and prospective employees have intensified their scrutinized for the value delivered by HEIs (Aldridge & Rowley, 1998). PHEIs have come to terms with the fact that they must ensure that their primary customers (i.e. students) are attracted to register which will ultimately lead to the survival of the PHEIs. With the rapid increment of PHEIs in Malaysia competing for students who want quality education and value for the services, coupled with the reduced financial support from the government and other agencies, it is important for institutions to strategize in order to compete and survive in the competitive world. To ensure students are attracted, the PHEIs should develop effective strategies in enhancing their brand equity. Furthermore, it is vital that antecedents of students' perception on brand equity are realized as they are becoming important (Pinar et al., 2011). Empirical studies have shown that PHEIs with high students' brand awareness, quality perception and brand loyalty will have better student enrolments. Thus, marketing strategies in enhancing brand equity are vital in maintaining the reputation and sustainability of PHEIs.

The potential to provide customers with information about experience and credence qualities in advance of purchase has resulted in widespread recognition of the significance of brands in relation to consumer choice in the education service sector. Arguably, what is of particular significance in this process is brand equity. It is often suggested that marketing in the education service sector is relatively challenging due to the unique characteristics of the service and the dominance of experience and credence qualities. A particular consequence is that perceived risk is generally higher in a service selection decision because consumers find services more difficult to evaluate in advance of purchase (Haggis, 2003). In this situation, the brand can play an important role as a risk reliever, giving consumers greater confidence in their decision making and increasing trust (D. J. Kim et al., 2008). In essence, the brand provides a signal or a promise to consumers about the service that will be delivered, thus mitigating some of the problems associated with experience and credence qualities (Christodoulides et al., 2010). As well as a risk reliever, because the brand is a source of information, it can also serve as a tool for differentiation and ease the consumer choice process by creating distinctiveness (Aldridge & Rowley, 1998). Thus, the brand has been increasingly recognized as an important determinant of consumer choice in the education service sector.

Nowadays, social media technologies enable businesses to solve numerous consumer problems. Therefore, there is a need to investigate the effectiveness of application and uses of social media, how it affects and adds value to the customer's decision which later enhance the brand equity. Significantly, brand equity is the consumer's response to the brand, and this is reflected in the overall attitude towards the brand (Keller et al., 1993). Marketers have created their own social networks as a mechanism in their social media strategy to communicate with customers about their brand. Thus, the consumer's added values will lead to preferences for a particular brand. In a nutshell, it is extremely crucial to ensure success in building strong brand equity in PHEIs. The evidence is shown iv by Gretry et al., (2017), by asserting that social networks is the most effective mechanism to communicate with customers about their brand in this digital age market. However, Goswami et al., (2013) in their study discover that social media participation was not sufficiently taken to enhance brand visibility. It only can be bettered with such practices of being agile and assertive to deploy the synergies of social media usage.

Although there are ubiquities of social media research that has been carried out, yet there is a paucity of academic research and empirical evidence in the area (Dolan et al., 2019). In the meantime, Rutter et al., (2016) investigate social media technologies used by students to post questions to the university. However, if no response is forthcoming, the students may experience dissatisfaction. This lack of response in turn can affect their decision

to apply to that university. The results demonstrate a strong and positive effect on recruitment performance only when PHEIs use an interactive social media.

2. Literature Review

2.1 Brand Equity

Brand equity has been defined by Aaker, (1991) as "a set of assets such as name awareness, loyal customers, perceived quality, and associations that are linked to the brand and add value to the product or service being offered." Aaker, (1992) has proposed the first comprehensive model of brand equity. He identified five dimensions of brand equity, namely brand name awareness, brand associations, perceived quality, brand loyalty and other proprietary assets. Bisardi & Ekwulugo, (2003) highlighted that in higher education the brand image potentially plays a major role in reducing the risk associated with such service, largely because the assessment of quality takes place after consumption. Hence, having a strong brand is important as a risk reliever that simplifies the decision-making process (Erdem & Swait, 1998). That is to say, the brand represents a differentiation tool that gives cues to the consumers during the decision-making (Chen, 2008; Temple, 2006). On the other hand, brand equity has been defined as "outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name" (Ailawadi et al., 2003). The benefits of a product or service through the power of brand name and the purposes for measuring brand equity include: (1) to guide marketing strategy and tactical decisions, (2) to assess the extendibility of a brand, (3) to evaluate the effectiveness of marketing decisions, (4) to track the brand's health compared with that of competitors and over time, and (5) to assign a financial value to the brand in balance sheets and financial transactions. According to Keller & College, (2005) the power of a brand lies in what customers have learned, felt, seen, and heard about the brand. In the mindset of the customer, he develops a theory that identifies two key elements of mind-set equity, which are awareness and familiarity, as well as favorable brand associations.

Brand in short is the practice of using a business name and logo in marketing communications which allows the consumer to better recognize what the product is offering. Brands often provide the primary points to differentiate between competitive offerings, and as such they can be critical to the success of companies. Hence, it is pertinent that the management of brands is approached strategically (Wood, 2000). The building of a brand or a set of values, associated with the actual product provides it with an 'increase in value' or 'additional value'. A strong brand has therefore great value for its owner, as it represents a means whereby turnover, and income can be generated and at the same time it can be protected against attack or infringement of ownership by competitors (Lindstrom & Andersen, 2000). Successful branding campaigns can expect more sustained customer relationships and sales over a longer period than companies not implementing branding strategies.

Brand equity consists of elements such as the brand association, market fundamentals and marketing assets that distinguish one brand from another and that influence a customer's perceptions of or knowledge about a brand. When brand elements are favorable in a customer's mind, brand equity is considered to be positive. When they are not favorable, the brand equity is negative. Brand equity is regarded as a very important concept in business practices as well as in academic research because marketers can gain competitive advantage through successful brands (Lassar et al., 1995). In order to successfully manage a brand's equity, one must understand how it is built, and where it is likely to lead. The marketers in the area of higher education service should realize that developing a positive brand image is more important that creating awareness. Brand has a significant influence on the selection of a university (Mourad et al., 2011).

2.2 Users and Gratification Theory

The Uses & Gratifications Theory (U&G) theory is vigorous to this study. It is the accurate in explaining the social media usage and to understanding how brand is evaluated by consumers. Also, the definition of engagement behaviors is a result of motivational influences consistent with the theoretical underpinning of the Uses and Gratification Theory (Dolan et al., 2019). Uses and Gratification sought to find out what the audience does with media, not what the media does to the audience. This theory looks at needs and how they are influenced by personal characteristics as well as the environment within which a person interacts socially (Stephen, 2016). Consistent with the rationale of the Uses and Gratification Theory, social media usage is proposed to have a positive influence on brand equity.

Consequently, having an on-line and real-time engagement can serve as a powerful management instrument. This system will provide management with a continuously updated database of its customers and continuous information about the degree of satisfaction and dissatisfaction among customers (Christian Grönroos, 1994). Interaction among users can also contribute to the formation of virtual communities, where people gather due to shared interests, sociability, identity, and sense of communion. Given that virtual communities are often built around user-generated contents, responding to content is argued to be an integral part of community development

since it can be used in their evaluations of brand equity reinforce dynamic content creation (Hollebeek et al., 2017).

2.3 Gratification Factors for Social Media Usage

According to Gu & Wang, (2012)there are 5 categories of social media that is, SNS (Social Network Sites), blog, microblog, LBS (Location Based Service), and theme community. Blog is perhaps the best known form of social media; blogs are online journals, with entries appearing with the most recent first. Meanwhile, content community is a virtual community based on theme content sharing. In addition, Gu & Wang (2012) reveal that if users are attracted by the theme, and then become the member of the community. Social Network Sites (SNS) on the other hand is the site where, the users can create their own pages and share information with friends. Moreover, Location Based Service (LBS) is a new form of social media where user can use mobile devices to check in by specific application and interact with brands. Lastly, the microblog which is largely used nowadays, is a new kind of blog based on Web2.0 technology, social networking combined with bite-sized blogging, where small amounts of content ('updates') are distributed online and through the mobile phone network. Microblog has become one of the most popular social media.

Social media is defined as any digital tool or venue that allows individuals to socialize on the web. According to Kaplan & Haenlein, (2010) social media is defined as "a group of internet-based applications that build on the ideological and technical foundations of Web 2.0, and that allow the creation and exchange of user generated content". Recent evidence suggests that social media are forms of electronic communication through which users create online communities to share information, idea, personal messages and other content (Kaur, 2016; Scholz & Smith, 2016; Soma et al., 2016)

Whereas social media marketing is the utilization of social media and social networks to market a product, company, or brand. According to Kaur, (2016) "Social media is a form of internet marketing that implement various social media networks in order to achieve marketing communication and branding social goals." According to Felix et al., (2017) social media marketing provides firms with an opportunity to use social media to build relationships with customers, employees, communities, and other stakeholders. Subsequently, Muchardie et al., (2016) mentioned that social media can be utilized as a marketing tool to make and build strong relationships with customers, so that later they would be more loyal. Similarly, A. J. Kim & Ko, (2012) proposed that social media marketing (SMM) is a two-way communication seeking empathy with young users, and even enforcing the familiar emotions associated with existing luxury brands to a higher age group.

A review of the literature reveals several dimensions of social media usage that, collectively, constitute a comprehensive understanding of the social media usage gratification namely, relationship developing, information sharing, self-presenting and entertaining (Hu & Zhang, 2016). The conceptualization of social media usage combined with the four behavioral dimensions suggests a promising theoretical basis for modelling social media usage construct illustrated in the figure below.

2.4 Social Media Usage Impact on Brand Equity

With the rise of social media, it appears that communication has been democratized (Kietzmann et al., 2011). The power has been taken from those in marketing and public relations by the individuals and communities that create, share, and consume blogs, tweets, Facebook entries, movies, pictures, and so forth. Communication about brands happens, with or without permission of the firms in question. It is now up to firms to decide if they want to get serious about social media and participate in this communication or continue to ignore it. Both have a tremendous impact. Brands should no longer regard social media marketing as a way to reach consumers, but also as an important and cost-effective image-building tool (Godey et al., 2016).

Dehghani & Tumer, (2015) in their study found that Facebook advertising significantly affected brand image and brand equity, both of which factors contributed to a significant change in purchasing intention. A strong brand can grant protection from equity dilution and resist the impact of negative publicity in the case of product failures and, thus, reduce potential volatility in future cash flow (Hsu & Lawrence, 2016). Similarly, Nguyen et al.,(2015) in their study demonstrated that social media strategic capabilities may enhance a firm's ability to identify opportunities in the brand innovation process and help firms adjust accordingly. This adjustment is only possible in combination with continuous knowledge acquisition from social media and market orientation.

Understanding the principles of social media consumption can both assist marketing managers in developing strategies and provide insights into the potential role of culture in brand relationship development (Pentina et al., 2013). Similarly, by deploying various social media marketing solutions, it will possibly increase the brand awareness by providing exclusive information to the audience (Barreda et al., 2015). On the other hand, Michaelidou et al.,(2011) found some barriers in implementing social media in business-to-business (B2B) organization. This is due to lack of technical skill among employees, and knowledge to correctly measure social media usage. Yet, the increasing influence of social systems nowadays forces organizations to create more customer-centered activities.

Whereas the importance of social media for brand management and customer relationship management is widely recognized, it is unclear whether social media can also help companies market and sell products (Yadav et al., 2013). Likewise, positive relation has been detected on social media engagement level and personal branding efforts but the relation between existence on social media and personal branding has not been confirmed (Karaduman, 2013). Significantly Godey et al., (2016) emphasize that social media should not only be thought of as a means of raising brand awareness and reaching new customers, but also as an increasingly important and serious brand image building tool. In the same vein, Hudson et al., (2016) reveal that social media use was positively related with brand relationship quality and the effect was more pronounced with high anthropomorphism perceptions. Connecting the brand to a larger ecological context, providing more related knowledge or inspirational usage, and associating the brand with trending topics may add to the users' values of following brand pages on social media (Gao & Feng, 2016). Thus, the hypothesis to investigate is:

Hypothesis: There is a significant relationship between social media usage and the brand equity of PHEIs.

3. Methodology

In higher education research, questionnaire surveys are a popular method for gathering data because of their capability to gather large sample sizes for statistical analysis (Chad & Kevin A., 2015). Traditionally, questionnaires are disseminated via post or by hand by the researcher. In the wake of technology advancement, the internet has become a popular medium for questionnaire distribution. In this study, the researcher collects the data using a structured questionnaire administered through face-to-face survey with the use of closed-ended questions (questions with multiple-choice answers and the Likert scale). The questionnaire was mainly constructed using a selection of scales from previous researchers.

The researcher enters the identified PHEIs, chooses a classroom and asks the students to complete the questionnaire. The students in the classroom were chosen because it is assumed that they have made the decision to enroll in that university and therefore are appropriate targets to answer the questionnaire (Wallace et al., 2014).

The questionnaire consists of a total of 19 questions: four items for entertainment, gratification, information sharing, relationship development and self-presentation adopted from T. Hu and Zhang, (2016) , and 18 items for brand equity (Erdoğmuş & Ergun, 2016; G. Lee & Leh, 2011; Washburn & Plank, 2002; Yoo & Donthu, 2001)

The researcher uses SPSS and PLS SEM to interpret the data and to test the constructs in the study. The validity instrument ensures that the items in the questionnaire measure the dependent variable and independent variable. The reliability analysis also indicates the stability and consistency. The researcher utilizes an inter-item consistency reliability test which is the Cronbach's coefficient alpha. A range of statistical procedures were employed to test the research hypothesis. These include the correlation test (test of association) and PLS-SEM (Structural Equation Modelling). The researcher utilizes an inter-item consistency reliability test which is the Cronbach's coefficient alpha, and confirmatory factoring analysis (CFA).

4. Result

To determine how well the data fits the theory, the first step is to evaluate the path model that has been developed. The evaluation follows a two-step process: 1) evaluation of the measurement model, and 2) evaluation of the structural model.

4.1 Confirmatory Factor Analysis

The first step to evaluate the path model is to evaluate the reliability and validity of the construct measures. Only after they have been established with quality evidence can the structural model be evaluated (H. et al. 2017 Hair, 2017). This section displays the results of the PLS-SEM measurement model for this study. The evaluation of the measurement model was conducted by following the steps recommended by Hair et al., (2014) and Thurasamy, (2015). In evaluating the measurement model, the confirmatory factor analysis (CFA) was conducted to assess the reliability and validity of the scales used in this study. CFA is applied because it is more applicable with the well-established scale that was adapted from previous literatures as opposed to the exploratory factor analysis (EFA) that should be employed when the researchers have little or no knowledge regarding the constructs' composition (Ali Memon et al., 2018). The assessment was done by obtaining the value of the outer loadings, indicator reliability, internal consistency, convergent validity, and discriminant validity.

There are two criteria to determine the internal consistency reliability criteria: i) Cronbach's Alpha (representing the upper bound or higher reliability value) and 2) Composite reliability (representing the upper bound or higher reliability value). Both measures vary between 0 and 1, in which the higher value indicates a higher level of reliability. Composite reliability values of 0.6 to 0.7 are acceptable, and values between 0.7 and 0.9 can be regarded as satisfactory (Nunnally & Bernstein, 1994). Thus, the measurement is considered acceptable

and reliable. Composite reliability below 0.6 indicates a lack of internal consistency reliability. Convergent and discriminant validity was examined to assess construct validity. All factor loadings exceeded .82 and all were significant at the alpha level of .01, ensuring convergent validity of the measures. Furthermore, average variance extracted (AVE), exceeding the cut-off level of .50, was also calculated to verify convergent validity (J. F. Hair et al., 2014).

4.1. Structural Equation Modeling (SEM)

Structural Equation Modeling (SEM) was conducted to check the hypothesized model after validating the measurement model. The hypothesis, which hypothesized the positive impact of social media usage on brand equity, was supported with estimates of 0.151 at the level of $p < .05$, meaning information on social media usage affect the brand equity positively. The finding suggests social media usage is another form of a company managed platform and the social media channel should include valuable information related to the PHEIs services.

Table 1. The Impact of Social Media Usage on Brand Equity.

Relationship	B	t-value	p-value	Decision	R^2	f^2	Q^2
Social Media Usage > Brand Equity	0.151	2.454	0.007	Supported	0.63	0.047 (Small)	0.443

5. Discussion and Solution

Hypothesis: There is a positive significant relationship between social media usage and the brand equity of PHEIs.

Table 2. Summary of Hypothesis.

Measurement Model					Structural Model		
CR	IR	AVE	HTMT	Path Coefficient (1)	Path Coefficient	VIF	f2
>0.7	<0.708	>0.501	Yes	Significant	Significant	>5	Small

Table 2 above shows a summary of the results from the measurement and structural models for hypothesis H1. First, in the measurement model for hypothesis H1, the composite reliability (CR) shows that all the items have a satisfactory level of reliability which meets the threshold of CR>0.7 (Ansary & Nik Hashim, 2017).

Secondly, the indicator reliability (IR) value demonstrates that all fifteen items are between the range of 0.772 and 0.877, suggesting that the threshold of 0.708 or higher as suggested by Hair et al., (2014) is fulfilled. Therefore, a satisfactory consistency of the latent construct in measuring social media usage in this study is confirmed. Thirdly, the AVE value displays a satisfactory level between 0.666 and 0.713, which also meets the threshold of more than 0.50 (Fornell & Larcker, 1981; J. F. J. Hair et al., 2014). Accordingly, hypothesis H1 confirms the ability of social media to explain more than half of the variance of its indicators. Next, the Heteroit-Monotrait Ratio (HTMT) value in H1 proves to be satisfactory with a value of less than 0.85, suggesting that each construct is different from one another for discriminant validity (Henseler & Chin, 2010). Using the bootstrapping procedure, the path coefficients of the first-order constructs, namely entertaining, information sharing, relationship developing and self-presenting are significantly established to measure social media usage in the reflective first-order construct which generated beta values of BEnt (0.254), BI (0.373), BR (0.378), BS (0.363), t-values of BEnt (9.46), BI (11.6), BR (11.927) and BS (7.687) and p-values of 0.000. These results indicate that there is a significant relationship between the first-order and second-order constructs. It is also evident that social media usage is at a satisfactory level which fulfils all thresholds of the reliability and validity testing (Hair et al., 2014).

With regards to the structural model analysis, the variance inflation factor (VIF) value of 1.321 which is less than 5 Hair et al., (2014) suggests that no collinearity issues had occurred between the constructs. Secondly, a two-stage approach was conducted to find the significant effect of social media usage on the brand equity of the PHEIs, since hypothesis H1 is established as a higher-order construct in measuring social media usage as a second-order formative. The outcome reveals a positive significant relationship between social media usage and brand equity with a t-value of 2.454, a p-value of 0.007, and $\beta = 0.151$ with confidence interval less than 1. The result also confirms that the threshold is reached, thus supporting hypothesis H1. Thirdly, the f2 effect size of 0.047 indicates that social media has a small effect size on brand equity as the endogenous (Cohen, 1988; F. Hair et al., 2014).

Based on the findings above, as the independent variables in this research, social media usage demonstrates a positive significant direct effect on the brand equity of the PHEIs. The result shows a satisfactory level that reaches the stipulated threshold. Since the expectation of hypothesis H1 is supported, it can be concluded that there is an effective social media usage among the PHEIs in enhancing their brand equity and sustaining their growth.

This research outcome correlates with that of previous studies conducted by Yeik Koay et al., (2019), Algharabat et al., (2020) and Pringle & Fritz, (2018). These empirical works have found a significant effect of social media on brand equity in which this variable is cited as a critical resource for the success of a comprehensive

firm strategy in forming a sustainable branding strategy. Additionally, a positive relationship between social media and marketing's return on investment; and brand equity has been discovered by a content analysis presented by Shay & Horst, (2019), specifically relating to the customer engagement.

Nonetheless, this result contradicts the findings derived by Sadek et al., (2018) who have cited the insignificant influence of social media usage on brand equity of an industry, particularly with regard to user generated social media. This study suggests that user generated social media is not a significant predictor brand associations which is one of the brand equity dimensions. It can also be deduced that this is due to the characteristic of the users themselves. Raji et al., (2019) have also underlined the ineffectiveness of social media as a construct, resulting an insignificant effect on the branding strategy of an organization.

Based on the thorough discussion, it can be inferred that this study supports the findings in earlier literature which have discovered a positive significant influence of social media on brand equity, although the previous authors have concentrated on the influence of social media on performance (Homburg et al., 2015; Oberoi et al., 2017; Tafesse & Wien, 2018), attitude (Costa et al., 2016; Knoll, 2016; Lin & Kim, 2016; Shareef et al., 2017) and customer response (A. J. Kim & Johnson, 2016; Lin & Kim, 2016; Seo & Park, 2018; Yoshida et al., 2018) organizations. Thus, the result of this study is beneficial such that it has established the direct significant effect of social media usage on the brand equity of PHEIs, which is a comparatively unexplored research field.

With regard to the analysis of hypothesis H1, social media usage is defined as internet-based applications that allow user-generated content to be produced and shared. The social media usage variable that is established from the dimensions of relationship development, information sharing, self-presenting and entertaining a proposed by Hu & Zhang, (2016)is positively significant to brand equity of PHEIs. Thus, the result revealed that social media usage as a term is nearly generally relevant to many disciplines including and not limited to health, finance, and tourism. As such, the significance of social media usage may be confined on the specific scope and context of the research. In a specific marketing research context in the field of PHEIs, this study states social media usage as the tools to develop relationship with customers, to share information, entertain and self-presenting in the interest of realizing mutual objectives which can impact the brand equity of PHEIs, and consequently result in financial stability and growth.

Accordingly, PHEIs must ensure the availability of social media usage as a resource in any future marketing strategies as to achieve sustainable growth. Even though past studies have primarily focused on the western or conventional context of the study, the current research has discovered that the PHEIs also confirms the significant influence of social media usage in their marketing and promotional activities. Thus, this encounter indicates that the significant effect of social media usage can also be generalized to other global contexts of the study. On the basis of existing literature, findings consistently indicate a significant relationship between social media usage and brand equity in an organizational context. This aligns with a research by Bernritter et al., (2016) and Hodis et al., (2015) which reveal that social media usage has a strong impact among companies in their marketing efforts. Despite this, such findings have not been empirically tested in the educational industry, namely PHEIs.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Pembangunan Tanah Adat Terbiar di Daerah Rembau, Negeri Sembilan Halatuju Mengikut Pendekatan Institusi Ekonomi

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Abstract

Peningkatan import makanan yang berlaku saban tahun memerlukan beberapa penilaian dalam konteks sekuriti makanan negara. Isu menyediakan keperluan keselamatan makanan dalam negara memerlukan tanah digunakan seoptima yang mungkin. Namun dalam konteks Malaysia, keadaan agak sedikit menghairankan apabila ada tanah-tanah pertanian tidak diusahakan dan menjadi terbiar. Sehubungan itu, artikel ini bertujuan untuk memberikan penekanan kepada pengalaman pihak FELCRA dan Koperasi Astana Raja Bhd yang telah mengusahakan tanah-tanah terbiar di daerah Rembau. Dapatan kajian mendapati sepakatan antara tanah telah diperoleh apabila ramai dalam kalangan pemilik yang telah menyertai program yang dilaksana oleh pihak FELCRA dan Koperasi Astana Raja Bhd. Dan sehingga tarikh tamat kontrak, tidak terdapat rungutan ketidakpuasan hati dalam kalangan pemilik. Namun persoalan mulai timbul apakah pemilik tanah ini masih sudi untuk menyertai program yang dianjurkan oleh Koperasi dan FELCRA. Sehubungan itu, adalah penting pihak berkait untuk memikirkan halatuju keterlibatan pemilik tanah seterusnya. Implikasi daripada halatuju seterusnya adalah untuk memikirkan satu kaedah yang boleh memberikan nilai tambah terhadap tanah agar dapat dioptimakan pengeluaran dan seterusnya meningkatkan pendapatan pemilik tanah. Sehubungan itu kertas kerja ini telah mencadangkan 2 kaedah yang boleh menarik pemilik tanah untuk terus bersama dengan agensi ini iaitu melalui usaha agropelancongan dan juga melalui kaedah musharaka mutanaqisah.

Keywords: Sekuriti makanan; tanah pertanian terbiar; tanah adat; pembangunan tanah

1. Pengenalan

Sekuriti makanan bersandarkan pertanian di Malaysia diberikan penekanan oleh kerajaan bagi memastikan pengeluaran makanan yang stabil. Penekanan ini juga dibuat bagi menjamin kebolehdapatan makanan di peringkat domestik. Untuk mencapai matlamat ini, Kerajaan telah memberi tumpuan terhadap sektor agromakanan. Hala tuju Kementerian Pertanian dan Industri Asas Tani, keutamaan dan strategi 2019 – 2020 menekankan dimensi sektor agromakanan yang merangkumi sekuriti makanan, pembangunan ekonomi luar bandar dan pengalakan pelaburan swasta dan antarabangsa. Jika diteliti halatuju utamanya adalah untuk memberikan penekanan terhadap ketersediaan makanan yang mengcukupi dan berkualiti dalam konteks agromakanan.

Namun hasrat Kerajaan ini agak tersasar apabila saban tahun import makanan negara terus meningkat. Perangkaan daripada Lembaga Pemasaran Pertanian Persekutuan (FAMA) menunjukkan bahawa Malaysia telah mengimport buah-buahan dan sayur-sayuran berjumlah RM8.5 bilion pada tahun 2018 dan sebanyak RM8.9 bilion pada tahun 2017. Manakala pada tahun 2015 sahaja nilai import makanan negara adalah RM45 bilion. Selain itu, dalam masa yang sama guna tanah pertanian untuk sektor agromakanan juga telah terhad kepada kurang 10 peratus daripada 8 juta hektar pertanian negara (Berita Harian 2020). Sedangkan dalam masa yang sama negara berhadapan pula dengan isu tanah pertanian terbiar. Pada tahun 2014 sahaja terdapat tidak kurang daripada

119,273 hektar tanah yang sesuai untuk kegunaan pertanian telah terbiar di seluruh negara. Ini merupakan satu kerugian besar kepada negara. Tambahan pula keluasan tanah merupakan prasyarat untuk memajukan sektor pertanian secara bersepadu, komersial dan berskala besar (Ismail Omar 2019).

Oleh yang demikian pelbagai langkah telah diambil untuk mengatasi tanah pertanian terbiar dalam DPN 1,2 dan 3. Namun isu tanah terbiar masih lagi membelenggu sektor ini. Banyak kajian berhubung dengan sebab dan faktor yang mendorong tanah pertanian terbiar namun ianya belum mampu menjawab persoalan yang terkait dengan keperluan untuk memtranformasikan tanah-tanah pertanian terbiar bagi memantapkan sektor agro makanan negara (Azima 2017, Ismail 2020, Mssfaliza 2020). Ini kerana isu tanah pertanian terbiar ini merupakan satu isu yang biasa berlaku kerana tanah pertanian terbiar merupakan sebahagian daripada proses perubahan yang berlaku dalam pembangunan tanah (Prishchepov 2020). Oleh itu tidak menghairankan jika setiap negeri di Malaysia juga mempunyai tanah yang terbiar ini. Sehubungan itu, adalah menjadi tujuan pembentangan ini adalah untuk memberi sedikit gambaran tentang pendekatan yang telah diambil dalam membangunkan tanah adat yang terbiar di Rembau, Negeri Sembilan.

Fenomena tanah terbiar berlaku disetiap negeri di Malaysia. Namun permasalahannya yang menyebabkan tanah menjadi terbiar ini sudah pasti ada kelainannya. Tidak dinafikan bahawa setiap negeri akan mengalami permasalahan tanah terbiar. Di Negeri Sembilan ada kelainannya. Masalahnya berbeza bila tanah terbiar itu melibatkan tanah adat.

1.1 Tanah Adat

Konsep tentang tanah adat adalah tanah yang dimiliki oleh suku dari mereka yang mengamalkan Adat Perpatih (Abd Hamid Abd Murad et al., 2017). Untuk membangunkan tanah adat perlu persetujuan semua pemilik dan Lembaga Tanah Adat terlebih dahulu. Tanah adat juga tidak boleh dicagarkan kepada mana-mana institusi kewangan.

1.2 Tanah Terbiar

Tanah terbiar ditakrifkan sebagai tanah lama, ladang terbiar atau tanah pasca argrogenic. Mustapha & Alam (1985), Nik Hashim et al. (2013) dan Norsyudiana (2016) mendefinisikan tanah terbiar sebagai tanah yang dikhususkan untuk tujuan pertanian. Namun, ia tidak diusahakan selama tiga tahun berturut-turut atau lebih. Lazimnya, tanah terbiar dimiliki secara individu dan mempunyai sekurang-kurangnya 0.4 hektar keluasan tanah, sama ada tanah tersebut secara bersebelahan atau tanah yang berselerak. Jabatan Pertanian Malaysia pula mentakrifkan tanah terbiar sebagai tanah darat atau tanah sawah yang bekeluasan minimum 0.4 hektar ke atas sama ada ia secara bersambungan atau bertaburan yang merupakan tanah milik yang tidak diusahakan selama tiga tahun berturut-turut. Ini membuktikan bahawa tanah pertanian terbiar bukan bersifat tanah tetap tetapi sebaliknya ia merupakan satu proses peralihan tanah (Munroe et al. 2013).

Hal ini jelas ada juga mentakrifkan tanah terbiar ini dalam beberapa konteks seperti Vincent & Ali (2010) yang menegaskan bahawa tanah terbiar adalah tanah yang memiliki hakmilik atau atau lesen sementara yang memenuhi mana-mana kriteria seperti berikut:

1. Tanah padi yang tidak diusahakan atau digunakan untuk tujuan memungut hasil selama tiga tahun berturut-turut.
2. Tanah padi yang disediakan dengan infrastruktur fizikal untuk tanaman dua kali tetapi hanya berjaya untuk tanaman sekali sahaja.
3. Tanaman pokok getah atau tanaman pokok yang lain yang sama ada ia terbiar atau tidak digunakan sepenuhnya seperti jarang diusahakan.

Melihat daripada takrifan yang diberikan maka tidak menghairankan jika tanah terbiar banyak melibatkan tanah pertanian yang sebelum ini diusahakan dengan padi dan tanaman lain seperti getah.

2. Pendekatan institusi ekonomi

Kerangka ekonomi didapati telah mempengaruhi perubahan institusi dalam masyarakat. Oleh yang demikian artikel ini memberikan perhatian terhadap institusi dalam konteks sosio-politik, pola dalam fungsi, evolusi, proses dan kedinamikan institusi tanah pertanian di Malaysia. Penekanan terhadap peraturan formal dan informal bagi tanah pertanian, diteliti melalui pengertian peruntukan undang-undang dan adat dalam masyarakat yang dilihat boleh menghad dan mempengaruhi serta membataskan masyarakat terlibat untuk membangunkan tanah pertanian terbiar. Sehubungan itu, fokus penelitian terhadap peruntukan undang-undang ini, melibatkan tindak balas ejen yang mendorong kepada wujudnya tanah pertanian yang terbiar.

Analisis ekonomi institusi juga menyediakan pengertian yang lebih jelas terhadap teori kekangan penawaran tanah dengan mengambilkira peraturan formal dan informal yang dilihat dalam konteks institusi. Paul dan Aligica (2020), telah melihat peranan dan fungsi institusi yang mengandungi peraturan formal dan informal dalam konteks

interaksi sosial dan kordinasi ejen di pasaran. Wiliam et al. 2020 menjelaskan bahawa peraturan formal meliputi peraturan bertulis seperti polisi tanah dan perancangan serta regulasi pembangunan tanah. Manakala peraturan tidak bertulis atau informal meliputi budaya, nilai, tradisi dan persepsi yang dikenalpasti mewujudkan kekangan dalam pembangunan tanah pertanian. Oleh itu, kedua-dua peraturan formal dan informal ini boleh menghalang atau mendorong interaksi antara ejen, mengujudkan koordinasi, seterusnya mempengaruhi kos dan juga ketakpastian dalam mengagihkan sumber-sumber alam yang ada. Dalam perkataan lain, peraturan-peraturan formal dan informal bukan sahaja mendorong aktiviti tetapi juga boleh menghalang aktiviti ekonomi mereka (Galiani & Sened 2014).

Jadi jelaslah, dalam membincangkan punca tanah pertanian terbiar milikan petani, keperluan mempertimbangkan institusi formal dan informal membolehkan kekangan penawaran tanah dilihat dalam konteks yang lebih menyeluruh sifatnya. Tambahan pula, punca berlakunya tanah terbiar bukan sahaja didorong oleh faktor politik dan ekonomi tetapi juga sosial serta budaya masyarakat. Seperti yang telah diperkatakan sebelum ini, analisis institusi menumpu pada keputusan yang dibuat secara kolektif untuk mempengaruhi peraturan supaya suatu perubahan institusi berlaku yang akhirnya pembangunan dicapai apabila prestasi ekonomi meningkat.

Dalam konteks tanah terbiar, didapati peraturan formal dan informal boleh menghalang ejen daripada membuat keputusan untuk menjual tanah mereka bagi tujuan pembangunan. Dalam perkataan lain, peraturan dan undang-undang yang ada boleh menghalang tuan tanah daripada menjualkan tanah mereka kepada pengusaha untuk dimajukan. Menurut Wiliam et al. (2020), institusi menggerakkan ejen untuk berinteraksi sesama mereka. Keputusan yang mereka buat bergantung pada kelancaran rundingan dan interasi sosial mereka dengan mengambilkira peraturan formal dan informal. Oleh yang demikian, peraturan ini (formal dan informal) bukan sahaja menggerakkan hubungan dan interaksi sosial di kalangan ejen, malah mengehad dan membataskan tindakan ejen dan pilihan yang ada pada mereka.

Fokus perbincangan dalam pendekatan ini boleh menjelaskan bahawa selepas tempoh tertentu, melalui pengalaman sosial yang mereka lalui akan memberikan implikasi terhadap kemahuan mereka untuk mahu terlibat secara aktif atau bertindak pasif terhadap permbangunan yang dicadangkan. Dalam keadaan ini penulis akan cuba meneliti pembangunan terbiar di daerah Rembau telah memdapat tindakbalas yang positif daripada pemilik tanah terbair, apabila ramai dalam kalangan mereka yang mahu sama terlibat dalam program yang dianjrkan oleh FELCRA dan Koperasi Kampung Raja. Namun persoalannya adakah dengan pengalaman sosial dalam program yang melibatkan tempoh perjanjian lebih 10 tahun ini yang akan berakhir, adakah mereka mahu memberikan tindakbalas yang aktif atau sebaliknya pada penerusan program ?

3. Pembangunan Tanah Adat Terbiar di Daerah Rembau: Kawasan Terpilih

Keluasan rezab tanah adat di Daerah Rembau ialah 5,297.26 hektar dengan jumlah bilangan hakmilik 10,129 (Sumber: Pejabat Daerah dan Tanah Rembau – pertemuan dengan ADO Tanah pada 19 Mei 2022). Data tentang tanah adat terbiar yakni yang tidak diusahakan/produktif tidak ada dalam simpanan Pejabat Daerah dan Tanah Rembau. Masalah tanah terbiar memang telah lama wujud. Di sini dilaporkan inisiatif yang telah diambil ole FELCRA untuk membangunkan tanah adat terbiar di kawasan Durian Daun dan inisiatif oleh Koperasi Astana Raja Berhad di Nerasau.

3.1 Pembangunan Tanah Adat Terbiar oleh FELCRA

FELCRA yang pejabatnya di Durian Daun terlibat dalam pembangunan tanah terbiar sebahagian besarnya tanah adat. Jumlah keluasan tanah 1,611.5 ekar (652.166 hektar) semuanya memberi hasil – tanaman kelapa sawit. Pohon-pohon sawit di Kg Bongek sudah mencapai umur untuk ditanam semula. Kami difahamkan bahawa baki tempoh pajakan kepada FELCRA khususnya tanah di Kg Bongek tinggal sekitar 2 tahun lagi.

Kebanyakan tanah dulunya ditanam dengan sawah padi. Setelah terbiar sekian lama, ianya dibangunkan. Pemilik/pemegang amanah bersetuju dan tiada halangan daripada ketua adat untuk tanah dipajakkan kepada FELCRA (tempoh pajakan – 30 tahun). Alhamdulillah. Pemilik menerima dividen tahunan yang dimasukkan terus ke dalam akaun bank masing-masing.

Ada tanah adat yang disewakan kepada Pertubuhan Peladang NS dengan kadar RM500.00 sebulan. Disitu diadakan pusat pengumpulan dan penjualan buah sawit segar. Berikut disertakan maklumat (Ringkasan dividen dari tahun 2012 hingga 2019; dan keluasan tanaman dan hasil FELCRA Berhad Kawasan Durian Daun).



Figure 1. Keluasan Tanaman dan Hasil FELCRA Bhd kawasan Durian Daun
Sumber: Pejabat FELCRA Kawasan Durian Daun. Hasil lawatan pada 14 Ogos 2020.

4. Pembangunan Tanah Adat oleh Koperasi Astana Raja Berhad

Koperasi Astana Raja Berhad (KARB) berdaftar dengan Suruhanjaya Koperasi Malaysia (SKM). KARB ditubuhkan pada tahun 1954. Mempunyai 552 orang ahli. Perniagaan terasnya ialah perusahaan ladang sawit dan projek perumahan di Seremban, usahasama dengan sebuah syarikat.

Keluasan ladang sawit yang diusahakan: 124 ekar. Asalnya tanah sawah yang telah terbiar melebihi 10 tahun. Sebab tanah terbiar: empangan pecah – masalah pengairan; pencemaran air sungai – pembuangan sisa dari kilang getah di Kendung.

Tindakan KARB: mengadakan pertemuan dengan pemilik-pemilik tanah dan Dato' Lembaga Adat. Semua bersetuju dengan hasrat KARB untuk membangunkan tanah berkenaan. Perjanjian untuk tempoh 30 tahun dimetrai. Kadar pajakan ialah RM200 setahun untuk satu ekar. YTM Dato' Undang Luak Rembau juga berkenan. KARB mengusahakan tanaman kelapa sawit. Tempoh pajakan yang telah berlalu sebahagian daripada keluasan tanah berkenaan ialah 8 tahun dan sebahagian lagi 15 tahun (maklumat daripada Dato' Hj Ibrahim Hj Abdullah, Pengerusi KARB melalui percakapan telefon pada 18 Julai 2022). Maka baki tempoh pajakan masih panjang lagi. Dato' Hj Ibrahim melaporkan pihaknya tidak menerima apa-apa aduan tidak puas hati daripada penama-penama tanah adat. Para penama telah dimaklumkan bahawa apabila sampai masanya penanaman semula akan dilakukan. Pemilik juga digalakkan untuk menjadi ahli Koperasi. Maka mereka boleh dapat pendapatan dari dua sumber: pajakan dan dividen. Berikut diberi maklumat tentang hasil jualan sawit oleh KARB untuk tahun 2020.

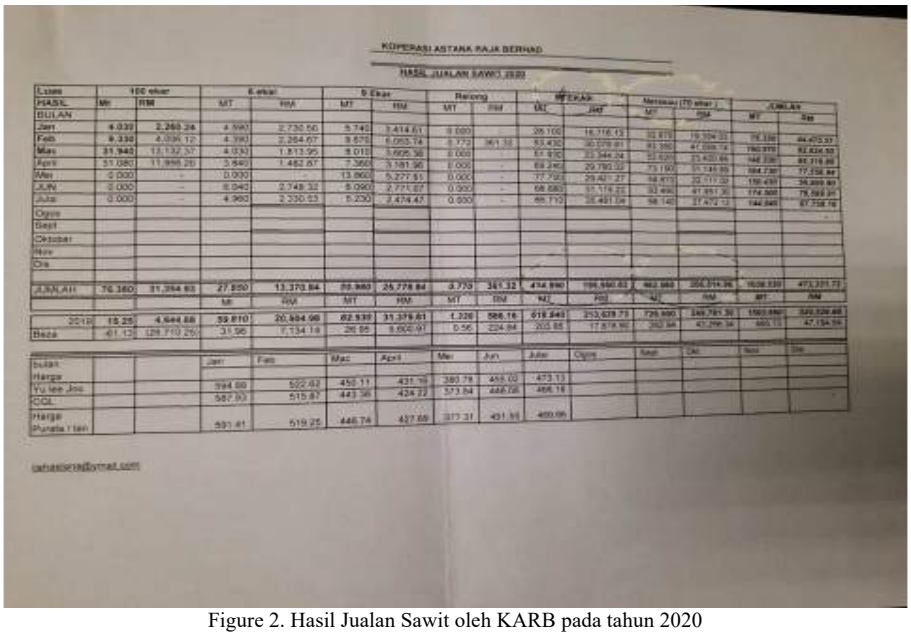


Figure 2. Hasil Jualan Sawit oleh KARB pada tahun 2020
Sumber: Koperasi Astana Raja Berhad. Hasil lawatan pada 14 Ogos 2020

5. Halatuju Pembangunan Tanah Adat Terbiar

Persoalan yang relevan dalam konteks daerah Rembau adalah apakah yang seterusnya selepas tamat tempoh pajakan? Jika ditanam semula oleh pihak pemajak, besar kemungkinan pajakan akan disambung semula. Jika tidak, perlu difikirkan bentuk perusahaan yang produktif yang boleh menghasilkan aliran pendapatan kepada penama-penama tanah adat. Persoalan ini juga relevan kepada tanah adat yang terbiar sekarang. Merujuk kepada matlamat kerajaan yang bertujuan mengalakkan penggunaan tanah secara optimum dengan keutamaan terhadap penyatuan dan pemulihan tanah, maka jelas ejen-ejen yang terlibat dalam proses pembangunan tanah berhadapan dengan tugas berat untuk mengatasi kekangan jurang perhubungan yang wujud antara ejen bagi membolehkan tanah adat terbiar kembali diusahakan.

Oleh yang demikian, satu pendekatan yang boleh diusahakan ialah musharaka mutanaqisah (Mohammad Haji Alias et al., 2010 dan Muhammad Taqi Usmani, 2002). Kontrak musyarakah ini melibatkan pemodal dan penama-penama tanah adat berkongsi modal untuk mebentuk perusahaan bersama. Tetapi pemodal tidak boleh memiliki tanah adat. Perusahaan yang boleh difikirkan seperti agro-pertanian dan pembinaan rumah inap desa. Pembangunan tanah adat terbiar boleh distrategikan untuk memberdayakan sekuriti makanan. Pertambahan yang signifikan dalam penawaran bahan makanan boleh membantu mengurangkan tekanan inflasi.

Ringkasnya, dapat dijelaskan bahawa dalam konteks pendekatan institusi, wujudnya elemen hubungan/interaksi sosial antara ejen yang saling mempengaruhi dalam konteks institusi formal dan informal. Keberkesanan hubungan sosial antara ejen akan memberikan impak yang positif kepada usaha membangunkan semula tanah pertanian terbiar seperti tanah adat.

Dalam konteks institusi informal pemilikan tanah yang kecil telah menjadi punca yang dominan untuk mempengaruhi pemilik tanah untuk tidak mengusahakan tanah mereka dan menjadikannya terbiar. Keadaan ini disebabkan oleh batasan hubungan sosial antara ejen (tuan-tuan tanah dengan pihak pelaksana) seperti kurang kefahaman tentang peruntukan adat (menyebabkan mereka keberatan untuk terlibat kerana tidak tahu mengenai kepentingan dan manfaat yang akan diperoleh), tidak faham berhubung dengan peraturan, prosedur berkaitan dengan penyewaan tanah dan wujudnya perbezaan pandangan berhubung dengan kepentingan penyewaan tanah serta masalah pengharapan yang tidak dipenuhi. Elemen batasan hubungan sosial tersebut menghalang kelancaran rundingan dan seterusnya mewujudkan jurang perhubungan antara ejen-ejen yang terlibat. Jurang perhubungan membawa kepada timbulnya masalah perbezaan daripada segi sikap, pengharapan sehingga kepada perasaan saling mencurigai, tidak percaya-mempercayai, bangkang-membangkang dan juga cemuhan.

Konflik dalam hubungan sosial antara ejen-ejen yang terlibat menyebabkan wujudnya jurang perhubungan antara ejen. Jurang perhubungan antara ejen-ejen (antara golongan pelaksana (organisasi) dengan tuan tanah) wujud apabila interaksi/hubungan sosial antara ejen-ejen tidak berjalan dengan lancar. Jurang perhubungan itu, bukan sahaja membawa kepada timbulnya masalah-masalah seperti perbezaan daripada segi sikap, pengharapan sehingga kepada perasaan-perasaan saling mencurigai, tidak percaya-mempercayai, bangkang-membangkang dan juga cemuhan. Situasi ini akhirnya memberikan impak terhadap persetujuan antara pemilik tanah dengan pemilik tanah, pemilik tanah dengan pihak organisasi yang terlibat dalam usaha mengatasi peningkatan tanah pertanian terbiar.

Pembangunan tanah adat terbiar oleh FELCRA dan Koperasi Astana Raja seperti diperihalkan di atas merupakan dua contoh yang boleh dikatakan berjaya. Penama-penama tanah adat yang dipajakkan mendapat pendapatan dalam bentuk sewaan atau dividen. Sebelum itu tanah mereka tidak diusahakan atas sebab-sebab tertentu. Namun perlu difikirkan model perniagaan yang lebih lukratif kepada penama-penama tanah adat.

6. Rumusan

Perbincangan dalam artikel ini jelas membuktikan bahawa terdapat beberapa langkah yang telah diambil oleh pihak FELCRA bagi menangani tanah pertanian yang tidak diusahakan menjadi terbiar. Selain itu, ada juga dalam kalangan pemilik tanah terbiar telah menyertai koperasi untuk memastikan tanah mereka tidak terus terbiar. Keadaan ini menjelaskan bahawa hala tuju yang jelas bagi kedua-dua agensi yang terbabit telah dapat menghindarkan rasa tidak puas hati pemilik tanah. Sebaliknya sehingga tamat tempoh kontrak/perjanjian penyerahan tanah mendapati penduduk di kawasan kajian masih lagi dalam proses tunggu dan lihat kepada tindakan yang bakal yang diambil oleh pihak agensi yang terbabit. Bagi memastikan tidak wujud pertelingkahan antara agensi dengan pemilik tanah, beberapa kaedah yang boleh memberikan situasi menang-menang antara kedua perlu diberikan perhatian. Dalam hal ini halatuju yang jelas sangat diperlukan bagi menyakinkan tuan-tuan tanah bahawa keterlibatan mereka boleh memberikan nilai tambah pada pendapatan dan nilai tanah mereka. Antara halatuju yang dicadangkan adalah seperti agro pelancongan melalui industri inap desa dan kaedah perkongsian pintar seperti musharaka mutanaqisah.

Oleh itu, artikel ini mengharapkan agar cabaran pembangunan tanah adat yang terbiar dirangka dengan mengambilkira jurang perhubungan sosial yang timbul antara ejen-ejen yang terlibat (pemilik tanah, pengusaha dan jabatan yang terlibat) dalam usaha membangunkan semula tanah pertanian terbiar seperti tanah adat.

Tambahan pula usul mengenai kegagalan tanah untuk disatukan dan dipulihkan lebih banyak berkisar dalam konteks hubungan sosial yang terbina antara ejen yang terlibat dalam pembangunan. Sehubungan itu, dapat disimpulkan bahawa cadangan membangunkan semula tanah pertanian terbiar akan melibatkan strategi jangkamasa panjang, sederhana dan pendek di samping melibatkan tindak balas secara bersepadu antara ejen dalam usaha membangunkan semula tanah pertanian terbiar. Jadinya, dalam membangunkan semula tanah pertanian terbiar, penekanan harus diberikan kepada perubahan dalam peraturan formal dan informal bagi merubah institusi di kawasan kajian. Oleh yang demikian, satu pendekatan yang boleh diusahakan ialah musharaka mutanaqisah (Mohammad Haji Alias et al., 2010 dan Muhammad Taqi Usmani, 2002). Kontrak musyarakah ini melibatkan pemodal dan penama-penama tanah adat berkongsi modal untuk mebentuk perusahaan bersama. Tetapi pemodal tidak boleh memiliki tanah adat. Perusahaan yang boleh difikirkan seperti agro-pertanian dan pembinaan rumah inap desa. Pembangunan tanah adat terbiar boleh distrategikan untuk memberdayakan sekuriti makanan. Pertambahan yang signifikan dalam penawaran bahan makanan boleh membantu mengurangkan tekanan inflasi.

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Adaptasi Teknologi Blockchain dalam Pengurusan Zakat: Kajian Konseptual

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Abstract

Seiring dengan perkembangan digitalisasi teknologi semasa, institusi zakat juga telah mengambil inisiatif untuk melibatkan diri dalam adaptasi teknologi dalam memastikan pengurusan mereka lebih efektif dan sistematik. Secara umumnya, tanggungjawab hal ehwal zakat di Malaysia adalah terletak kepada setiap negeri dan hal ini memperlihatkan penggunaan teknologi adalah tertakluk kepada akta dan pengurusan negeri masing-masing. Pelbagai teknologi boleh digunakan untuk ke arah digitalisasi tersebut dan yang menjadi fokus perbincangan ialah teknologi blockchain. Walaupun dilihat pelbagai kajian tentang adaptasi teknologi blockchain telah banyak dibincangkan sebagai usaha untuk mengimplementasi teknologi tersebut dalam kalangan institusi zakat, institusi zakat masih lagi menghadapi isu-isu berbangkit seperti kutipan dan agihan yang tidak sistematik dan proses permohonan untuk agihan yang terlampau sulit menjadikan kajian ini fokus kepada teknologi blockchain untuk pengurusan zakat secara lebih berkesan. Justeru itu, data sekunder bagi kajian ialah melalui pelbagai rujukan seperti bukubuku, tesis, jurnal, kertas kerja dan persidangan, laporan tahunan, juga laman sesawang yang berkaitan. Semua data yang dikumpul dan dikutip ini dianalisis untuk merangka kerangka konseptual bagi pengurusan zakat yang efektif melalui adaptasi teknologi blockchain.

Keywords: Zakat; blockchain; pengurusan zakat; teknologi

1. Pendahuluan

Kemajuan dan perkembangan teknologi pada belakangan ini terutamanya pasca endemik menjadikan setiap industri berusaha untuk melibatkan diri dalam penggunaan teknologi juga tidak terkecuali dalam sektor kewangan sosial Islam seperti zakat. Di Malaysia, pengurusan zakat secara umumnya adalah diletakkan di bawah kuasa Majlis Agama Islam Negeri-Negeri (MAIN). Setiap negeri mempunyai institusi zakat masing-masing yang berfungsi untuk menguruskan dan sentiasa berusaha untuk mentadbir hal ehwal zakat dengan berkesan dan efektif. Penglibatan institusi zakat terhadap teknologi mula dilihat penerimaannya pada tahun 1990 dan sehingga kini pelaksanaan teknologi terhadap pengurusan zakat semakin berkembang dan dilihat dapat membantu menyusun perihal zakat dengan efeisien (Sohaimi Mad Saleh, 2003; Mohsin Haji Ahmad, 2006).

Dalam pada kebanyakan kajian yangmengfokuskan tentang kutipan zakat, agihan zakat juga perlu diambil perhatian kerana tujuan utama zakat ialah memastikan keseimbangan pendapatan dalam kalangan masyarakat dan ia termasuklah daripada sudut pembangunan asnaf zakat. Hakikatnya, kadar keberkesanan agihan zakat dalam kalangan masyarakat masih menjadi tanda tanya apabila antara cabaran dalam agihan zakat ialah masalah kemiskinan yang masih mempunyai peratusan yang tinggi dan usaha bantuan untuk transformasi asnaf zakat masih tidak dapat dioptimumkan (Hairunnizam Wahid & Sanep Ahmad, 2009; Teh Suhaila Tajuddin et al, 2016) Hal ini memperlihatkan ketidak berkesanan agihan zakat dan ia belum boleh membantu agenda utama zakat iatu proses transformasi asnaf zakat kepada pembayar zakat. Di samping itu, terdapat juga sebahagian negeri yang melantik masjid di kawasan pedalaman untuk pengurusan agihan zakat bagi mengelakan ketirisan dalam agihan zakat (Teh Suhaila Tajuddin et al, 2016) tetapi dapat dilihat ia masih berada dalam keadaan yang tidak efisien dan pengurusan agihan dana di kawasan pedalaman terutamanya tidak efektif (Azman Ab Rahman et al, 2019).

Di samping itu, proses permohonan untuk penerimaan zakat perlulah memudahkan masyarakat umum. Hal ini kerana institusi zakat masih lagi mengekalkan metode tradisional yang melibatkan penghantaran borang permohonan secara manual walaupun pada hakikatnya penggunaan teknologi semakin maju dan permohonan tersebut boleh dilakukan secara atas talian (Syarifah Md Yusof et al, 2020). Tambahan juga proses agihan zakat

yang memerlukan kehadiran asnaf zakat ke institusi zakat dan kelulusan bantuan zakat tersebut memerlukan pembaharuan secara tahunan dilihat menyulitkan asnaf zakat. Hal ini menjadikan ia memerlukan kajian dengan lebih mendalam supaya agihan zakat dapat dipermudahkan dan manfaatnya boleh digunakan secara efektif oleh para benefisari zakat (Syarifah Md Yusof et al, 2020). Justeru itu, kesulitan yang dihadapi dalam proses agihan ini sebenarnya boleh diselesaikan dengan penggunaan teknologi yang lebih berkesan seperti teknologi blockchain yang menjadi fokus perbincangan.

Secara umumnya, teknologi blockchain ialah pangkalan data terbuka *(open public ledger*) yang tidak mempunyai pengawal sistem *(decentralized)* menyimpan dan merekod data setiap transaksi seterusnya diagihkan maklumat tersebut merentasi setiap rangkaian yang ada dalam sistem blockchain tersebut. Sehubungan dengan itu, boleh disimpulkan bahawa setiap transaksi dalam sistem blockchain ini tidak boleh diubah *(immutable),* sukar untuk digodam *(difficult to hack)* dan sekaligus mengurangkan pelbagai kos operasi sesebuah organisasi *(cost reduced)* (IBM, 2022; JaeShup On & Ilho Shong, 2017; Micheal Crosby, 2015). Justeru itu, dapat dilihat bahawa teknologi blockchain akan dapat membina kepercayaan yang kukuh, sistem keselamatan yang utuh, transaksi yang telus dan mudah dijejak kesan sekaligus bertepatan dengan misi zakat dalam Islam. Berikutan itu, adaptasi teknologi blockchain dalam sistem pengurusan zakat di Malaysia akan dapat membantu pengurusan zakat yang efektif sekaligus selaras dengan perkembangan teknologi semasa dan matlamat istitusi zakat masing-masing.

Terdapat pelbagai kajian yang menggalakkan adaptasi teknologi blockchain dalam pelbagai sektor dan antara negara yang giat dalam usaha ini ialah Indonesia. Ia dapat dilihat melalui inisiatif Koperasi Kewangan Islam BMT Bina Ummah yang melancarkan transaksi sukuk pertama yang melibatkan teknologi blockchain dengan kerjasama Blossom Finance (Blossom Finance, 2018). Begitu juga dengan negara lain yang turut serta mengaplikasi teknologi blockchain dalam pengurusan zakat iaitu sebuah masjid di London menerima bayaran zakat melalui mata wang crypto yang diuruskan melalui teknologi blockchain (CNN Indonesia, 2018). Sehubungan dengan itu, dapat dilihat melalui pelaksanaan teknologi blockchain telah berkembang di seluruh dunia dan mendapat perhatian dan Malaysia perlu menyambut seruan menggunakan teknologi blockchain terutamanya dalam pengurusan zakat. Hal ini kerana teknologi blockchain yang telus, tidak boleh digodam dan setiap transaksi diagihkan maklumatnya merentasi setiap rangkaian menjadikan ia sesuai dengan matlamat pengurusan zakat. Bahkan, dapat dilihat apabila ia dilaksanakan dalam pengurusan zakat, masalah seperti permohonan yang masih mengekalkan metode tradisional dan asnaf zakat di kawasan pedalaman boleh diselesaikan kerana jelas dilihat bahawa teknologi blockchain ini ialah teknologi yang merentasi sempadan dan ia boleh Menyusun perihal zakat dengan lebih sistematik.

Oleh itu, kajian ini akan meneliti tentang pengadaptasian teknologi blockchain dalam pengurusan zakat. Kajian ini akan diikuti dengan bahagian-bahagian berikut: Seksyen dua membincangan latar belakang kajian dan dan Seksyen tiga pula akan membincangkan tentang pembinaan hipotesis kajian. Seterusnya pula, gambaran kerangka konseptual juga akan diletakkan dan diakhiri dengan kesimpulan untuk keseluruhan kajian.

2. Latar Belakang Kajian

2.1 Zakat

Islam mengklasifikasikan zakat sebagai salah satu instrumen penting yang memberi sumbangan dalam pelbagai aspek sama ada dalam aspek keagamaan mahupun dalam aspek pembangunan ekonomi. Kepentingan zakat ini tidak dapat dinafikan apabila ia telah disebut dalam Al-Quran secara berulang-ulang sebagai konsep tolong-menolong dalam kalangan setiap Muslim yang diagihkan daripada golongan kaya kepada golongan yang tertentu seperti yang disebutkan iaitu golongan miskin, fakir, aamil, muallaf, hamba, penghutang (gharimin), fi sabilillah dan Ibn Sabil. Tambahan juga, Al-Qardhawi (2000) juga telah membincangkan terma zakat yang memberi maksud pembersihan, perkembangan, pembangunan dan kesucian sekaligus tujuannya yang murni dalam mengagihkan sebahagian harta tersebut kepada golongan yang berhak.. Kutipan zakat ini akan diagihkan kepada golongan-golongan yang berhak supaya dapat menggalakkan dan memperbaiki keadaan ekonomi mereka. Hal ini kerana apabila pengurusan zakat dilaksanakan secara berkesan dan efektif, ia akan mempertingkat taraf kehidupan masyarakat sekaligus meningkatkan kuasa beli golongan miskin yang akan memberi kesan positif kepada tawaran permintaan barangan (Muharman Lubis et al, 2018).

Di samping itu, terdapat pelbagai kajian berkaitan tentang sumbangan zakat terhadap kehidupan masyarakat termasuklah daripada sudut impaknya kepada kebajikan sosial (Tlemsani dan Matthews, 2020), peranan zakat dalam memberi jaminan keadilan sosial (Salim dan Hossain, 2016) juga dalam memainkan peranannya untuk mempertingkatkan taraf sosioekonomi asnaf zakat sama ada dalam aspek kesihatan dan pendidikan (Shirazi, dalam Qadri dan Bhatti, 2019). Hal ini kerana apabila setiap elemen ini dapat ditingkatkan dalam kehidupan mereka sama ada dalam aspek pendidikan, kesihatan dan peningkatan pendapatan, hakikatnya ia akan seterusnya menyumbang kepada pembangunan ekonomi.

Sehubungan dengan itu, zakat boleh diklasifikasikan sebagai salah satu instrumen pengagihan semula harta seperti yang telah dinyatakan dalam pelbagai kajian seperti (Abuznaid, 2009; Boonyamanond dan Chaiwat, 2020;

Choudhury, 1989; Sulistyowati, 2019; Yusoff et al, 2019) yang akan mengagihkan harta tersebut kepada golongan yang sepatutnya. Disebabkan itu, dapat dilihat ia memainkan peranan penting dalam membanteras dan mengurangkan kemiskinan dalam kalangan masyarakat kerana agihan zakat tersebut akan memberi bekalan asas kehidupan kepada golongan miskin untuk meningkatkan taraf kehidupan mereka yang seterusnya akan membantu mereka keluar daripada kancah kemiskinan. Terdapat pelbagai kajian yang membincangkan tentang zakat sebagai kunci utama dalam pembasmian kemiskinan seperti dalam kajian (Ibrahim, 2015; Maulana, 2019; Nazri et al, 2012). Begitu juga dalam kajian Muhammad Faris Zulkifli (2021) yang membuktikan bahawa dana zakat dapat mengurangkan ketidakseimbangan pengagihan pendapatan dalam kalangan golongan miskin. Walaupun begitu, pelbagai usaha untuk memastikan keberkesanan agihan kepada golongan miskin juga perlu dilakukan terutamanya berkaitan maklumat tentang kelayakan penerima zakat yang hendaklah dipamerkan secara jelas untuk memastikan pengurusan yang adil dan efektif dapat dijalankan.

Jelas dilihat bahawa kebanyakan kajian ini hanya menjadikan pembasmian kemiskinan sebagai fokus utama namun sebenarnya instrumen zakat mempunyai pelbagai fungsi tidak terhad kepada aspek pengurangan kemiskinan. Bahkan menurut Ascarya (2019), zakat telah memainkan peranan yang sangat signifikan untuk krisis kewangan dalam keadaan pandemik COVID-19 ketika ini yang memberi impak mendalam kepada perkembangan ekonomi dan kehidupan masyarakat. Kajian tersebut menjelaskan bahawa keberkesanan zakat tersebut boleh menyelamatkan pelbagai sudut sama ada aspek kesihatan, isi rumah, perniagaan dan institusi kewangan di Indonesia. Hal ini juga dapat dilihat perbincangannya dalam kajian-kajian seperti (Hudaefi et al, 2020; Kayed dan Hassan, 2011; Chapra, 2011; Saeed Awadh bin Nashwan, 2021). Mereka menggesa supaya instrumen-instrumen kewangan sosial Islam seperti zakat dapat digunakan sepenuhnya sebagai salah satu platform untuk mengurangkan impak negatif pandemik dengan menjadi salah satu alat pemulihan kewangan negara.

Berikutan krisis pandemik yang melanda, keperluan untuk pelaksanaan dan adaptasi teknologi dalam pengurusan zakat menjadi aspek utama dan sangat signifikan bahkan ia boleeh dilihat melalui usaha untuk proses digitalisasi zakat dan perkembangan teknologi kewangan Islam atau lebih dikenali sebagai *Islamic Fintech*. Sehubungan dengan itu, dapat dilihat pelbagai kajian telah dilakukan berkaian aspek perkembangan teknologi kewangan terutamanya yang membincangkan berkenaan pengimplementasian teknologi dalam kutipan zakat (Bin Nashwan, 2021). Dalam perbincangan kajian ini, kutipan zakat secara digital telah dilaksanakan di Arab Saudi melalui portal e-zakat yang dikenali sebagai ZAKATY dan portal ini dilihat mendapat sambutan yang baik apabila masyarakat di Arab Saudi semakin percaya dan menerima bahkan mempunyai niat untuk menggunakan portal tersebut untuk sebagai metode bayaran zakat. Begitu juga dengan kajian Hudaefi dan Beik (2020) yang menerangkan tentang keberkesanankutipan zakat secara digital ketika pandemik COVID-19 berlaku di Indonesia. Dalam perbincangan kajian ini, selain daripada galakan penggunaan teknologi dalam kutipan zakat, initiatif pihak institusi zakat unuk menjalankan kempen melalui media sosial (salah satu instumen teknologi) supaya dapat menggalakkan pembayar-pembayar zakat untuk menunaikan zakat seterusnya meningkatkan kutipan zakat ketika pandemik COVID-19.

Tambahan juga, terdapat kajian oleh Tika Widiastuti et al (2021) yang menganalisis tentang peranan teknologi dalam zakat yang melibatkan tentang kebimbangan dalam optimisasi pengurusan zakat di Indonesia. Dalam pada itu, mereka mengenengahkan tentang perkara utama yang perlu kepada jalan penyelesaian di Jawa Timur ialah kekurangan maklumat berkenaan asnaf dan pendedahan maklumat tersebut kepada pembayar-pembayar zakat selain daripada tiada motivasi dalam kalangan para asnaf untuk meningkatkan taraf kehidupan mereka. Tidak dapat dinafikan bahawa peranan teknologi telah menjadi sangat signifikan seperti yang diutarakan oleh Aishah Muneeza et al (2019) sehinggkan dalam kajian ini menggesa supaya India menggunakan teknologi terhadap pengurusan zakat mereka untuk memaksimumkan sebaik mungkin kutipan zakat. Antara teknologi yang dicadangkan termasuklah Mesin ATM Beras, applikasi telefon bimbit, platform gerbang pembayaran, *Islamic fintech* bahkan teknologi blockchain turut boleh digunakan dalam pengurusan zakat di India.

Kebayakan kajian yang sangat terperinci ini dapat dilihat pelaksanaannya di negara-negara luar dan Malaysia sebagai sebuah negara Majoriti Muslim juga turut sama mengadaptasi teknologi dalam pengurusan zakat supaya lebih efektif dan efisien. Kajian Marhanum dan Choudry (2018) mengfokuskan kajian mereka terhadap jenis teknologi yang digunakan dalam pengurusan zakat setiap negeri di Malaysia. Walaupun dilihat kebanyakan institusi zakat telah mula menggunakan teknologi tetapi hanya sebahagian sahaja yang mendedahkan maklumat penuh tentang kutipan dan agihan zakat di laman sesawang masing-masing. Hakikatnya adaptasi teknologi ini sangat menjadi keperluan memandangkan inovasi teknologi ini melibatkan pelbagai bidang tanpa sempadan termasuklah industri awam, swasta, sektor bukan kewangan (institusi zakat) (Muhamad dan Khaliq, 2019; Yahaya dan Ahmad, 2019).

Bahkan menurut Muhammad Ilyas (2019) penggunaan teknologi perlu diraikan dan dipraktik memandangakan penggunaan telefon bimbit dan akses terhadap internet semakin berkembang yang membawa kepada implementasi fintech di samping ia sangat selari dengan matlamat Malaysia yang menuju ke arah digitalisasi ekonomi. Di samping itu, penggunaan teknologi juga boleh melibatkan dalam bentuk infografik yang telah digunakan oleh institusi zakat untuk pengurusan zakat secara efisien (Aliff Nawi et al, 2020). Hal ini kerana institusi zakat di Malaysia telah mula menggunkan platform media sosial dan mempunyai laman sesawang

masing-masing untuk komunikasi yang lebih efektif bersama-sama pembayar zakat dan masyarakat umum. Namun, usaha ini masih dilihat tidak memberangsangkan kerana mereka tidak menggunakan instrumen (laman sesawang dan media sosial) semaksimum mungkin. Hal yang sama turut dibincangkan dalam kajian Mohd Faisol (2014) yang meneliti keberkesanan laman sesawang institusi zakat dan tidak boleh dinafikan ia sangat memainkan peranan untuk menyebarkan maklumat secara meluas dan apabila ia digunakan sebaik mungkin, ia semestinya akan memudahkan para pembayar zakat untuk menunaikan zakat, asnaf zakat untuk mendapatkan maklumat penting bankan maklumat yang berkaitan dengan zakat boleh disebarkan ke seluruh dunia tanpa sempadan tidak terhad kepada Malaysia.

Sehubungan dengan itu, seiring dengan kemajuan teknologi, kajian yang pelbagai semakin berkembang yang melibatkan penerokaan tentang potensi peluang implementasi teknologi dalam sistem pengurusan zakat. Namun, kebanyakan kajian ini tidak menjadikan Malaysia sebagai fokus kajian bahkan lebih tertumpu kepada negara luar terutamanya yang berkaitan dengan teknologi blockchain. Bahkan, kajian yang menerangkan tentang teknologi di institusi zakat pula berbentuk pemerhatian tanpa penjelasan yang lebih mendalam terhadap keberkesanan dan keberjayaan adaptasi teknologi terhadap institusi zakat di Malaysia. Berikutan itu, kajian ini akan berfungsi sebagai pelengkap kepada kajian-kajian lepas dalam meneliti tentang pengurusan zakat secara digital di Malaysia terutamanya berkaitan dengan teknologi blockchain agar ia dapat menggerakkan trasformasi pengurusan zakat ke arah lebih sistematik dan efektif seterusnya zakat dapat berdiri teguh menjadi salah satu instrumen sektor kewangan Islam.

2.2 Teknologi Blockchain

Kemajuan teknologi dilihat semakin berkembang dan pelbagai usaha telah dibangunkan untuk menjadikan sistem pengurusan zakat lebih efisien dan efektif dan ini termasuklah cadangan pelaksaan teknologi blockchain dalam pengurusan zakat (Muhammad Nur Aqmal, 2021; Muhammad Ilyas, 2019; Shifa Mohd Nor et al, 2021; Zulfikri et al, 2021). Secara umumnya teknologi blockchain ialah pangkalan data terbuka *(open public ledger)* yang tidak mempunyai pengawal sistem *(decentralized)* menyimpan dan merekod data setiap transaksi diagihkan maklumat tersebut merentasi setiap rangkaian yang ada dalam sistem blockchain tersebut. Hakikat blockchain yang bersifat terbuka, sukar digodam dan telus ini menyokong kepada pengurusan zakat yang efisien supaya misi utama zakat iaitu dana zakat dapat dikutip dan diagihkan dengan lebih sistematik dan telus. Teknologi blockchain ialah teknologi yang berkembang pengadaptasianya dalam kehidupan seharian bahkan ia boleh dilihat pengaplikasiannya dalam pelbagai sektor seperti sistem perniagaan (Christoph Van den Elst et al, 2017; David Yermack, 2017), sumbangannya terhadap sektor media massa (Donghee Shin, 2020; Velasco, 2016) aspek kewangan Islam yang melibatkan instrumen seperti sukuk (Felicia Hui, 2021; Aishath Muneeza et al, 2018; Andrew Dahdal, 2021) bahkan dalam insdutri berlian (Martin Smits dan Joris Hulstijin, 2020) untuk mengetahui jejak asal sesebuah batu berlian tersebut.

Begitu juga gesaan akan penggunaan teknologi blockchain semakin meluas kerana terdapat pelbagai kajian yang meneroka secara mendalam akan teknologi blockchain terutamanya daripada segi struktur dan cabaran yang perlu dihadapi untuk pelaksanaannya yang lebih efektif pada masa akan datang (Omar Alaeddin, 2021). Antara cabaran yang diutarakan oleh kajian ini termasuklah daripada aspek tiada undang-undang yang jelas untuk mengawal selia transaksi kewangan, ataupun daripada aspek keselamatan privasi maklumat, juga isu infrastruktur teknologi yang masih memerlukan peningkatan dan pengemaskinian. Kesemua cabaran ini perlulah diatasi supaya pelaksanaan blockchain dalam sesebuah industri boleh dilakukan dengan lancar. Manakala terdapat juga kajian yang mengetengahkan sudut cabaran daripada sudut perniagaan (Nitin Gaur, 2020). Menurut beliau, walaupun jelas teknologi ini digambarkan sebagai '*disruptive force'* kepada sektor kewangan sedia ada, namun definisi yang sebenar dan mengikut standard masih kurang jelas. Sehubungan dengan itu, sektor perniagaan akan mengalami persoalan-persoalan seperti keboleh audit sesebuah transaksi, kejelasan transaksi tersebut dan cara blockchain diintegrasi kepada sektor perniagaan sedia ada. Oleh itu, sesebuah syarikat perlu untuk memahami konsep teknologi terlebih dahulu kerana pelaksanaan blockchain akan membawa kepada model-model perniagaan baru seterusnya akan memajukan sesebuah syarikat itu.

Selain itu, sudut kesediaan pembayar zakat untuk menggunakan teknologi blockchain juga telah diteliti oleh Norhaiza Nordin et al (2021). Kajian yang berfokuskan pembayar zakat ini telah mengetengahkan faktor-faktor yang menyumbang kepada kesediaan mereka untuk membayar zakat melalui teknologi blockchain. Dapat disimpulkan bahawa antara faktor tersebut ialah jangkaan prestasi, pengaruh budaya dan ilmu pengetahuan. Ketiga-tiga elemen tersebut membuktikan bahawa teknologi ini telah sedia terima diadaptasi oleh para pembayar zakat dan pihak institusi zakat pula perlu memainkan peranan untuk menyediakan teknologi tersebut untuk kegunaan kutipan dan agihan zakat secara lebih efektif. Dapat dilihat kajian berkaitan teknologi blockchain ini telah mula diteliti daripada aspek pengurusan zakat di Malaysia. Walaupun begitu, ia masih perlu dikaji dengan lebih supaya dapat membantu ke arah pengurusan dana zakat yang lebih efektif dan sistematik dan pada masa yang sama kajian empirikal berkaitan Malaysia boleh dikumpul. Dapat dilihat bahawa teknologi blockchain masih lagi di tahap permulaan dan ia memerlukan kajian dan kutipan data dengan lebih terperinci supaya ia dapat

dilaksanakan dengan lancar. Bahkan, Malaysia yang memegang zakat sebagai instrumen pengagihan semula harta pula dilihat sangat memerlukan pengurusan zakat yang lebih efektif dan disebabkan itu, kajian ini akan menjadi salah satu penyumbang untuk meneliti relevansi pengimplementasian teknologi blockchain dalam pembinaan sistem pengurusan zakat yang lebih kuat dan efektif.

3. Pembentukan Hipotesis

3.1 Elemen Legislatif

Tidak dapat dinafikan dalam pelaksanaan sesuatu perkara, antara elemen yang mempengaruhi keberkesanan instrumen tersebut ialah peletakan aspek legislatif atau lebih dikenali dengan aspek undang-undang. Hal ini kerana seseorang individu akan memberi reaksi terhadap sesuatu apabila perkara tersebut mempunyai kesan sama ada dalam bentuk manfaat atau pun denda akibat daripada kelakuan mereka (Tyler, 1990). Terdapat banyak kajian yang telah dilakukan berkaitan dengan hubungan penguatkuasaan undang-undang dan kepatuhan masyarakat seperti (Mason dan Calvin, 1984; Roben et al, 1990; Benk et al, 2011; Cummings et al, 2009; Mohd Rizal, 2010; Zainol, 2008, Othman et al, 2019; Mohamed Sareye Farah et al, 2017) yang membuktikan kepentingan undang-undang dalam meneliti sikap masyarakat. Justeru itu, dalam meneliti gelagat kepatuhan yang dipengaruhi aspek undang-undang ini, terdapat banyak kajian yang dilakukan dalam melihat hubungan dalam kedua-dua aspek ini terutamanya daripada sudut cukai. Contohnya kajian (Fischer, 1992; Chan et al, 2000) yang menjelaskan tentang cukai yang diperkuatkan dengan peletakan undang-undang untuk mendorong bayaran daripada masyarakat.

Terdapat juga kajian yang meneliti aspek zakat seperti Kamil Md Idris (2006), yang menerangkan hubungan di antara kedua-dua aspek tersebut adalah terbina melalui persepsi yang melibatkan apabila ia dipandang positif, maka kepatuhan juga akan meningkat. Tambahan juga, kajian Ram Al-Jaffri et al (2006) turut menyokong kenyataan kepatuhan zakat ini adalah berdasarkan pelbagai faktor yang terdiri daripada nilai moral, sikap dan persepsi terhadap undang-undang zakat dalam memastikan bayaran zakat ditunaikan oleh masyarakat. Hal ini menjadikan gesaan kepada institusi zakat untuk cakna akan undang-undang zakat dalam memperkemas pengurusan zakat. Kajian-kajian lain juga turut sama membincangkan kepatuhan masyarakat dapat ditingkatkan melalui pelaksanaan undang-undang seperti kajian (Alayuddin, 2008; Nur Azura et al., 2010) sekaligus membuktikan bahawa dalam memastikan masyarakat menunaikan kewajipan masing-masing memerlukan penguatkuasaan yang tegas dan efisien.

Dalam pada itu, terdapat juga kajian yang manyangkal hubungan peletakan undang-undang dalam pengaruh untuk pelaksanaan sesuatu perkara seperti kajian Daud & Ahmad (2010) yang menjelaskan bahawa kedua-dua elemen ini tidak berkait antara satu sama lain kerana hakikatnya, masih terdapat masyarakat Muslim di Malaysia yang menyalurkan zakat secara langsung kepada asnaf tanpa melibatkan pihak institusi zakat walaupun mereka telahpun mengetahui tentang kewajipan pembayaran zakat. Hal ini disokong oleh kajian Yusuf Othman et al (2020) yang menjelaskan bahawa walaupun hubungan antara nilai moral dan kepatuhan zakat sangat signifikan, namun bagi aspek undang-undang tiada hubungan yang siginifikan dengan kepatuhan bayaran zakat akibat daripada penguatkuasaan undang-undang yang masih rendah di sesebuah kawasan.

Manakala, terdapat juga kajian yang membincangkan teknologi pada masa kini yang melibatkan fokus perbahasan penulis iaitu teknologi kewangan atau *fintech.* Kajian Kang Yuan and Duoqi Xu (2020) membahaskan tentang kesan penguatkuasaan undang-undang ke atas teknologi kewangan atau fintech di China. Mereka menegaskan bahawa ketingglan dalam pengukuhan sistem perundangan telah mendatangkan gangguan kepada pembangunan fintech yang berdaya saing. Disebabkan itu, cadangan dan gesaan kepada negara China untuk membina undang-undang kewangan dan operasi fintech dijalankan juga mewujudkan sistem tadbir urus yang aktif dan positif melalui mengasaskan satu pasukan intervensi yang telah ditetapkan kuasa undang-undangnya dan tadbir urus untuk menguruskan risiko-risiko fintech lebih berkesan.

Hal ini kerana jelas bahawa impak undang-undang kepada pembayaran positif dan undang-undang juga mendatangkan kesan kepada penggunaan teknologi. Justeru itu, persoalan timbul tentang hubungan di antara aspek legislatif terhadap implementasi teknologi blockchain dalam pengurusan dana zakat. Hal ini kerana sehingga kini, masih tiada keseragaman undang-undang sama ada dalam aspek zakat yang dipisahkan di setiap negeri di Malaysia (Ahmad Wira, 2019) ataupun dalam teknologi blockchain (Omar Alaeddin, 2021). Tambahan juga, seperti yang dibincangkan bahawa pengurusan zakat adalah berlainan di setiap negeri disebabkan undang-undang yang berlainan menyebabkan kajian ini perlu dan diharapkan sebagai pelengkap dan gabungan kepada sorotan literatur terdahulu kerana kajian ini akan menggabungkan daripada kedua-dua aspek iaitu kesan penguatkuasaan undang-undang terhadap implementasi teknologi blockchain dalam menjadikan pengurusan zakat lebih efektif. Justeru itu, hipotesis di bawah telah diletakkan sebagai salah satu pemboleh ubah terhadap pengadaptasian teknologi blockchain dalam pengurusan zakat.

H_1: Elemen legislatif terhadap teknologi blockchain akan mempengaruhi pengurusan zakat yang lebih efektif.

3.2 Elemen Kepercayaan

Elemen kepercaaan ialah elemen yang tidak asing lagi dalam mempengaruhi keberjayaan sesuatu aktviti bahkan sangat memainkan peranan dalam masyarakat (Abdul-Rahman et al, 2000). Secara umumnya, Nunkoo et al (2012) telah menerangkan bahawa elemen ini ialah kepercayaan seseorang yang akan bertindak, seperti yang diharapkan secara bertanggungjawab dan ia akan memenuhi jangkaan seseorang individu lain yang mempercayai mereka dan ia terdiri daripada tiga elemen iaitu aspek keupayaan, integriti dan motivasi (Donni dan Siahaan, 2019). Manakala, Buchel et al (2013) pula membahaskan bahawa elemen kepercayaan sebagai norma budaya yang terbentuk hasil daripada pengurusan yang baik dan pengaruh daripada pihak yang jujur dan dipercayai. Isu kepercayaan ini telah mendapat perhatian dalam pelbagai disiplin ilmu termasuklah perniagaan, sosial dan ekonomi dan diibaratkan sebagai penggalak dalam kehidupan harian masyarakat (Putnam, 2000). Bahkan elemen ini sangat signifikan dalam pelbagai aktiviti terutamanya dalam aktiviti ekonomi (Werbach, 2018) seperti dalam sektor e-commerce (D. Gefen, E. Karahanna dan D. W. Straub, 2003; P. A. Pavlou and M. Fygenson, 2006) sehinggakan terdapat banyak kajian dilakukan bagi meneliti aspek kepercayaan sebagai asas kepada penerimaan perbankan internet (S. Dimitriadis and N. Kyrezis, 2011; E. L. Slade, Y. K. Dwivedi et al, 2015).

Selain itu, kajian yang pelbagai ini berkembang kepada intrumen zakat yang melibatkan kepercayaan kepada institusi zakat. Ia dilihat sangat memainkan peranan dalam aspek sosio ekonomi dan kepada gelagat kepatuhan pembayaran (Bin Nashwan et al, 2021). Begitu juga dengan kajian Mohamad Zulkurnain Ghazali (2016) yang menjelaskan tentang faktor-faktor yang menyumbang kepada kepercayaan institusi zakat seperti berkongsi nilai, komunikasi, tingkah laku yang bukan oportunistik dan persepsi terhadap agihan zakat. Keempat-empat faktor ini dilihat akan menjadi asas pembinaan rangka kerja elemen kepercayaan kepada institusi zakat. Dalam kajian Bin Nashwan, Hijjattulah et al (2021) pula, mereka telah membincangkan bahawa elemen kepercayaan mempunyai hubungan yang kuat dan positif dengan kepatuhan para usahawan dalam membayar zakat dan pihak institusi zakat perlu mengambil perhatian daripada sudut elemen ini yang menjadi strategi asas dalam memastikan kepatuhan pembayaran zakat. Mereka menerangkan bahawa apabila pembayar zakat meyakini ketelusan institusi zakat, unsur keagamaan atau sentiment moral akan meningkatkan gelagat kepatuhan bayaran zakat.

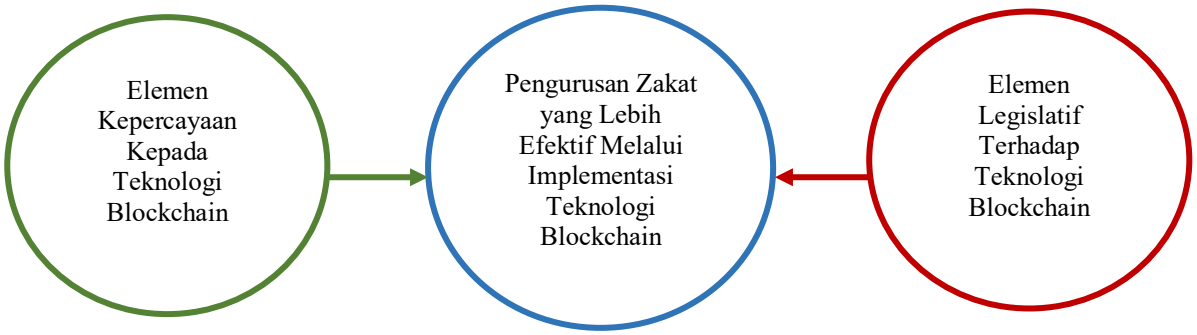
Di samping itu, terdapat juga kajian yang menjelaskan tentang teknologi blockchain secara khusus dan menyatakan bahawa ia akan meningkatkan tahap kepercayaan kerana teknologi ini secara teorinya akan mengemaskini dan mengagihkan semua transaksi dalam setiap rangkaian teknologi sekaligus dapat melindungi hak cipta, tanda dagangan dan paten sesuatu harta (Felicia Hui, 2021). Dalam kajian Martin Fleischmann et al (2019) pula yang mengfokuskan teknologi blockchain dalam kalangan pengguna, mereka membincangkan tentang aspek kepercayaan ini memberi faedah kepada pengguna yang meliputi pelbagai lapisan sama ada daripada sudut fungsi (aktiviti ekonomi dan sistem) ataupun emosi (individu dan masyarakat). Justeru, elemen kepercayaan sangat relevan dengan teknologi blockchain kerana ia akan bertindak sebagai galakan kepada pelbagai faedah tersebut untuk digunakan sepenuhnya seperti penjimatan kos, keberkesanan sistem dan kelajuan pelaksanaan transaksi.

Kajian yang pelbagai ini membuktikan peranan elemen kepercayaan kepada sesuatu aktiviti dan jelas bahawa ia telah banyak dilaksanakan sama ada berkaitan dengan secara umum mahupun zakat. Oleh itu, sebagai pelengkap dan penerokaan baharu oleh penulis, kajian ini akan menjadikan kepercayaan terhadap teknologi blockchain untuk pengurusan dana zakat sebagai fokus kajian yang melibatkan elemen kepercayaan kepada institusi zakat akan meningkat atau tidak apabila teknologi blockchain digunakan untuk memperkemaskan pengurusan zakat. Disebabkan itu, hipotesis berikut digunakan untuk kerangka konseptual kajian ini:

H_2: Elemen kepercayaan kepada teknologi blockchain dalam kalangan masyarakat akan mempengaruhi pengurusan zakat yang lebih efektif.

4. Kerangka Konseptual

Kajian ini akan mencadangkan kerangka kerja untuk memudahkan lagi kefahaman tentang pemboleh ubah yang akan mempengaruhi pengurusan zakat melalui adaptasi teknologi blockchain. Justeru itu, kajian ini akan mengenalpasti faktor yang akan memberi kesan kepada dan mempengaruhi pengurusan zakat yang lebih efektif supaya kajian ini boleh digunakan bagi institusi zakat di Malaysia untuk pelaksanaan teknologi blockchain pada masa akan datang.



Rajah 5: Kerangka Konseptual Adaptasi Teknologi Blockchain dalam Pengurusan Zakat

5. Kesimpulan

Kesimpulannya, kajian ini mencadangkan kerangka konseptual untuk meneliti elemen yang akan mempengaruhi adaptasi teknologi blockchain dalam pengurusan zakatKajian yang pelbagai telah memperlihatkan kepentingan elemen legislatif dan kepercayaan dalam menyumbang kepada kepatuhan dan penggunaan sesuatu teknologi menyebabkan kajian in meletakkan kedua-dua elemen tersebut dalam kerangka konseptual kajian ini. Sehubungan dengan itu, kajian ini akan mempunyai implikasi-implikasi yang pelbagai terutamanya dalam mengembangkan kajian literatur yang menggabungkan teknologi dan zakat dalam satu kajian. Hal ini kerana kebanyakan kajian sebelum ini hanya mengfokuskan satu-satu kajian sahaja tanpa menggabungkannya. Selain itu, kajian ini juga diharapkan menjadi bahan rujukan institusi zakat di Malaysia dalam pelaksanaan teknologi blockchain pada masa akan datang. Oleh itu, kajian ini diharapkan dapat memberi sumbangan dalam khazanah ilmu mahupun aplikasi institut zakat di seluruh Malaysia.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Digital Financial Transactions in Sharia Economic Perspective

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Abstract

The purpose of this study is to look at financial transaction activities using digital technology when viewed from an economy perspective based on Islamic law. This study is part of the study of Islamic economic law to sharpen literacy in Islamic studies related to business activities and transactions. The results of this study are very significant for Muslims, especially Indonesian citizens, where lately the trend is to use various purposes through technology applications, including business activities, especially digital transactions. The growth of digital transaction applications grew by 400%. Even based on data on the amount of funds circulating on digital transaction applications up to USD 70 billion. This is quite important to study, considering the high awareness of Islam people in running the business and economic fields which certainly will not be separated from the digital transaction activities. The critical point that wants to be conveyed by others, when conducting and creating business activities, businesses including transactions that follow the demands of technological developments must still rely on the rules in The Holy Qur'an where businesses have provisions that are in order to obtain good and justice. Islam also provides very firm principles about how business principles work, especially when it comes to payments. So, the main business in Islam is so strict that it must be with the guidance of the Islamic religion, and its nature is not only for profit. In addition, we also note how the Qur'an has a business concept, and this transaction follows the rule that every Muslim is allowed to run a business and prohibits inappropriate means as a guideline for how business is run by the Prophet (SAW). As a very successful individual in business science with his wife. In addition, we also see that in the realm of Islamic sharia economy there is also an understanding that digital applications have also been widely used in transactions following the existing provisions in Islam. The research methods used are qualitatively descriptive, various literature from books, journals, scientific reports and websites are thoroughly analyzed. So, it came to the conclusion that businesses involving electronic transactions must follow the provisions outlined in Islam**.**

Keywords: Digital applications; payment applications; business; financial transactions; Islamic economy

1. Introduction

The horizon of hope in technological advances and science is to make it easier for humans to live their lives. Today the advancement of science and technology has impacted and developed in all sectors of life, including trade and transaction activities that have changed from traditional methods to more modern methods in a simple, inexpensive, and as well as fast way (Nur kholis, 2017). In principle, legal provisions are needed for Muslims who see business as a practice and understand that business is connected to Islamic principles that justify trade but prohibit usury and coercion and speculation (Ghofur, 2017). When technology enters into business practices, what is impressive is automated trading without humans but represented by technology or electronic machines that are ready to help humans transact more efficiently and securely. On the one hand, technology provides convenience and of course the productivity and efficiency of the way work previously done by humans can now be done by machines automatically, that is, not limited by the time, place, and location of the country (Rosalina et al., 2019).

The principle of both business activities carried out by man and machine is the same: it practically completes the work. However, technically, it is undoubtedly different. So as technology becomes more sophisticated, humans are getting easier, then Islam sticks to the principles and principles of goodness in life in all areas of business. Therefore, any business practice achieves profit and gets pleasure as a provision stipulated in Islamic law in which Muslims live and pray legitimately and blessedly. (Alfarizi et al., 2021).

A transaction in a commonly understood context is when at least two parties, one of whom needs the goods and the other wants to sell. For this reason, Islamic law often applies to us with orderly rules for Ijab and Kabul transactions; there was a handover between the two sides; these are the provisions and principles of practical economics (Sukro, 2019). However, in this increasingly global era, it is no longer possible to maintain traditional

transaction mechanisms, given the complexity and growing areas of business that used to be carried out locally. However, now business is carried out remotely, even in other countries where buyers and sellers do not even know each other universally, but in a business sense, transactions are possible because the system of technological mechanisms is very easy and shopping. Again and again, Islamic law exists to create a common good for the benefit of society in doing business and gaining rewards in every action to achieve the ways that God has (Yarli, 2018).

As one of the religions that guides its people to do good and just in all sectors of life, Islam is no exception in the trade and transaction sector. Then, if it is related to how Islam views buying and selling, which is part of the science of muamalah, which regulates how the practice of buying and selling business is carried out legally and avoids the laws of usury and crime (Biancone et al., 2019), as a religion whose people live in modern times cannot avoid various principal and technical changes, Islamic electronic commerce is a transaction that is basically the main principle between trade international and modern trade aided by technology . However, undoubtedly it will differ from a technical point of view, so that the author believes that Islam has a firm concept with principles that prioritize the common good. Therefore, various literatures have stated that the field of Islamic economics is the horizon of trade and business in the future (Zuchroh., 2022), which is indeed very relevant to be discussed in this paper. The economic context is associated with technology-based economic practices and digital applications.

There is a tendency in which Muslims want to return to Islamic life; how Islam does business in the modern era which still has spiritual power derived from scriptures that avoid being mixed with systems outside of Islam such as capitalist and socialist economic principles. This is an assumption that every business activity seeking halal sustenance must be upheld and leaned on Islamic principles (Literally Ningrum & Firmansyah, 2021).

So, business practices that prioritize halal and follow Islamic teachings must be studied, said Istifadhoh (2021) because of the urgency of Muslims to carry out religious life and do business for or muamalah according to the guidelines outlined in religion (Istifadhoh & Mufidhoh, 2021).

As Badruzaman (2019) says, business ethics in Islam is a must, and this follows the teachings of the Islamic religion where business must be carried out following ethically just and free religious guidance rather than evil and unfair practices (Badruzaman, 2019). In this modern era, when modern mechanisms carry out economic principles, there is often fraud and not in the economy, as in the case of mechanical transactions; this reinforces the belief of Muslims that every transaction carried out by utilizing equipment must follow fair and sound elements and principles so as to avoid things beyond morals and ethics and Muslims. sincerity that occurs and is full of responsibility and humaneness so that businesses must really compete but still put forward the principles of justice and blessings in an Islamic perspective. Umer Chapra one of the Islamic thinkers in Inayati (2015) says that business should occur as a very helpful social correspondence for the meetings with which it is involved. This implies that the search for profit in business is uneven yet held with respect to the relationship between the business owner and representatives, business relations, buyers, etc. (Inayati, 2015). So, business morals play an important role in understanding the organization's goal of obtaining benefits in a cruel business world.

In addition, Islamic studies should make sure to provide direction on how best to continue the work as per the standards of Islamic studies as exemplified by the Prophet Muhammad, a money manager cultivated with the simplicity of his distinct personality. How the Prophet saw dealing with his business is described by Syarifuddin (2021), that Muhammad carried out his management sincerely and politely and never gave his clients to grumble. He generally remains true to his obligations and acts on timely on the value products that the usual agreements between meetings. He generally showed a trustworthy awareness of certain expectations and honesty in himself even saying: notorieties as a fair and honest broker are based on when he was in his early youth. The moral and business nuts and business of the council conducted by the Prophet Muhammad have gained strict authenticity after he was referred to as a prophet. Progressively acquired business moral standards acquire literary prayer in the late twentieth or mid-21st century (Syarifuddin et al., 2021). Today's business standards, such as client goals and consumer loyalty (client satisfaction), outstanding assistance, skills, productivity, directness, fair and cruel competition, have turned into the individual and business ethics of Muhammad SAW since he was young.

2. Research Methods

In this study, one of the methods used is research review. This is because a lot of research has been done and research has been carried out in the scope of various types of digital business applications. The purpose of this study is to recap various findings related to digital transactions from an Islamic perspective. so that a suitable mechanism is found to be applied. This becomes necessary considering the rapid growth of digital transactions.

3. Results and Discussion

3.1 *The Concept of Business in Islam*

A business transaction is an event of economic value, which is carried out and carried out by individuals and companies and causes changes in financial conditions. Business transactions that occur affect three fundamental things in finance, namely assets or assets, debts or liabilities and capital. In addition, business transactions also have an influence on operational results. In general, business is an activity between people that sheds each other to get wages or profits, so a brief understanding by Senalasari (2021) added business is also as a trade in goods and services (Senalasari et al., 2021). Dalimunthe characterizes business as a trade in merchandise, services, or cash that is generally profitable or beneficial (Dalimunthe & Nasution, 2022). In table 1, here are the types of interactions between businesspeople.

Table 1. Business Interactions.

No.	Name	Information
1	B2B	Business to Business This type of interaction is carried out between producers / companies / business people, usually in the form of an agreement for the smooth running of the business of both parties
2	B2C	Business to Consumer In this interaction, there is direct activity between producers or business people and consumers
3	C2C	Consumer to Consumer This type of interaction involves the consumer as an individual with other consumers
4	B2C	Consumer to Business This type of interaction occurs when individual consumers form or create a value that will be used in business processes
5	B2G	Business to Government This type of interaction has similarities with the type of Business to Business, it's just that in the B2G type there is an interaction between government agencies and business people
6	G2C	Government to Consumer This type of interaction is an interaction that occurs between the community as a consumer and the government. Services from government agencies can be easily reached by the public as consumers at this type of interaction.

Source: Kuniawati, 2019.

While Anugerah (2021) shows that business is basically important in trade in labor and products (Anugrah & Ompusunggu, 2021). Regarding the view of Badruzaman (2019) business among others is an association that carries out the creation and handling of labor exercises and products desired by buyers for profit. Business is a term to describe all different establishments exercises that produce labor and an important product for an individual's daily routine (Badruzaman, 2019). As a general rule, business is characterized as a movement made by people to earn a salary or salary or food to overcome the problems and needs of life by supervising monetary assets actually and effectively. The economic sphere of business combines rural areas, modern areas, administration, and exchange. More explicitly, Hardilawati (2020) characterizes business as trading products, administration, or cash that are generally profitable (Hardilawati, 2020). Regarding Ahmed (2010) see, a business is simply an association that undertakes the creation and handling of labor exercises and products desired by customers driven by income. Although in Islam, business can be considered as the development of business exercises in different structures that are not limited by the amount (amount) of responsibility for property (merchandise / administration), including benefits, however, limited in the approach to obtaining and using their resources (there are halal and haram rules) (Syarifuddin et al., 2021) . The above understanding can be clarified that Islam requires every Muslim, especially those who have an environment to work. Work is one of the main reasons that allow people to have wealth. To empower people to try to get enough to pay rent, Allah Almighty expanded the earth and gave different offices that could be used to find food. The above understanding can be clarified that Islam requires every Muslim, especially individuals who have an environment to work. Work is one of the fundamental reasons that allow people to have wealth. To empower people to get enough to pay the bills, Allah Almighty expanded the earth and gave different offices that could be used to find food. He made the world simple for mankind, so walk the always way and eat some of His food. To be sure, we have placed humans all on the planet, and we have accommodated humans on the face of the earth (Yahya, 2021). Business in the Qur'an There are several terms in the Qur'an that relate to the concept of business. Among these are the words: *al Tijarah, al-baiu, tadayantum*, and *isytara.* The term tijarah, starting from the preface tajara, tajran is tijaratan, which means trade, trade—At-tijaratun walmutjar; trade or trade, attijariyyu wal mutjariyyu; which means about trade or trade (Tlemsani et al., 2020). In the Qur'an, the term tijarah is found eight times, and tijaratuhum is found once. The form of tijarah is found in al-Baqarah (2): 282, an-Nisa (4): 29, at- Taubah (9): 24, an-Nur (24): 37, Fatir (35): 29, as- Shaff (61): 10, in surah al-Jumah (62): 11 (mentioned twice). As for Tijaratuhum in sura al-Baqarah (2): 16. There are two kinds of understandings in using the word tijarah in the verses above.

First, understood by trade, is in the letter al-Baqarah (2): 282. Secondly, it is understood by trading in a general sense. Interestingly, in this sense, related to the context of each of them, the idea of trade is related to material things or quantities and qualitative immaterial things - business in the Qur'an (Nur kholis, 2017).

Business has always played an important role in human society and economic life for centuries so that business interests will influence behavior in all individuals, social, regional, national, and international (Budiman, 2020). Muslims have long been involved in the business world since fourteen centuries ago. This phenomenon is not strange because Islam encourages people to carry out business activities. The Prophet Sallallahu Alayhi Wa Sallam himself was involved in business activities with his wife, Khadijah. The Qur'an as the Holy Book of Muslims not only regulates the issue of ritual worship but also provides perfect (comprehensive) and lasting guidance for all mankind. The Qur'an contains principles and guidelines that are fundamental to every human problem, including problems related to the business world (Setiani et al., 2020). A scientist from the West, C.C. Torrey, in his dissertation entitled "Commercial Theological Terms in the Qur'an," stated that the Qur'an uses business terminology widely (Iskandar et al., 2020). He invented twenty kinds of business terminology in the Qur'an and repeated them 370 times in various verses. The use of so much business terminology shows a manifestation of the commercial spirit in the Qur'an. The Qur'an explicitly regulates business activities with many very detailed instructions on what is and is not allowed in carrying out business practices. Researchers who researched things contained in the Qur'an acknowledge that the legal practice of the Qur'an has always been related to transactions.

3.2 The Quran and the concept of transaction business

This business has consistently taken an important part in the social and financial life of human beings over the centuries, so that financial problems will have an impact on behavior at all levels of the individual, social, territorial, public, and around the world (Yarli, 2018).

Talking about digital technology in the financial sector in Indonesia is no longer a new problem because Indonesia is also one of the countries that has a relatively high level of technological growth (Alfarizi et al., 2021). However, not all systems and technological advances can be immediately accepted as a solution in conducting financial transactions based on Islamic law. However, it needs studies and various scholarly perspectives to say that the relevant application is appropriate and appropriately used in the context of Sharia history (Aulia et al., 2020). So, Indonesia has great potential for business activities following its population, which is 200 million more Muslims who, of course, are interested in how business and the economy are run healthily regardless of the existing free market, the voice of the clergy. To make Indonesia a sizable Muslim population, it needs the support of various technological applications such as the global application of Islamic finance, which was established in 2014 which was established by national economic committees, especially Islamic finance. the provisions contained in Islam in view of this it is the responsibility of the clergy and the state to protect economic practices that do not follow the demands of the Muslims themselves as is done in the Islamic banking system that uses applications that follow Islamic principles. So with the increasing thinking of scholars and Islamic communities who care about financial governance and payment of financial transactions following the guidance of the Islamic religion, on December 3, 2020, the government has launched the use of technological advances that are following answering financial questions and challenges in the era of globalization where all parties need to think about and operate strategies on how to conduct transactions following conventional Religion and Islamic students are accepted by all circles because this is a very beneficial breakthrough for all parties (Istifadhoh & Mufidhoh, 2021).

Thus, with this technological method, communication, recording, and accounting in accordance with Islamic law can be accounted for according to the guidance of the Islamic religion, which is very important to maintain. The important thing is that every technology introduced must achieve economic improvement and follow Islamic Sharia, and this is also an effort to increase public awareness and willingness and also the Islamic ummah on how to manage finances, especially payments following the Islamic system. Several countries in Indonesia already have a chairman of the board of commissioners of the financial services authority where this service can record and guarantee the ability of financial services managers to follow the teachings of Indonesian Islam which has little interest rate and considers a good place to work, growth reaches 10% to 8% (Rodliyah et al., 2020) . While the public capacity of 38% has recognized that the application of use in transactions is to follow islamic teachings because the current conditions indeed Islam also has strict regulations on how to regulate finances that do not contain usury, as well as financial services authorities, seeing the participation of many groups in terms of Islam until 2000 has reached 10%, and this is quite significant where from the transition from the conventional system to the Islamic system, of course, there are many changes that want Muslim businesses to run in the same way as Islam and the level of mastery of technology and also other applications that can play an important role so that society can answer Islamic problems, namely where the community in trying to continue to make transactions in an Islamic way (Zuchroh, 2021).

4. Conclusion

The results of this study are very significant for Muslims, especially Indonesian citizens, where lately the trend is to use various purposes through technological applications, including business activities, especially digital transactions. This is important when it comes to the legal status of Islam given the motivations and phenomenon among Muslims these days, the higher the awareness of Muslims to carry out life including business and economic fields and still rely on the rules that have been regulated in the Islamic religion.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Overcoming Food Securities Issue in Malaysia (Extended Abstract)

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1. INTRODUCTION

Within 10 years, the cumulative cost of the country's food imports is RM482.8 billion or seven times the development allocation in the 2021 budget. Malaysia is now too dependent on imports even though the country is fertile and millions of acres of land are not utilized.

Malaysia imported mutton worth RM879.4 million, mango (RM87.9 million), coconut (RM266.1 million) and beef (RM2.2 billion) in 2020.

More worryingly, coconuts, mangoes, goats and cows can be grown and raised in the country. Coconut is not wine. Malaysia also import coffee, onions, potatoes, squid, fresh milk, round cabbage, chillies, and ginger.

In fact, Malaysia imported rice worth US $ 620 million by 2020, the ninth largest importer in the world in the category of the 10 largest countries, namely Saudi Arabia, China, Iraq, France, and the United States.

The Food and Agriculture Organisation reports that the food price index reached an all-time high in February, up by almost 20 per cent compared with a year ago. In Malaysia, the consumer price index (CPI) increased 2.2 per cent to 125.2 in February this year from 122.5 in the same month of the preceding year, driven mainly by the increase in food inflation.

A food security issue may easily become a national security concern. Malaysia's agricultural sector accounts for only 7% of GDP (2019 statistics), and the country is still unable to be self-sufficient in basic food production due to its small population. In 2019, self-sufficiency rates for rice, vegetables, fruits, cattle, and milk were 63 percent, 44.4 percent, 78.2 percent, 22.3 percent, and 63 percent, respectively. We rely heavily on imports to feed ourselves and our foodstuff import bill hit RM51.4 billion in 2019 compared with RM50.14 billion in 2018.

The strategy to ensure our future food systems is the National Food Policy Action Plan 2021-2025. It emphasises digital transformation to ensure that the industry can fulfil future expectations.

The goal is to create an agro-food sector that is resilient, inclusive, competitive, and sustainable, capable of mitigating and managing food security crises and agro-food value chain disruptions.

Experts have already predicted that last year's "once-in-a-century" floods will become more common as a result of global warming. Flooding in December cost the agro-food sector more than RM67 million in losses. Natural disasters will cost more and have a greater impact on food production.

2. OVERCOMING FOOD SECURITY ISSUES IN MALAYSIA

- **Fast Action is needed to overcome the shortage of Food Crisis in Malaysia.**
  Qatar is an odd country from whom we might learn about food self-sufficiency. As one of the world's most water-stressed countries, it can teach us a lot about the relationship between food security and national security. Saudi Arabia, Bahrain, the United Arab Emirates (UAE), and Egypt established an air and naval blockade on Qatar on June 5, 2017, reportedly because of Doha's support for terrorism.
  Qatar's food supply lines were essentially strangled overnight by its Gulf neighbours, yet the blockade, which was intended to "punish" Doha, had the opposite effect. It pushed Qatar further away from the Gulf Cooperation Council (GCC), resulting in a more independent country that has spent the last five years upgrading its food and resource security.
  Qatar imported roughly 40% of its products and services through Saudi Arabia prior to the blockade. All of its fresh fruits and vegetables were imported as well, but the blockade drove it to accelerate its efforts to

diversify its economy. The country — remarkably — is now self-sufficient in dairy when it once relied on imports for 72 per cent of its supplies. A company called Baladna is now one of the largest cattle farms in the region.

It began with 4,000 dairy cows in 2017 and now houses over 20,000 cows in special "cool" shelters. To supply a diverse range of dairy products, cows are milked daily using the most sophisticated rotary milking method. The farm is available to the public, and schools are given tours of the milking parlours.

Baladna began exporting its products to Afghanistan, Yemen, and Oman two years after it was founded. The enterprise, which was born out of a blockade, meant that Qatar went from being reliant on dairy imports to being completely self-sufficient in milk.

International commerce and logistics, local self-sufficiency, strategic stocks, local markets and supply chains, and research and development are the five primary pillars of Qatar's National Food Security Strategy (2018-23)**.**

Vegetable production climbed from 66,000 tonnes in 2018 to almost 103,000 tonnes in 2019, representing a 41% self-sufficiency rate, with the goal of reaching 70% self-sufficiency in 2023.

- **Imposing More Tax Against Imported Food**
  Japanese government imposed extra levis against imported rice to secure local farmers. It in contrast to Malaysian government practice where they are allowing the entry of imported rice and eventually killed local farmers.

- **Replacing Old farmers with Young Farmers Generation**
  The government has to encourage young generation to get involve in farming industries by giving more grants and subsidies. A person that owned an economic scale of land, should be given priority to develop their land with agriculture. In Europe and America the agricultural sector is given large subsidies to ensure food security. The area of agricultural land in Malaysia is shrinking and no one knows the real estimate.

- **Implementing Ihya' al Mawat Concept**
  The word al-Ih.ya– literally means recovering or reviving land by putting fence surrounding it, or cultivating and developing on it. Al-Mawa–t refers to it as a thing that has no spirit or soul, or land that has no possessor or it also can be defined as an idle land without any development on it. Caliph Omar took back undeveloped land after three years the ownership of the land. Hence, new act must be designed which allow the government to take back undeveloped land. This action is important to ensure that Malaysian land has been utilised for productivity agriculture or development, rather than remain as an idle land.

3. CONCLUSION

Indeed, Malaysia is on the verge of food security if there is no effort to reduce or stop imports, create a new generation of farmers, maintain the size of agriculture and encourage production despite the small size of land using modern methods.

Malaysia is still far from being self-sufficient in basic foods. According to the Ministry of Agriculture and Food Industries' (MAFI) Agrofood Statistics 2019, Malaysia's self-sufficiency level for main food commodities such as rice, vegetables, fruits, beef, and liquid milk was 63 percent, 44.4 percent, 78.2 percent, 22.3 percent, and 63 percent in 2019.

Only chicken meat, poultry eggs, food fish, and pig were reported to be self-sufficient in excess of 90%. Malaysia heavily relies on imported food to bridge the gap between domestic supply and domestic consumption.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Pelaksanaan Dana Endowmen dan Wakaf di Institusi Pengajian Tinggi Awam (IPTA): Pengalaman Malaysia

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Abstrak

Institusi Pengajian Tinggi Awam (IPTA) di Malaysia telah melaksanakan dana endowmen dan wakaf bagi membantu mereka untuk mengukuhkan sumber kewangan untuk terus beroperasi, selari dengan saranan daripada pihak kerajaan. Memandangkan terdapat IPTA yang melaksanakan kedua-dua instrumen tersebut, maka kajian ini bertujuan untuk mengkaji persamaan dan perbezaan dalam pelaksanaan dana endowmen dan wakaf. Untuk merungkai objektif tersebut, kajian ini dilaksanakan menerusi kaedah kajian perpustakaan dan temu bual dengan pihak yang terlibat dalam pengurusan endowmen dan wakaf daripada IPTA yang terpilih (iaitu Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM) dan Universiti Teknologi Malaysia (UTM), Universiti Putra Malaysia (UPM), Universiti Sains Islam Malaysia (USIM) dan Universiti Sultan Zainal Abidin (UniSZA)). Kajian ini telah mendapati bahawa struktur governan dana endowmen dan wakaf di IPTA terpilih adalah sama; namun berbeza dari segi cara penubuhan, keizinan yang diperlukan, dan hak pemilikan.

Kata Kunci: Pelaksanaan; endowmen; wakaf; Institusi Pengajian Tinggi Awam (IPTA); Malaysia

1. Pengenalan

Institusi Pengajian Tinggi (IPT) merupakan antara sebuah institusi penting bagi sesebuah negara kerana ia dapat memberi kesan terhadap perkembangan ekonomi negara melalui graduan modal insan yang berkualiti yang telah dihasilkan di IPT dan dapat menggerakkan ekonomi selaras dengan keperluan semasa ekonomi negara. Setiap negara, termasuk Malaysia mempunyai peruntukan bagi institusi pengajian tinggi agar manfaat pendidikannya dapat disalurkan kepada para pelajar demi melahirkan modal insan yang berkualiti. Selaras dengan hala tuju kerajaan untuk memastikan IPT dapat berfungsi sebagaimana yang diharapkan, kerajaan perlu memperuntukkan bajet khusus bagi semua IPTA di Malaysia. Hal demikian adalah kerana masyarakat ingin mengikuti pengajian di peringkat pengajian tinggi kerana melihat bahawa pendidikan di peringkat ini akan memberikan mereka peluang untuk mendapat pekerjaan yang lebih baik serta gaji yang lebih tinggi berbanding yang tidak mempunyai kelayakan di peringkat lebih tinggi (OECD, 2021). Pembiayaan IPTA oleh kerajaan ini pula membolehkan rakyat Malaysia dapat mengikuti pengajian di peringkat pengajian tinggi tanpa membebankan mereka dari segi kewangan. Dengan peruntukan yang besar daripada kerajaan kepada IPTA, manfaat daripada sistem pendidikan yang disediakan dapat disalurkan secara lebih meluas dengan pembayaran kadar yuran berpatutan yang dikenakan kepada pelajar. Malah dalam agenda *Sustainable Development Goal* (SDGs) keempat telah menetapkan kerajaan perlu menyediakan pendidikan yang berkualiti pada semua peringkat.

Selain itu, memandangkan peruntukan bagi pengurusan dan pembangunan oleh kerajaan Malaysia terhadap IPT menunjukkan trend penurunan dari tahun 2018 sehingga 2020 berdasarkan Anggaran Perbelanjaan Persekutuan (2022), maka instrumen kewangan yang bersifat filantropi seperti dana endowmen dan wakaf perlu diberi perhatian. Pelaksanaan kedua-dua dana tersebut khususnya bagi IPTA bukan bermaksud untuk menggantikan peruntukan yang sedia ada daripada kerajaan secara keseluruhannya; namun ia hanyalah bertujuan untuk mengukuhkan lagi kewangan intitusi tersebut. Dengan adanya sumber pendapatan tambahan; di samping peruntukan yang disediakan oleh kerajaan, ia dapat memastikan kapasiti IPTA dalam melakukan penyelidikan dan

menyediakan pembelajaran kepada para pelajar tidak akan terjejas sekiranya berlaku pengurangan peruntukan daripada kerajaan atau peningkatan dalam kos ekonomi semasa.

Di Malaysia, pelaksanaan dana endowmen dan wakaf di IPTA amat didorong oleh kerajaan menerusi "Buku Ungu" dan buku "Panduan Pengurusan Wakaf Institusi Pendidikan". Buku-buku tersebut menyediakan panduan kepada IPTA untuk memperkasakan dana-dana tersebut di institusi mereka. Atas saranan tersebut, kesemua IPTA (20 universiti) dalam negara ini telah melaksanakan dana endowmen dan 17 daripadanya juga telah melaksanakan dana wakaf (Hasbullah & Ab Rahman, 2021). Malah insentif kerajaan memberikan potongan cukai untuk sumbangan kepada endowmen dan yang terbaru pelepasan cukai untuk sumbangan kepada wakaf IPTA dilihat sebagai satu galakan dan sokongan kerajaan dalam memperkasakan dana endowmen dan wakaf (LHDN, 2020). Memandangkan terdapat universiti melaksanakan kedua-dua dana tersebut, maka kajian ini cenderung untuk meneliti bagaimana dana endowmen dan wakaf dilaksanakan di IPTA terbabit. Dalam erti kata lain adalah untuk mengenal pasti persamaan dan perbezaan dalam pelaksanaan dana endowmen dan wakaf di IPTA yang terpilih.

2. Kajian Kesusasteraan

IPT di Malaysia terdiri daripada universiti awam, universiti swasta, politeknik dan kolej komuniti. Bagi universiti awam atau IPTA, perbelanjaan mereka dibiayai oleh kerajaan sebagai pemegang kepentingan yang utama sektor pendidikan tinggi negara. Berdasarkan "Buku Ungu", kebergantungan IPTA terhadap dana yang disediakan oleh kerajaan melebihi 90% daripada jumlah perbelanjaan mereka. Peratusan selebihnya diperolehi daripada yuran yang dikenakan ke atas pelajar dan sumbangan daripada orang ramai seperti yang dibincangkan oleh Md. Zain et al. (2008). Peratusan daripada sumbangan orang ramai tersebut semakin diperlukan oleh IPTA bagi menampung kos pengoperasian universiti sekiranya terdapat kekurangan pembiayaan daripada kerajaan atau kenaikan kos ekonomi semasa. Sumbangan daripada orang ramai; di samping sumber daripada kerajaan dan yuran pelajar ini dikenali sebagai konsep perkongsian kos yang diperkenalkan oleh Johnstone pada 1986.

Sumbangan daripada orang ramai ini boleh diperolehi melalui pelbagai kaedah; antaranya ialah melalui instrumen endowmen dan wakaf. Endowmen dan wakaf ini mempunyai tujuan yang sama iaitu menyediakan sumber pembiayaan yang berpanjangan bagi sesebuah institusi selari dengan konsepnya (The New International Webster's Comprehensive Dictionary of The English Language, 1996; Wolanin, 2015; al- Hammām, 2003; al-Sharbīnī, 1997; al- Rahaybānī, 2000). Di Malaysia, semua IPTA telah melaksanakan dana endowmen dan 17 daripadanya juga telah melaksanakan dana wakaf seperti yang didedahkan oleh Hasbullah dan Ab Rahman (2021).

Berdasarkan tinjauan literatur yang telah dilakukan, terdapat dua [2] jenis struktur governan dalam menguruskan dana endowmen di IPT seperti yang dibincangkan oleh pelbagai pengkaji barat (Dimmock, 2012; Kaffe, 2019; Madanchi et al., 2016; McElhaney, 2010), iaitu: 1) sebahagian daripada universiti itu sendiri; dan 2) entiti undang-undang yang berasingan seperti yayasan atau syarikat pengurusan pelaburan. Namun, dalam konteks Malaysia, khususnya IPTA, dana endowmen diurus oleh universiti itu sendiri yang terletak di bahagian kewangan atau bendahari seperti yang dinyatakan oleh Abdul Hamid et al. (2018). Pelaksanaan dana ini di IPTA di Malaysia tidak menghadapi sebarang masalah perundangan kerana terdapat undang-undang khusus yang membenarkan universiti untuk menerima dan mengurus pelaburan dana endowmen, seperti yang termaktub dalam Akta Universiti dan Kolej Universiti 1971, khususnya Perkara 4 (1), Jadual Pertama. Berdasarkan peruntukan tersebut, universiti bertindak sebagai pemegang amanah harta yang telah disumbangkan sebagai endowmen.

Walau bagaimanapun, pelaksanaan dana wakaf di universiti dalam negara ini agak kompleks berbanding dengan dana endowmen kerana pelaksanaannya berada di bawah bidang kuasa kerajaan negeri seperti yang telah ditetapkan dalam Senarai 2, Jadual Kesembilan, Perlembagaan Persekutuan Malaysia 2010. Sebagai contoh, Enakmen Wakaf Negeri Selangor 2015 (Seksyen 4), Enakmen Wakaf Negeri Sembilan 2005 (Seksyen 5) dan Enakmen Wakaf Negeri Terengganu 2016 (Seksyen 4) menyebut bahawa Majlis Agama Islam Negeri (MAIN) bertindak sebagai pemegang Amanah tunggal bagi semua aset wakaf yang terletak di dalam negeri itu sendiri. Dalam kes ini, jika IPTA ingin melaksanakan dana wakaf, maka mereka perlu mendapatkan keizinan daripada MAIN terlebih dahulu. Berdasarkan "Buku Ungu", Kementerian Pendidikan Tinggi Malaysia telah mencadangkan tiga [3] model tadbir urus wakaf yang mungkin boleh diguna pakai oleh IPTA di Malaysia. Penjelasan mengenai model-model tersebut seperti di bawah.

a) Model 1: Universiti menubuhkan unit atau jabatan di bawah pengurusan universiti.
b) Model 2: Universiti menubuhkan pejabat wakaf di bawah Lembaga Pemegang Amanah.
c) Model 3: Lembaga Wakaf Universiti ditubuhkan sebagai entiti berasingan dan bebas daripada univeriti.

Dari segi pemilikan dana endowmen, kebiasaanya ia adalah fleksibel. Penderma yang menyumbang harta sebagai endowmen sebenar atau endowmen bersyarat menganggap harta yang disumbangkan itu sebagai hadiah. Ini berikutan *Financial Accounting Standards Board* (FASB) menyebut bahawa dana endowmen secara umumnya ditubuhkan melalui hadiah yang dihadkan oleh penderma untuk menyediakan endowmen sebenar atau endowmen bersyarat. Menurut Kazemi dan Wilkens (2017), jenis dana-dana ini dimiliki oleh institusi. Namun, dalam keadaan

yang lain, institusi boleh memindahkan pemilikan walaupun pada mulanya dana tidak disumbangkan sebagai hadiah. Bagi endowmen quasi, dana yang disumbangkan adalah bukan hak milik institusi. Menurut Getz (2007), Monti (2015) dan Sherlock et al. (2015), jika terdapat wang lebihan dalam jangka masa yang panjang, institusi boleh menganggap dana tersebut sebagai hadiah dan ia akan berfungsi sebagai endowmen sebenar. Disebabkan itulah, endowmen quasi juga dikenali sebagai dana berfungsi sebagai endowmen.

Bagi wakaf, ia mempunyai elemen *al-mu'tamad* atau *irrevocable* yang bermaksud tidak boleh ditarik balik. Ia menjelaskan bahawa proses wakaf berkuatkuasa sebaik sahaja penderma mengisytiharkan harta mereka sebagai wakaf. Menurut Abū Yūsuf, proses wakaf ini berkuatkuasa dan sah sebaik sahaja penderma membuat pengisytiharan dan harta tersebut bukan lagi miliknya, sebaliknya milik Allah SWT. Oleh itu, harta wakaf dianggap sebagai *mawqūf 'alayh* yang tidak boleh dibatalkan (al-Sarakhsī, 1989). Pendapat ini diterima oleh jumhur ulama' daripada empat mazhab seperti yang dinyatakan oleh al-Kasānī (2003).

3. Kaedah Penyelidikan

Demi merungkai persoalan dalam kajian ini, pendekatan kualitatif diaplikasikan. Pendekatan tersebut dilakukan menerusi kaedah kajian perpustakaan di mana maklumat diperolehi daripada bahan yang diterbitkan (seperti artikel jurnal, buku, bab dalam buku dan sebagainya) dan bahan yang tidak diterbitkan (seperti kertas prosiding, akhbar, majalah dan sebagainya). Selain itu, kajian ini juga turut menggunakan kaedah temu bual yang dilaksanakan secara separa berstruktur. Temu bual dilakukan dengan wakil daripada pihak pengurusan dana endowmen dan wakaf di IPTA yang terpilih. Kesemua mereka merupakan antara individu yang terlibat secara langsung dalam pengurusan dana endowmen dan wakaf di institusi mereka. Maklumat ringkas mengenai para informan dalam kajian ini seperti yang ditunjukkan dalam Jadual 1 di bawah.

Jadual 1. Jawatan informan.

	Universiti	Jawatan
Dana Endowmen	UM	Pegawai Kewangan, Bahagian Akaun & Pelaburan
	UKM	Penolong Pendaftar, Yayasan Canselor
	UTM	Pengarah, Unit Endowmen
Dana Wakaf	UPM	Ketua, Seksyen Pengurusan Wakaf
	USIM	Penolong Pendaftar, Pusat Wakaf & Zakat
	UniSZA	Penolong Pendaftar, Pejabat Wakaf & Endowmen

Berdasarkan paparan jadual di atas dapat dilihat senarai enam [6] buah universiti yang terpilih dalam kajian ini. Tiga [3] universiti yang mewakili dana endowmen adalah Universiti Malaya (UM), Universiti Kebangsaan Malaysia (UKM) dan Universiti Teknologi Malaysia (UTM); manakala tiga [3] universiti lagi iaitu Universiti Putra Malaysia (UPM), Universiti Sains Islam Malaysia (USIM) dan Universiti Sultan Zainal Abidin (UniSZA) mewakili dana wakaf. Universiti-universiti tersebut dipilih memandangkan mereka antara IPTA yang mencatat kutipan dana endowmen dan wakaf tertinggi daripada tahun 2017 sehingga 2019 berdasarkan data yang diperolehi daripada Kementerian Pendidikan Tinggi Malaysia (KPT).

4. Dapatan Kajian dan Perbincangan

Berdasarkan kaedah kajian perpustakaan dan temu bual yang dilakukan, terdapat beberapa persamaan dalam pelaksanaan dana endowmen dan wakaf di IPTA terpilih. Perbincangan mengenai hal tersebut meliputi beberapa aspek yang diketengahkan dalam kajian ini; antaranya ialah cara penubuhan, struktur governan, keizinan dalam menubuhkan dana, dan hak pemilikan. Bagi dana endowmen, UM dan UKM menubuhkan dana endowmen berdasarkan kursi endowmen selepas permohonan yang dibuat oleh Pusat Tanggungjawab (PTJ) diluluskan. Ini bermaksud, terdapat pelbagai kursi endowmen yang ditubuhkan di PTJ berbeza di UM dan UKM. Manakala di UTM, dana endowmen ditubuhkan di bawah satu unit yang sama iaitu Dana Endowmen UTM yang diuruskan oleh Unit Endowmen UTM itu sendiri.

Dari segi struktur governan, UM dan UTM menubuhkan kursi dan dana endowmen di bawah Timbalan Naib Canselor, manakala UKM di bawah Canselor (iaitu Yayasan Canselor). Hal ini menunjukkan bahawa dana endowmen di IPTA di Malaysia diuruskan oleh universiti itu sendiri sebagai salah satu struktur governan dalam pengurusan dana endowmen di Institusi Pendidikan Tinggi seperti yang dibincangkan oleh Dimmock (2012), Kaffe (2019), Madanchi et al. (2016) dan McElhaney (2010). Berdasarkan sesi temu bual yang dijalankan dengan para informan, pengurusan dan penjanaan pendapatan kursi dan dana endowmen di IPTA tersebut di bawah tanggungjawab Pejabat Bendahari di universiti masing-masing selari dengan kenyataan yang dibuat oleh Abdul Hamid et al. (2018).

Pelaksanaan kursi dan dana endowmen di IPTA dalam negara ini, khususnya UM, UKM dan UTM tidak mempunyai sebarang masalah berkaitan dengan perundangan atau keperluan meminta keizinan daripada mana-mana pihak. Hal demikian kerana terdapat undang-undang khusus yang membenarkan universiti untuk menerima

dan mengurus pelaburan dana endowmen sebagaimana yang telah termaktub dalam Akta Universiti dan Kolej Universiti 1971, khususnya Perkara 4 (1), Jadual Pertama. Berdasarkan peruntukan tersebut juga, universiti bertindak sebagai pemegang amanah harta yang telah disumbangkan sebagai endowmen.

Dari segi hak pemilikan, UM dan UKM mempunyai hak pemilikan yang fleksibel ke atas dana endowmen yang telah disumbangkan berdasarkan persetujuan yang telah dibuat dengan penderma; sama ada ia milik universiti atau perlu dipulangkan (*principal*) kembali kepada penderma selepas proses penjanaan berlaku. Bagi UTM, mereka mempunyai hak pemilikan yang penuh ke atas dana endowmen yang disumbangkan. Hak pemilikan dana endowmen yang fleksibel yang diamalkan oleh UM dan UKM ini selari dengan penjelasan yang dibuat oleh Kazemi dan Wilkens (2017), Getz (2007), Monti (2015) dan Sherlock et al. (2015). Persamaan dan perbezaan dana endowmen yang dilaksanakan oleh UM, UKM dan UTM diringkaskan dalam Jadual 2 di bawah.

Jadual 2. Persamaan dan perbezaan pelaksanaan dana endowmen di UM, UKM dan UTM.

Universiti / Aspek	UM	UKM	UTM
Cara penubuhan	Kerusi (PTJ)		Unit Endowmen
Struktur governan	Timbalan Naib Canselor	Canselor	Timbalan Naib Canselor
Keizinan	Tidak diaplikasikan		
Hak pemilikan	Fleksibel		Universiti

Sementara itu, pelaksanaan dana wakaf di UPM, USIM dan UniSZA pula ditubuhkan oleh Unit Wakaf selepas memperolehi keizinan daripada Majlis Agama Islam Negeri (MAIN) masing-masing. Keizinan daripada MAIN amat diperlukan dalam penubuhan dana wakaf di IPTA memandangkan MAIN merupakan pemegang amanah tunggal harta wakaf di Malaysia sebagaimana yang termaktub dalam enakmen negeri seperti Enakmen Wakaf Negeri Selangor 2015 (Seksyen 4), Enakmen Wakaf Negeri Sembilan 2005 (Seksyen 5) dan Enakmen Wakaf Negeri Terengganu 2016 (Seksyen 4). Jika keizinan diberikan oleh MAIN, maka status *Mutawallī* dianugerahkan kepada universiti yang ingin menguruskan dana wakaf seperti UPM dan USIM. Menurut Mahamood, Ab Rahman dan Che Seman (2018), *Mutawallī* ini terletak pada peringkat kedua dalam hierarki pengurusan wakaf di negara ini. Berbeza dengan UniSZA, di mana keizinan yang diperolehi mereka untuk menguruskan dana wakaf daripada MAIN iaitu Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM) adalah atas dasar *Joint Venture* (iaitu Perjanjian Usahasama).

Keizinan untuk menguruskan dana wakaf yang dianugerahkan oleh MAIN kepada UPM dan UniSZA adalah bertempoh iaitu kontrak selama 5 tahun (bagi UPM) dan 6 bulan (bagi UniSZA). Manakala bagi USIM, mereka mempunyai kuasa autonomi penuh dalam pengurusan dana wakaf di institusi mereka. Dari segi struktur governan, dana wakaf yang ditubuhkan di UPM dan USIM adalah di bawah Timbalan Naib Canselor dan Naib Canselor bagi UniSZA. Berdasarkan maklumat yang diperolehi daripada sesi temu bual juga, model urus tadbir wakaf yang dilaksanakan di UPM dan UniSZA adalah Model 3, manakala bagi USIM adalah Model 1. Tidak seperti endowmen, dana wakaf yang telah disumbangkan adalah milik Allah SWT memandangkan ia mempunyai elemen *al-mu'tamad* atau *irrevocable* dan selari dengan penjelasan oleh Abū Yūsuf (al-Sarakhsī, 1989).

Jadual 3. Persamaan dan perbezaan pelaksanaan dana wakaf di UPM, USIM dan UniSZA

Universiti / Aspek	UPM	USIM	UniSZA
Cara penubuhan	Unit Wakaf		
Struktur governan	Timbalan Naib Canselor		Naib Canselor
Keizinan	Status *Mutawallī*		Perjanjian Usahasama
Hak pemilikan	Allah SWT		

Jika dibandingkan dari segi hak pemilikan dana endowmen dan dana wakaf; di mana dana endowmen dilihat ada ruang yang fleksibel kerana dana endowmen boleh dipulangkan semula kepada penderma setelah dana tersebut dapat menjana pendapatan dan keuntungan sebagaimana yang telah dipersetujui. Elemen ini juga boleh dipertimbangkan oleh pihak universiti untuk memperkenalkan *waqf mu'aqqad* atau waqaf bertempoh yang dilihat memberikan fleksibiliti kepada amalan berwakaf khususnya dalam penjanaan dana wakaf IPT.

5. Kesimpulan

Secara kesimpulannya, kajian ini mendapati bahawa terdapat persamaan dan perbezaan dalam pelaksanaan dana endowmen dan wakaf di IPTA yang terpilih. Persamaan dalam pelaksanaan dana-dana ini dapat dilihat apabila dana ditubuhkan di bawah pengurusan universiti itu sendiri. Manakala, perbezaannya pula dari aspek cara penubuhan, keizinan yang diperlukan, dan hak pemilikan. Bagi endowmen, ia boleh ditubuhkan sama ada melalui kursi endowmen di PTJ yang memohon atau menerusi satu unit yang sama (iaitu unit endowmen); manakala bagi wakaf, ia hanya ditubuhkan di unit wakaf sahaja di mana ia merupakan pusat yang menguruskan hal-hal berkaitan dengan wakaf di universiti tersebut.

Dari segi keizinan dalam menguruskan dana; ia hanya terpakai bagi dana wakaf sahaja di mana ia perlu meminta keizinan daripada MAIN terlebih dahulu sebagai pemegang amanah tunggal harta wakaf dalam negara ini. Keizinan yang diberikan sama ada melalui status *Mutawallī* atau *Joint Venture*. Walaupun ianya dilihat mencabar bagi sesetengah pihak; namun melihat kepada keaktifan IPTA menubuhkan dana wakaf serta kerancakan mereka dalam memperkasakan dana wakaf IPTA, ia boleh menjadi satu agenda yang boleh memberi nilai tambah kepada fungsi wakaf dalam arus perdana pendidikan tinggi di Malaysia. Bagi dana endowmen, universiti bebas untuk menerima dan mengurus memandangkan terdapat peruntukan khusus yang membenarkan. Dari segi pemilikan dana pula, ianya adalah fleksibel bagi endowmen dan hanyalah milik Allah SWT bagi wakaf.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Challenge Factors in Preparing *Wasiyyah* Services in Malaysia

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Abstract

While there has been an increase of research interest in Islamic estate planning products, few studies have yielded detailed insights into the views of *wasiyyah* consultants on the factors of why many Malaysian Muslims does not prepare a *wasiyyah*. The qualitative study described in this paper aimed to explore the factors that hinders Malaysian Muslims from patronizing *wasiyyah* services. The study sample for the qualitative study was chosen using purposive sampling and semi-structured, in-depth interviews were conducted. Challenge factors have been identified and categorized into four themes which are a lack of knowledge, a lack of awareness, fees charged, and also no comprehensive marketing. Thus, all of these factors are the primary items that should be focused among marketers in order to develop more effective tactics to increase the number of Muslims choosing to prepare their *wasiyyah* and to prevent further increase in the amount of frozen assets in Malaysia.

Keywords: *Wasiyyah* services; frozen assets; Malaysian Muslims

1. Introduction

Islamic wealth management (IWM) has various products under the Islamic estate planning, including *hibah, faraid, waqf,* trust account, mutually acquired property document, and *wasiyyah,* arguably the most debatable product (Mohamad Puad, Jamlus Rafdi, Ahmad Sanusi, & Sarip, 2018). In other countries, *wasiyyah* is known as a bequest where it plays a main role in the economy since it is related to wealth distribution to the next generation (Barthold & Ito, 1992).

In Malaysia, there are various terms that has been used in defining *wasiyyah* services, such as Islamic will, *wasiyyah, wisoyah, wasitah,* and also document of executor appointment. *Wasiyyah* has also been perceived as a remedy for frozen estate problems (Harun, 2019), especially for Muslims in Malaysia. According to the statistics, the current population of Malaysia until May 2022 is about 33.3 million of which approximately 69.6 percent are Malay Muslims, and the population is estimated to grow to around 37 million in 2030 (Meters, 2022). In line with the positive population growth, it is expected that the Muslims' patronisation towards *wasiyyah* will also increase (Bouteraa, 2019).

However, in the year 2020, only 3.12 percent of the population are registered with Amanah Raya Berhad (ARB). Consequently, this has resulted in many unclaimed properties and frozen assets in Malaysia, and this is indirectly impacting the country since the assets cannot be utilised for economic growth (Wajis, Rab, Gunardi, & Rahman, 2018). Many issues have arisen due to inheritance as seen in newspaper headlines such as '*Siblings ghosted each other over parents' will*' (Ibrahim, 2018) and '*70 billion unclaimed properties*' (Haque, 2020). These incidents occurred partly due to the individual's and heirs' ignorance concerning estate planning where they considered their duty to settle the estate a trivial task (Haque, 2020; Ismail, 2016; Rusdi, 2019). Not only that, the number of frozen assets also shows an increasing number from RM70 billion in 2019, has reached to RM90 billion in year 2021 (Haque, 2020; Kamarulbaid, 2021), and this number is growing every year (Haque, 2020).

Initially, the term '*wasiyyah*' was used to denote the documentation of Islamic estate planning in Malaysia. However, a few other names were also used such as Islamic will, estate document, *wisoyah*, and al-wasitah which have caused confusion among Muslims in understanding the *wasiyyah* service in Malaysia (Mursidi, 2021). This is because *wasiyyah* providers use different terminology in defining the term *wasiyyah* itself. Majority of the *wasiyyah* providers use the term '*wasiyyah*'; however, ZAR Perunding Pusaka and *Wasiyyah* Shoppe were arguing that there are other names to use for *wasiyyah* services such as *wisoyah* and al-*wasitah* (Alma'amun, 2010).

Many studies in *wasiyyah* that were done previously had focused on the quantitative method, and only a few studies were found to have utilized the qualitative method. Therefore, the purpose of this study is to examine factors that hinders Malaysian Muslims from patronizing *wasiyyah* services.

2. *Wasiyyah* services in Malaysia

The penetration rate of *wasiyyah* services is still very low in Malaysia. This is proved when only ten per cent out of 28 million Malaysian Muslims and non-Muslims have used the estate planning services in 2009 (Habib, 2010). About six years later, the data has only increased by five per cent where only 15 per cent of Malaysian Muslims have used estate planning in the year 2016 (Karim, 2016).

There are a few reasons to explain why the percentage of Malaysian Muslims who patronize *wasiyyah* services is smaller compared to bequest for non-Muslims. (Muhamad, 2007) revealed that non-Muslims prefer leaving bequests to ensure that their estates will be sorted quickly, while Malays prefer to follow the traditional way of wealth distribution through *faraid* where they believe, with *faraid,* the distribution process will be easier. However, it is not that easy to manage in Malaysia; if the testator did not prepare a *wasiyyah* during his lifetime, the process would be complicated (Mohammad, 2015) and sometimes, it might take years to be settled (Kadir, 2020).

Therefore, in line with the preceding discussion, this paper aims to explore the factors that hinder Malaysian Muslims from patronizing *wasiyyah* services in order to contribute to the practitioners to restructure the marketing strategy to attract more Muslims in preparing their *wasiyyah*.

3. Methodology

Due to limited past research, the present study is designed to be exploratory in nature. Therefore, to accomplish the objective of the study, the interview method has been applied. A face-to-face interview is particularly useful to conduct in this study as it allows the researcher to understand the actual situation directly related to the study. Although conducting a face-to-face interview can be very time-consuming, nevertheless, it produces rich and in-depth responses that will be able to meet the purpose of the study.

The qualitative research method was used as the study aims to identify the factors that hinders Malaysian Muslim in patronising *wasiyyah* services. The interviews had involved five experts from different *wasiyyah* institutions. Participants were asked about their understanding of the *wasiyyah* concept and also their opinions on the main reasons of why Malaysian Muslims are reluctant to participate in *wasiyyah* services. All the interviews were audiotaped and transcribed and then followed by a short discussion with open-ended questions.

4. Findings

The respondents were selected based on their expertise in *wasiyyah* services in Malaysia. The total number of respondents was five, and the total sample was comprised of three males and two females.

From the five participants' narratives, a thematic analysis segmentation had produced 39 excerpts that were reflected in the study to be analysed. Findings have revealed that all the elements were represented to varying scopes. Four themes were identified which are: a lack of knowledge, a lack of awareness, fees charged, and no comprehensive marketing.

4.1 Lack of Knowledge

Consumers who have patronised *wasiyyah* services have clear knowledge of the *wasiyyah* services (Mursidi, 2021). However, Ghul et al. (2015) and Nyambegera and Gicheru (2016) have delineated knowledge as the main problem in the issue of increasing number of frozen assets. Due to that, the participants described a lack of knowledge on the differences between *wasiyyah* and *faraid* as the main reason that hinders people in writing *wasiyyah*.

> *"..many people are not aware of wasiyyah. They think that when someone dies, faraid will settle their wealth distribution. Even so, many people misunderstand the difference between wasiyyah and faraid."* (Respondent 1)

> *"..they might think that when they died, the heirs will be able to take withdraw their money at the ATM. However, they don't know if we died, once the death certificate is out, the bank will block everything and the assets will be frozen. So, the heirs can't take it out."* (Respondent 2)

The respondents also highlighted that most people lack the understanding of *wasiyyah* services and they don't know with whom they should discuss. An example of excerpts from the respondents that relate to this;

> *"...that's what I think. Most people have a misunderstanding in terms of the need for a wasiyyah. He thinks, if they have wealth, they have to make a wasiyyah, but if I don't have wealth, why I should make a wasiyyah?"* (Respondent 3)

> *"..he knows about wasiyyah, but the details about wasiyyah, the process, who to meet, how to deal with it, how much are the fees, what is the difference between wasiyyah and faraid, that's the thing that don't know very much."* (Respondent 5)

4.2 *Lack of Awareness*

Islamic estate planning is totally neglected by Malaysian Muslims especially in *wasiyyah* services (Jamalurus, Mokhtar, & Rahim, 2019). This is because their awareness towards *wasiyyah* remains low. Examples of the 'aware' or 'awareness' keywords which were frequently mentioned;

> *"..awareness is very important. But as you can see, awareness is very low. I am the one who studied in wasiyyah, so when it comes to wasiyyah services, the awareness is very low. Why? Because they thought that when they died, everything will be taken care of under faraid law."* (Respondent 1)

> *"... but it is really hard to make people aware of wasiyyah. because they think they already have faraid, why should they implement wasiyyah? They only think that wasiyyah is distributing one-third from their property."* (Respondent 2)

The participants have also shared that they have never experienced death among close family members, so they were less aware towards the importance of *wasiyyah* services.

> *"..some people, they are not aware because they have not gone through the process yet. Maybe they don't have family members who died, that is why they have no awareness toward wasiyyah."* (Respondent 4)

4.3 Fees charged

Fees is also another factor that hinders people in preparing *wasiyyah*. The participants agreed the cost is reasonable and they can get the service from various institutions. The misunderstanding among Malaysian Muslims towards the fees charged for *wasiyyah* services have lead them not to patronize *wasiyyah* services.

> *"..if you want to do that, it's only RM300. It's cheap. But to replace the trustee, its expensive. There are a lot of institutions that offering this service, such as Amanah Raya Berhad, Wasiyyah Shoppe, As-salihin Trustee. But majority of them are private organizations."* (Respondent 3)

4.4 No comprehensive marketing

A well-planned strategy is important for every company to stay longer in the industry. Take advertising as an example; it is not only aims to persuade, but also to enlighten. It provides information about the product, including its pricing, packaging, and other aspects, and whoever sees an advertisement proclaiming a discount price on a product, it would attract them to buy the product (Brown, 1950). Due to that, the respondent also explained that the marketing from the institutions is somehow not effective.

> *"The marketing from agent and institutions are not comprehensive.*" (Respondent 1)

To understand the roots of the problem in low *wasiyyah* participation, the interviews were conducted with respondents that are working in *wasiyyah* institutions in order to understand challenges factors that hinders Malaysian Muslims from preparing *wasiyyah*. The interview results showed that a lack of knowledge, a lack of awareness, fees charged, and no comprehensive marketing were identified as the challenge factor in this study. The factors identified can therefore help the companies to pay more attention to the improvement in the marketing strategy in business especially in diversifying strategies towards marketing the product.

5. Conclusion

The findings of this study serve as a basis in identifying the challenge factors that hinder Malaysian Muslims from preparing *wasiyyah* services. The study approach can be used not only for the empirical research, but also

to be utilised by *wasiyyah* institutions in Malaysia in formulating and implementing new strategies as well as policies to encourage more Malaysian Muslims to patronize the *wasiyyah* services.

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Managing the Economy in a Post-Pandemic Future: The Case of Sukuk Issuing Countries

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Abstract

Sukuk issuances play a critical role in promoting economic growth. The present study investigates the 'three lows and one high' of selected macroeconomic indicators in five major sukuk issuing countries for the period 2004 until 2021. The three lows refer to the inflation rate, unemployment rate, and overnight policy rate while 'the one high' denotes economic growth. These four macroeconomic indicators indicate the general overall health of an economy. The findings reveal that the four indicators' performance varies among countries under study, and each indicator has a different impact on each economy. In addition, the study analyses the growth components of GDP in these countries five years before the COVID-19 pandemic outbreak. The findings suggest that to boost sukuk market development, the policymakers should provide a comprehensive assessment of fiscal space during the COVID-19 crisis. Therefore, sound macroeconomic policies are key considerations for faster economic recovery post-pandemic.

Keywords: Sukuk; macroeconomic indicators; Islamic bond; post-COVID-19

1. Introduction

After the pandemic COVID-19, the world faces rising prices. The increases in prices are contributed by many factors, among them are the pandemic, the energy crisis, the shortage of microchips, and the Russia-Ukraine war. The situation requires the government to find ways to boost economic growth to sustain the economy. One way of managing the fiscal position is through sukuk issuance. Sukuk refers to securities, notes, papers, or certificates, with features of liquidity and tradability. Sukuk financing activities are mostly for the infrastructure and utilities, financial services sectors, property, and real estate, oil and gas, and energy sector (Ahmad et al, 2012).

Given the current situation, the present study selects five sukuk issuing countries to see how these economies manage the crisis and what the future holds post-pandemic. Against this background, we select five countries that have a Misery Index that is less than 10. The misery index (MI) is the sum of the inflation and unemployment rate in a country. It measures the degree of economic distress in an economy. Based on the MI between the years 2014 until 2020, the countries selected are Bahrain, Kuwait, Malaysia, Qatar and the United Arab Emirates (UAE). The study aims to examine selected macroeconomic indicators in five sukuk issuing countries. The indicators are inflation rate, unemployment rate, overnight policy rate, and economic growth. The paper will offer an insight into how sukuk issuing countries' economic recovery process after a coronavirus pandemic.

This paper is organized as follows. After the introduction, section two presents a literature review followed by the research method in section three. Section four discusses the findings while the last section concludes.

2. Literature Review

Several studies discovered that economic growth has a strong effect on the development of the sukuk market (Ahmad et. al, 2012, Istiqomah, 2012, Said and Grassa, 2013, Smaoui and Nechi, 2017). On the other hand, the development of the sukuk market also has a significant impact on economic growth. In a different context, Goaied and Sassi (2010) examine the connection between Islamic finance and economic development in a sample of the Middle East and North Africa (MENA) countries. The authors utilize an imbalanced panel data set and estimated a dynamic panel model using a generalized method of moments (GMM) estimation. Their results show no statistically significant correlation between Islamic finance and economic development in the economies they studied. However, the primary study shortcoming is that the nations studied have various economic and financial development levels. The dispersion between these two indicators may not be constant among MENA countries. As a result, the study findings may be skewed. Researchers indicate that macroeconomic factors influence the development of the sukuk market (Said & Grassa, 2013; Istiqomah, 2012; Smaoui and Nechi, 2017). However, some macroeconomic indicators such as inflation are not significantly influenced by this type of Islamic instrument.

In addition, high currency volatility creates uncertainty about the real value of sukuk instruments, impeding the development of the sukuk market. These results correspond to Arafat Mansoor's (2019), Smaoui, and Khawaja's (2016) findings that the exchange rate has a negative relationship with the development of the sukuk market. The United States dollar (USD) currency risk occurs when sukuk payments are made in a foreign currency with unpredictable cash flows. Other studies are reporting a positive relationship between exchange rates and the sukuk market (Suriani et al., 2018, Sucinigtias, 2019). To summarise, different studies report different findings on the relationship between macroeconomic indicators and sukuk market development. Therefore, the present study contributes to the literature on the sukuk-growth nexus.

3. Data and Methodology

Data collection for this study is based on the secondary data obtained from the World Development Indicator (World Bank, 2016), Zawya *Sukuk* Database, IIFM *Sukuk* Report, Securities Commission (SC), and Bloomberg. The data used in this study involves unbalanced panel data collected from ten sukuk issuing countries namely Malaysia, Indonesia, Brunei, Bahrain, Qatar, Sudan, Pakistan, Kuwait, United Arab Emirates, and Saudi Arabia. This study employs panel data analysis to investigate key macroeconomic drivers of the growth of the sukuk market over the period 2004 - 2019.

Table 1 lists five countries based on their regional location, income, exchange rate arrangement, and monetary policy framework. Bahrain, Kuwait, Qatar, and the UAE belong to the MENA region (the Middle East/North Africa), while only Malaysia is in the Asia Pacific region.

Table 1. Policy Framework.

Country	Country Classification	Income Category	Region	Exchange Rate Arrangement	Monetary Policy Framework
Bahrain	FEC	High	MENA	Exchange Rate Anchor	Conventional peg: USD
Kuwait	FEC	High	MENA	Exchange Rate Anchor	Conventional peg: Composite
Malaysia	MDC	Upper middle	East Asia & Pacific	Other managed arrangement	Other Category
Qatar	FEC	High	MENA	Exchange Rate Anchor	Conventional peg: USD
The UAE	FEC	High	MENA	Exchange Rate Anchor	Conventional peg: USD

(1) FEC: Fuel-exporting country, MDC: Medium-developed country.
(2)) Upper-middle income (GDP per capita < USD9,999), High income (GDP per capita > USD10,000).
(3) MENA: the Middle East and North Africa countries.
Sources: Annual Economic Report on the OIC Countries, 2008 & 2012; Statistical, Economic and Social Research Training Centre for Islamic Countries (SESRIC).

3.1 Economic Indicators

People care about inflation and unemployment and also economic stability. Stability, which can be measured through inflation or long-run interest rate is equally important (Welsch, 2007). Economic stability can be captured using Misery Index (MI) where a lower number is better. The measurement of 6% to 7% is considered a good indicator of the overall health of the economy. Many studies provide literature on MI and use it to indicate the level of economic distress (Nasir & Saima, 2010; Dadgar & Nazari, 2018; Adrangi & Macri, 2019). In general, these studies conclude that there is a negative relationship between MI and economic growth. which includes

growth and interest rate. A study in selected European countries uses Okun's and Barro's Misery Index estimations to show how the index could be used as an alternative poverty assessment tool. The author posits that there is no evidence of the significant relationship between levels of misery index and at-risk poverty rates in European economies. However, the misery index reflects changes in society's economic performance over time (Lechman, 2009).

Table 2 summarises the average values of the four macroeconomic indicators under study. The statistics show that Bahrain has the lowest Misery Index and the highest is the UAE. Among them, Malaysia has the lowest GDP per capita at USD7,410.30.

Table 2: Economic Indicators.

Country	GDP per capita (USD)	GDP growth rate (%)	Inflation rate (%)	Unemployment rate (%)	Misery Index (MI)	*OPR
Bahrain	21,965.37	3.83	1.68	1.05	2.73	0.95
Kuwait	30,441.16	3.03	2.75	1.46	4.21	2.47
Malaysia	7,410.30	3.30	2.68	3.31	5.99	3.07
Qatar	57,712.41	6.49	3.29	0.95	4.24	4.34
UAE	48,667.41	4.51	3.65	2.29	5.94	1.33
World	-	4.99	3.23	5.60	9.87	25.27

Note: *For the OPR (Overnight Policy Rates), data are average values based on data availability. For the UAE interest rate is used (2012-2020), for Kuwait, policy rate is used (2008-2020). Malaysia data is from 2003-2021, Bahrain: 2007-2014, Qatar: 2003-2021. For the world average, the calculation is based on the interest rate average for 11 Asia-Pacific countries in 2021. Average values are calculated based on available data over the sample period. The average for Misery Index is from the historical data of United States (average values – 1948 until 2021).

4. Results and Analysis

Next, we plot the indicators for all countries and compare them to the world average to see the trend as shown in Figure 1. Economic recovery seems to take a V-shaped process. In a V-shaped recovery, an economy that has suffered a sharp economic decline experiences a fast and strong rebound. Such recoveries are generally spurred by a significant shift in economic activity caused by rapid readjustment of consumer demand and business investment spending.

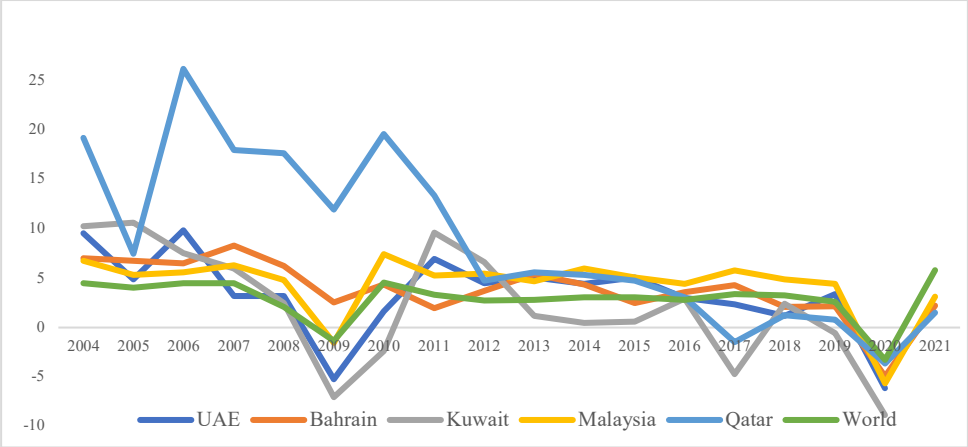


Figure 1. GDP Growth Rate for All Countries, 2004-2021
Source: IMF

To examine whether there is a convergence or divergence among the countries, we use correlation analysis using the world's average growth rate as the benchmark as shown in Table 3. Among all countries, Qatar exhibits the lowest correlation while the UAE and Malaysia seem to converge with the global GDP growth rate for the period under study.

Table 3. Correlation Analysis of GDP Growth Rate.

Countries	UAE	Bahrain	Kuwait	Malaysia	Qatar	World
UAE	1.00					
Bahrain	0.66	1.00				
Kuwait	0.82	0.62	1.00			
Malaysia	0.80	0.77	0.64	1.00		
Qatar	0.47	0.64	0.47	0.41	1.00	
World	0.83	0.68	0.70	0.87	0.34	1

Source: Authors' calculation.

The next indicator is CPI, which indicates the general increase in prices. Based on Figure 2, starting from 2011, all economies display inflation below 4 percent. However, starting from 2019, the inflation rate was negative in all countries except Kuwait.

Inflation is seen as the general increase in price level and is normally measured by Consumer Price Index (CPI). According to the research conducted by the International Monetary Fund (IMF, 2020), the rising inflation rate in 2021 is due to several key factors. The trigger is the pandemic, which has disrupted the global supply chain. However, inflation could be caused by many other reasons, such as rising consumer demand, profiteering, labor shortages, rising consumer demand, expansionary monetary policy, and others (Braun, 2021).

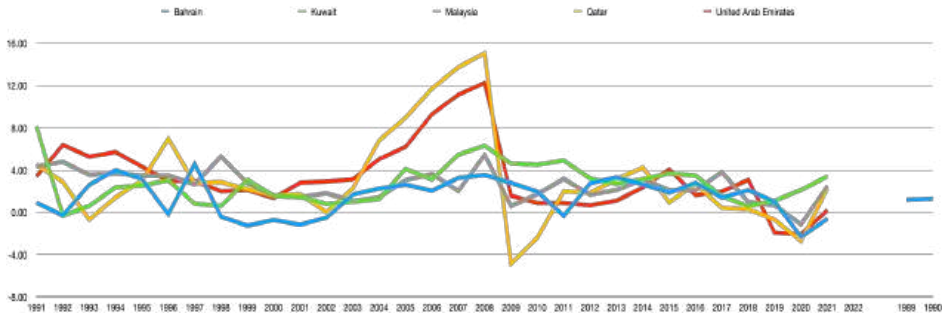


Figure 2. Inflation Rate for All Countries 1991 – 2021
Source: IMF

Figure 3 shows the unemployment rate for the five countries from 1992 until 2020. The unemployment rate was a single-digit factor, with Malaysia having the highest rate and Qatar recorded the lowest rate. Annual total unemployment rate - a rate representing unemployed persons as a percentage of the labor force. According to the International Labour Organization (ILO), the labor force includes the population 15 years old and over who are either employed, unemployed, or seeking employment.

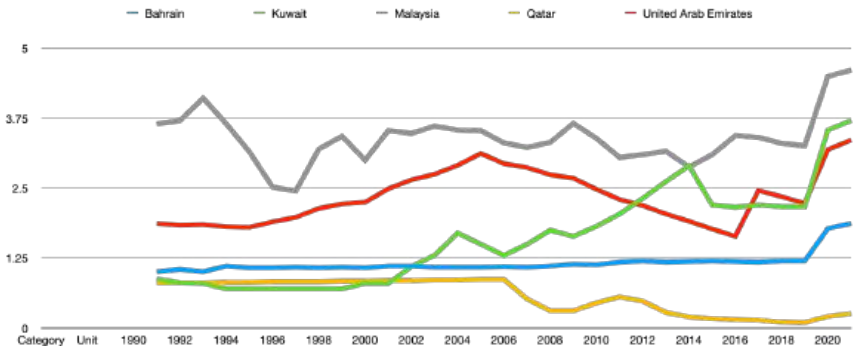


Figure 3. Unemployment Rate for All Countries, 1990 – 2020
Source: IMF

Figure 4 displays the trend of overnight policy rate (OPR) which is positive but below 6 percent from 2002 until 2020. The overnight policy rate (OPR) is the minimum interest rate charged amongst banks in the interbank

market, which borrow funds from each other. In 2020, the declining trend is most likely due to the coronavirus pandemic.

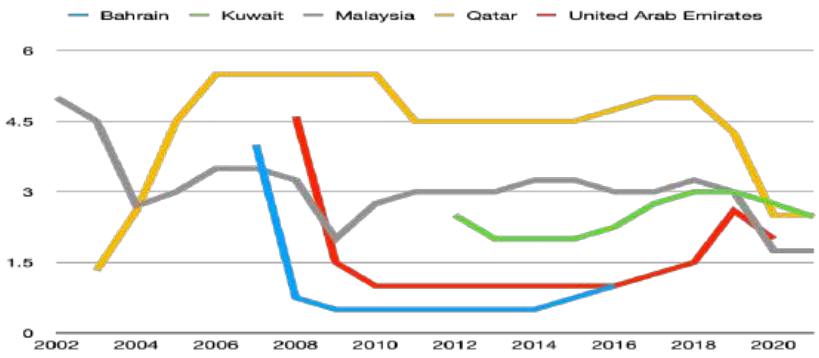


Figure 4. The OPR for All Countries, 2002-2020
Source: IMF

The findings suggest that at the early stage, these sukuk issuing countries are showing a V-shaped economic recovery at the onset of the coronavirus pandemic. Based on the correlation analysis with the world average GDP growth rate for the period under study, Malaysia seems to show the highest correlation while Qatar displays the least. In this case, Malaysia is most likely to recover at a faster rate as compared to Qatar's post-pandemic.

In the case of Qatar, it has the highest OPR rates as compared to other countries and a declining overall trend of GDP growth. Re-evaluation of policy measures concerning the two indicators designed to stabilize these economic indicators will help Qatar emerge stronger from the COVID-19 pandemic.

5. Conclusion

The present study investigates selected macroeconomic indicators of five sukuk issuing countries. Based on the findings, these economies display a V-shaped economic recovery pattern following the COVID-19 pandemic. These shapes characterize a recovery caused by a one-time shock. A recession that occurs after a time shock is usually short with a quicker recovery. For this type of recession, investors may want to wait for the economy to stabilize before repositioning their portfolios. The shortfall in the economy is temporary and did not do any permanent damage to the economy. However, a V-shaped economy could easily bounce into another letter such as a W-shaped economic slump. Therefore, predicting an accurate economic path of recovery is important to get the economy back to its pre-crisis trajectory.

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Analyzing Factors Influencing E-Wallet Adoption Using UTAUT2 Model: A Literature Review

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Abstract

The dependence of modern businesses on computer and information technology has increased significantly. The acceptance and use of information systems (IS) and information technology (IT) have been a focus of research and practise in recent decades. e-Money is a payment instrument used to store funds that the user pays in advance to the e-money issuer. The use of mobile devices to conduct financial transactions has led to the development of a new type of e-money called an electronic wallet (e-wallet), which is essentially the digital equivalent of the wallets that people normally carry. With the availability of numerous features and services beyond payment, e-wallets have become one of the government's primary tools to achieve a cashless society. Several adoption theories and models have been used to determine the acceptance and use of e-wallets, particularly in the study of social commerce. These include the Technology Acceptance Model (TAM), the Theory of Planned Behaviour (TPB), and the Unified Theory of Acceptance and Use of Technology (UTAUT). Current research on e- wallet acceptance generally relies on the expanded Unified Theory of Acceptance and Use of Technology-UTAUT (known as UTAUT2) as the primary framework. UTAUT2 introduces factors relevant to the consumer market that influence behavioural intentions to use a new technology: Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Conditions, Hedonic Motivation, Price Value, and Habit. This paper examines previous research on e-wallet adoption intentions based on the UTAUT2 framework using secondary data analysis. This study contributes to the literature on e-wallet adoption by taking a broader look at the determinants of e-wallet adoption by users, including an Islamic perspective and future research directions.

Keywords: e-wallet; e-money; behaviour intention; UTAUT2; literature review

1. Introduction

Early applications of mobile technology enabled mobile users to perform financial transactions such as mobile banking (e.g., saving, sending, and receiving transfers) and shopping (e.g., purchasing products and services directly) (Jack & Suri, 2011). Moreover, modern mobile technology transforms a mobile device into a smart device with additional uses beyond financial transactions, such as mobile payment, mobile office functions, mobile navigation, entertainment, commerce, and many others (Gao et al., 2014). The use of mobile wallets is one of the inventions of the digital economy that has attracted worldwide attention. Mobile wallet, also called e-wallet, is an electronic payment system that can replace a physical wallet and can be downloaded online from the App Store, Play Store, or Huawei AppGallery. With an e-wallet, people can use their smart device to make transactions, receive and transfer money, and replenish their account (Kotecha, 2018). Globally, more than one billion people use the Internet every day, resulting in $1.9 billion in daily sales. In 2021, according to the Digital 2022 Global Overview Report (DataReportal, 2022), there were 5.32 billion mobile subscribers, based on the unique ID, a

figure equivalent to 67.0% of the total global population. Mobile financial services are used by 28.9% of all mobile subscribers. Approximately 3.82 billion users made consumer digital payments, with an average transaction value of $1,766. Many developing countries recorded a lower value such as Malaysia ($969), Thailand ($526), Indonesia ($343), and India ($216).

The use of mobile devices to process payments offers financial institutions a new potential to attract customers who do not use their services. According to available data, there are more than one billion users worldwide who conduct up to $1.9 billion worth of transactions daily (Che Nawi et al., 2022). There are a total of 290 mobile payment service providers offering their services in 95 different countries, and it is possible that total daily transactions could exceed $5 billion by the end of 2025 (Che Nawi et al., 2022). E-payment systems can be enabled by reliable and affordable mobile connectivity, while the proliferation of mobile payment systems and the development of the global digital economy can be enabled by a viable regulatory framework (Gupta & Arora, 2020).

Various theories and models have been used to determine adoption and usage, particularly in the study of social commerce. Numerous studies, using a variety of conceptual frameworks and hypotheses, have been conducted to date to examine the factors that influence a person's intention to use of e-wallets. The Theory of Reasoned Action (TRA; Fishbein and Ajzen, 1975), the Theory of Planned Behavior (TPB; Ajzen, 1991), the Social Cognitive Theory (SCT; Bandura, 1986), the Innovation Diffusion Theory (IDT; Rogers, 1995), and the Technology Acceptance Model (TAM; Davis, 1989) are some of the theories that fall under this category. In 2003, the UTAUT model was developed by Venkatesh, Morish, Davis, and Davis. This model is a combination of eight different models, including the technology acceptance model (TAM), the motivational model, the theory of planned behavior, the personal computer use model, and the social cognitive theory (Osman & Yi, 2021). In 2012, Ventakesh develops and improves the UTAUT model into the UTAUT2 model, which is ideal for analyzing the adoption of consumer-related technologies. Therefore, this paper aims to review previous research on e-wallet adoption based on the UTAUT2 model. This study contributes to the literature on e-wallet adoption by taking a broader look at the determinants of e-wallet adoption by users, including an Islamic perspective and future research directions.

The remainder of this article is organized as follows. The next section provides a brief overview of e-wallet, the Islamic perspective of intention (*niyyah*) and theories of technology acceptance and behavioral intention. The methodology used in this study is presented in Section 3. Sections 4 and 5 present the results and discussion, as well as suggestions for future research. Finally, Section 6 concludes the paper.

2. Literature Review

2.1 E-wallet

Financial transactions via mobile devices have led to an electronic wallet (e-wallet). E-wallets are digital versions of traditional wallets (Singh & Sinha, 2020). E-wallets are mobile financial apps. With this app, users can prepay online and offline purchases (Chawla & Joshi, 2019). Electronic wallet users can make purchases quickly and efficiently (Karim et al., 2020). According to Bank Negara Malaysia (BNM), there are two types of e-wallets: [1] server-based e-wallet (The fund must be loaded first (prepaid) to make payment because it does not connected to bank account), and [2] card-based e-wallet (Collaboration between e-wallet provider and credit card network).

Using an electronic wallet not only saves time and makes shopping more convenient, but also makes customers feel more comfortable and protects their financial information (Seetharaman et al., 2017). Despite the use of cell phone, few people use electronic wallets. Cash, credit cards, Internet banking, and checks are common business payment methods. Customers are incentivized to switch e-wallet providers through cashback, coupons, discounts (Chawla & Joshi, 2019), instalment payment plans as in Buy Now, Pay Later (BNPL), and short-term loans from companies offering related services via e-wallets.

2.2 Islamic Perspective on Intention (Niyyah)

Actions are judged according to intentions, based on Imam Nawawi's Forty Hadith; Hadith No.1: “Umar b. al-Khattab narrated that the Prophet said: Deeds are [a result] only of the intentions [of the actor], and an individual is [rewarded] only according to what he intends”. Intention, or *Niyyah* in Arabic, is described as the desire in one's heart to perform any deed following Allah's directives and, therefore, to seek His pleasure. *Niyyah* is a vital concept in Islam. Because, according to Islam, no deed is acceptable before Allah unless it is performed with pure intent. Numerous verses in the Qur'an and Sunnah demonstrate that our intention determines all our activities and behaviours.

Niyyah is gifted with the stature of a revered pillar of the community of faith. This is since any act conducted without malice or with an ungodly motive would not be approved by the Almighty God (*batil*). "Any believer

who strives in the cause of Allah, he will be directed by ALLAH on the correct path," according to the Holy Quran (Quran 4:175). Allah SWT accepts deeds only if they are done with the best intentions, which is a condition for acceptance.

2.3 Theories on Technology Acceptance and Behavioral Intention

Today's businesses rely heavily on computer and information technology, and this has increased significantly. According to some estimates, new business investments in information technology has accounted for about half of all new business investment since the 1980s (Westland & Clark, 2001). People, on the other hand, must accept and use technology for it to increase productivity. Explaining user acceptance of new technologies is one of the most mature research disciplines in the current information systems (IS) literature. It has been around for quite some time (Hu et al., 1999). Many theoretical models have been developed on this topic, originating in computer science, psychology, and sociology. They typically explain more than 40% of the differences in individual desire to use technology, and they are still being refined (Davis, 1989; Taylor & Todd, 1995; Venkatesh et al., 2003).

In 2003, the first generation of the Unified Theory of Acceptance and Use of Technology (UTAUT) was proposed. This theory, which aims to provide an integrated perspective on user acceptance in the context of information technology was one of the first theories of its kind. The UTAUT model consists of four fundamental constructs that affect both behavioral intentions and the technology use. These constructs are labeled performance expectancy (PE), effort expectancy (EE), social influence (SI), and facilitating conditions (FC). The constructs are influenced by moderators such as age, gender, and experience. However, the use are voluntary.

The Unified Theory of Acceptance and Use of Technology (UTAUT) model offers researchers the opportunity to obtain a more complete prediction of user's behavioral intentions compared to the other models developed earlier. Smartphones (Baishya & Samalia, 2020), online learning (Cheng et al., 2019), social learning systems (Khechine et al., 2020), mobile payment systems (Gupta & Arora, 2020), mobile commerce (Pandey & Chawla, 2019), and mobile wallets have all been evaluated using the UTAUT (Chawla & Joshi, 2019).

To accurately explore consumer adoption and use of technology in the context of mobile applications, Venkatesh et al. (2012) proposed an extension of UTAUT, referred to as UTAUT2. This extension was based on the previous model. Hedonic motivation (HM), price value (PV), and habit (HT) are included by UTAUT2 as additional variables that can directly or indirectly affect behavioral intention and usage behavior. Since its inception, the UTAUT model and its extensions have been widely used to explain the adoption of information technologies. These technologies include location-based services, mobile technologies, mobile banking, Internet banking, and health information technologies (Alwahaishi & Snášel, 2013).

Most studies conducted in recent years have confirmed the validity of UTAUT2 in the context of web-based technologies, including in the context of mobile technologies, especially e-wallet. Therefore, using UTAUT2 as a reference model, this study intends to comprehensively review the literature on the factors that influence consumers' behavioral intentions to use e-wallets.

The remainder of the text is organized as follows: The third section describes the methodology and research strategy used in this study. The results of the literature review are presented in Section 4. The fifth section discusses future research approaches. The study concludes in Section 6.

3. Methodology

The literature review tool is the best known most widely used tool in the field of economic research. The literature review highlights relevant issues that need to be addressed in further research and provides useful insights for researchers to identify potential research trends and important research findings for academic researchers interested in conducting further work (Sahi et al., 2021). The adoption of e-wallets (mobile payments) was the subject of an initial Google Scholar literature search. The search included journal articles and proceedings using UTAUT2 as an adoption model to understand consumers' behavioral intentions when using electronic wallets. The search took place between June 6 and June 10, 2022. The search string (keywords) is limited to articles containing the following keywords: [(e-money OR electronic wallet OR e-wallet OR digital wallet OR mobile wallet OR mobile payment) AND (UTAUT2)].

The keyword search in Google Scholar resulted in 88 articles. All of these articles were downloaded directly from the links provided or from Scopus, Emerald Publishing, and Science Direct, when accessible. Articles were then imported into Mendeley to verify abstracts and full texts. The selected articles span the years 2016 to 2022, as this is the period when the cashless payment phenomenon first appeared, particularly in developing countries. After reviewing the articles for duplicates, only 61 articles remain. The 61 articles are then reviewed to determine if they are relevant to the objectives of the study. The title, abstract, and overall content of the article are reviewed. Publications considered for review should have been published in journals and conference proceedings, written in English, Indonesian, or Malay, and focused exclusively on the adoption of e-wallets using the UTAUT2 framework.

4. Results and Discussions

This section presents the findings of a systematic review of 61 UTAUT2-based empirical studies on e-wallets (mobile payment) adoption.

4.1 Publication Source from Journals

Table 1 provides an overview of the selected journal articles. The highest distribution of the 49 retrieved journal articles was as follows: Association for Computing Machinery, e-Jurnal Akuntasi, International Journal of Academics Research in Business and Social Sciences, Journal of Financial Services Marketing, Jurnal Ilmiah Ekonomi Bisnis, and Technology & Society published two articles each.

Table 1. Number of publications by journal.

Journal	Number of Publications
An-Nisbah Jurnal Perbankan Syariah	1
Association for Computing Machinery	2
Barometer Riset Akuntasi dan Manajemen	1
Digital Business	1
e-Jurnal Akuntasi	2
IIM Kozhikoe Society & Management Review	1
Indonesian Journal of Electrical Engineering and Computer Science	1
Indonesian Journal on Software Engineering	1
Information System Frontiers	1
International Journal of Academic Research in Business and Social Sciences	2
International Journal of Application or Innovation in Engineering and Management	1
International Journal of Economics, Business and Management Research	1
International Journal of Emerging Market	1
International Journal of Entrepreneurship	1
International Journal of Innovation, Creativity and Change	1
International Journal of Scientific Research and Engineering Development	1
Islamic Economics and Finance Journal	1
Journal of Accounting and Strategic Finance	1
Journal of Accounting for Sustainable Society	1
Journal of Contemporary Accounting	1
Journal of Digital Convergence	1
Journal of Electronic Commerce in Organizations	1
Journal of Financial Services Marketing	2
Journal of Public Affairs	1
Journal of Retailing and Consumer Services	1
Journal of Science and Technology Policy Management	1
Jrnal Akuntasi dan Bisnis	1
Jurnal Ilmiah Ekonomi Bisnis	2
Jurnal Ilmiah Mahasiswa Fakultas Ekonomi dan Bisnis Universitas Brawijaya	1
Jurnal Manajemen dan Kewirausahaan	1
Jurnal Manajemen dan Pemasaran Jasa	1
Jurnal Muara Ilmu Ekonomi dan Bisnis	1
Jurnal Nasional Teknik Elektro dan Teknologi Informasi	1
Jurnal Sains Komputer dan Informatika	1
Majalah Ilmiah UNIKOM	1
Menara Ekonomi	1
Muhammadiyah International Journal of Economics and Business	1
Operations Management and Information System Studies	1
Panyapiwat Journal	1
Peradeniya Management Review	1
SAGE Open	1
South Asian Journal of Business Studies	1
Technology in Society	2

4.2 Publication Source from Conferences and Proceedings

Table 2 shows the distribution of articles on e-wallet and mobile payments in the conferences and proceedings. Four conference papers were published in the e-Proceedings of Management between 2019 and 2021. The remaining conference papers on e-wallets (mobile payments) were published once at each conference.

Table 2. Number of publications by conferences and proceedings.

Journal	Number of Publications
2018 International Conference on Information Management and Technology	1
2019 International Conference on Information and Communications Technology	1
2nd International Conference on Science and Technology-Computer (2016)	1
7th International Conference on Cyber and IT Service Management (2019)	1
e-Proceeding of Management 2019-2021	4
International Conference on Business Research 2021	1
Proceeding The 12th Industrial Research Workshop and National Seminar 2021	1
Seminar Nasional VII Manajemen dan Rekayasa Kualitas 2018	1
The 5th International Conference on Management in Emerging Markets 2020	1

4.3 Country Domain

In terms of geographic concentration, Indonesia accounts about 68% of the research, followed by Malaysia (8.5%%), India (6.8%), and Thailand (3.4%). Other countries contribute to 1.7% publications each including a multi-country study (China and Italy) by Migliore et al. (2022). Full results can be found in Table 3.

Table 3. Number of publications based on country domain.

Country Domain	Frequency	Percentage
China	1	1.6%
Multi-country	1	1.6%
Ethiopia	1	1.6%
Ghana	1	1.6%
India	4	6.5%
Indonesia	42	68.9%
Iraq	1	1.6%
Jordan	1	1.6%
Malaysia	5	8.2%
Myanmar	1	1.6%
Sri Lanka	1	1.6%
Thailand	2	3.3%

4.4 Methodological Aspects

The results of the content analysis of the methodological aspects provide information on the approach used to select and collect the sample data, as well as the numerous statistical procedures used for analysis. The sampling strategy is presented in Table 4. To identify and collect the data, all researchers used an exploratory survey based on an online survey using judgmental sampling (convenience sampling (72.3%), accidental sampling (10.8%), and convenience sampling (6.2%) with a sample size of 100 to 400 using a Likert scale (ranging from 4 to 7-points) to access the influencing factors of consumer behavior related to the intention to adopt an e-wallet. According to Hair et al. (2010), the minimum sample size needed for PLS-SEM is ten times the maximum number of structural routes that can be used to study a latent variable. In addition, Bartlett et al. (2001) recommended a sample size of ten instances per predictor.

Most of the items studied had end users as their primary target audience. Only a handful of researchers make retailers their subjects (Antareza et al., 2021; Ariffin et al., 2020; Singh & Sinha, 2020). In terms of age demographics, several researchers focused on specific age groups such as Millennials (Alfansi & Daulay, 2021), Gen-X and Baby Boomers (Santosa et al., 2021), the 18–24 and over 40 age group (Khaira et al., 2021), and the 15-20 age group (Kurniasih, 2020). The study by Leong et al. (2020) is another one that focuses on the B40 and M40 income classes.

Table 4. Sampling method.

Sampling Techniques	Frequency
Judgmental Sampling	47
Accidental Sampling	7
Convenience Sampling	4
Simple Random Sampling	2
Cluster Sampling	2
Snowball Sampling	2
Double Stage Sampling	1

Table 5 shows the statistical methods used to analyze the data. Since multivariate data were identified and collected in the majority of the studies, structural equation modeling (SEM) is mainly used for data analysis. This demonstrates the complexity associated with identifying and analyzing consumer behavior to determine if a pattern is emerges from the data that identifies the constructs and variables that have the greatest and least influence on how e-wallets are adopted using the UTAUT2 model.

Table 5. Statistical method.

Analysis Techniques	Frequency
PLS-SEM	34
SEM	18
Multiple linear regression	10
Descriptive Analysis	2
CB-SEM	1

Due to its advantages over CB-SEM for exploratory research and theory building, PLS-SEM has been preferred (Cocosila & Trabelsi, 2016). Dedeke (2016) also noted that PLS-SEM helps to uncover predictive causal relationship between different variables in the research model rather than underpinning an existing theory.

4.5 UTAUT2 adoption in studies

The UTAUT2 model has seven factors (Performance Expectancy, Effort Expectancy, Social Influence, Facilitating Conditions, Hedonic Motivation, Price Value, and Habit) (Venkatesh et al., 2003, 2012). The definition of each variable and the structure of UTAUT2 are shown in Figure 1 and Table 6. Both were used as the basis for the study of behavioral intention to use e-wallet.

Table 6. UTAUT2 variables definition.

UTAUT2 Independent Variables	Definition
Performance Expectancy (PE)	the extent to which a person thinks that employing this technology will improve their ability to perform at work.
Effort Expectancy (EE)	represents how user-friendly the system is.
Social Influence (SI)	represents how strong a person feels they should use a particular technology.
Facilitating Conditions (FC)	represents how the customer feels about the organisational and technical framework and resources available to support system users.
Hedonic Motivation (HM)	the enjoyment or pleasure gotten from utilising technology.
Price Value (PV)	the compromise between the price of using technology and its supposed advantages.
Habit (HB)	the autonomous development of behaviour as a result of technology system learning.

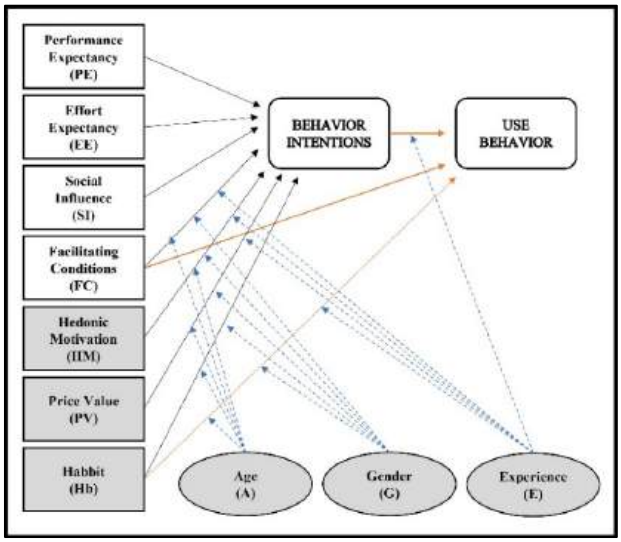


Figure 1. UTAUT2 structure.

4.6 Modification on UTAUT2 constructs

The exact variable construct and linkage structure put forth by Venkatesh et al. (2012) were used in only a small number of studies. Only hedonic motivation (HM), habit (HB), and social influence (SI) have a significant influence on the intention to use e-wallet, according to a study by Raihan & Indira Rachmawati (2019) among DANA electronic wallet users between the ages of 15 and 60. Saragih & Rikumahu (2022) study among numerous Indonesian e-wallet users revealed the same conclusion. Age, gender, and experience had a non-significant moderating effect relationship model in both studies. Other researchers (Adriansyah et al., n.d.; Andrianto, 2020; Cahyani & Dewi, 2022; Hasyim & Kunci, n.d.; Lwin & Thanabordeekij, 2019; Megadewandanu et al., 2017;

Rahardjo et al., 2020; Wilfan & Martini, 2021) remove moderators from their studies depending on the goals and requirements of the research.

Numerous studies have eliminated some variables (Al-Okaily et al., 2020; Anggraini & Rachmawati, 2019; Dwi Alfiana & Rikumahu, 2020; Hidayat, n.d.; Rahman et al., 2020) and introduced new independent variables (Chauhan et al., 2022; Chaveesuk et al., 2019; Hidayat, n.d.) and included additional dependent variables (Al-Okaily et al., 2020; Dwi Alfiana & Rikumahu, 2020; Nuriska et al., 2018; Watmah et al., 2020). These were conducted to modify the study model depending on the population, subject, and objectives, as well as to strengthen and expand the construct. Only about 25% of the studies that used the UTAUT model did not include other constructs that were not included in the original UTAUT model, according to Dwivedi et al. (2020), based on their literature review. Venkatesh et al. (2012) also assert that not all UTAUT2 variables need to be used. The original construct of the variables can be changed, expanded, or removed by the researcher.

In the UTAUT2 framework, there was a tendency to include relevant characteristics from various behavioral, personality, and psychology theories related to technology adoption or adaptation. Technology safety, trust, innovation resistance, and psychological empowerment are some of the variable constructs that Al-Sabaawi et al. (2021) included in their study on adoption of Internet-based services. In addition, (Yunnia Anwar & Rikumahu, 2020) study included compatibility and innovativeness characteristics that emerged from the Innovation Diffusion Theory (2020). Balakrishnan & Shuib (2021) replaced key variables from UTAUT2 with constructs from the Technology Readiness Index 2.0 constructs to examine the relationship between Malaysians' readiness for a cashless society and adoption of cashless applications. Other embedded theories include the Thrust-theoretic Model (George & Sunny, 2021), and Innovation Resistance Theory (Migliore et al., 2022). Other additional factors derived from various studies and associated with reputable studies. In this study, there was only one attempt to include an Islamic perspective. Mansyur & Ali (2022) were able to integrate Islamic financial literacy as a moderating factor in their study on Shariah fintech. However, the results are unfavorable. The other factors used in the literature are described in Table 7.

Table 7. Additional Variables Incorporated in UTAUT2.

Variable Type	Additional Variables Incorporated
Dependent Variables	Perceived Readiness, Drivers of Online Shopping, Payment Habit, Continuance Intention, Adoption of Cashless Payment, Intensity of Use of E-wallet.
Independent Variables	Compatibility, Innovativeness, Awareness, Security, Privacy, Trust, Innovation Resistance, Psychological Empowerment, Risk, Innovation Diffusion Theory (Compatibility, Innovativeness, Technology Security), Trust of Internet, Trust of Intermediary, Perceived Readiness, Technology Readiness Index (Innovativeness, Lack of Awareness), Lower Transaction Cost, Government Support, Security Information, Service Quality Trust, Application Design, Trust-theoretic Model (Perceived Reputation, Perceived Security, Perceived Regulatory Support, Service Quality), Digital Payment Mode, Social Risk, Performance Risk, Reputations, Service Features, Promotions, Satisfaction, Inertia, Perceived Customer Value Addition, Perceived Cost, General Privacy, Perceived Savings.
Moderating Variables	Culture-Uncertainty Avoidance, Herd Behavior, Intrinsic Motivation, Perceived Risk, Individualism-Collectivism, Uncertainty Avoidance, Short-Long Term Orientation, Education Level, Income, Technology Readiness Index (Optimism, Innovativeness, Discomfort, Insecurity), Islamic Financial Literacy, National Culture (Individualism, Uncertainty Avoidance, Power Distance, Long-term Orientation), Stress to Use, Perceived Satisfaction.

5. Suggestions for Future Research

Future research directions are discussed in this section. In the previous sections, we compiled all the findings on publications, country domains, research methods, and theoretical views used in prior studies on intention to use electronic wallets using UTAUT2 model. The UTAUT2 variables were able to predict more than 70% of the causal relationships, although the results are inconclusive. Moreover, adding more variables to the model will improve the explanation of the framework.

There are several studies that focus intensively on the consumer perspective. On the other hand, studying the perception and adoption of e-wallet services by other population, especially merchants, is often neglected. There is a research gap in assessing merchants' perceptions of e-wallet technology adoption, which is critical for financial inclusion and social change.

Both the Generation-X (born between 1965 and 1980) and Baby Boomers (born between 1946 and 1964) are late adopters of new technology. According to Lissitsa and Kol (cited in Santosa et al., 2021), members of the X-generation are more likely to do research before making a purchase. They spend their money on high-value goods and premium services. Compared to Millennials and the Generation-Z, who prefer to use smartphones, they are tech-savvy, but only in terms of older technologies such as desktop or notebook computers. Roberts and Manolis (cited in Santosa et al., 2021) assert that Baby Boomers prefer shop in-person. They value prestigious stores as a prerequisite for branding, a strategic location, or a sales territory. One of their most important values is interactive service, and they always look for products that offer value for money. These personal attributes will affect whether

new technologies such as e-wallets are adopted. Therefore, future research should focus on a specific age group to investigate possible resistance factors.

The level of awareness a person possesses can either increase or decrease the likelihood of having a happy attitude (Bashir & Ahmad, 2014). Awareness is at the beginning of the process when a person adopts a product. This is followed by knowledge, then persuasion, then decision, and finally endorsement (Rasheed et al., 2018). When examining the level of awareness of Islamic finance among e-wallet users, in addition to the criterion of awareness itself, much can be inferred about the willingness to use e-wallet apps and the services they contain. When using e-wallets, there is a wide range of transactions due to the different features and services offered by e-wallet issuers. Future research on the Islamic view of e-wallets could therefore anticipate a number of Shariah issues related to transactional contracts.

6. Conclusions

With particular attention to UTAUT2 as a baseline model, this literature review provides a critical assessment of studies on the adoption of electronic wallets (mobile payments) between the years 2016 and 2022. Google Scholar, Scopus, Emerald Publishing, and Science Direct databases were used for the literature search. Further analysis of the literature on the adoption of electronic wallets revealed that most empirical publications included additional constructs besides the already used UTAUT2 model. In order to investigate customers' behavioral intentions regarding the use of e-wallet in different countries and with different demographics characteristics, UTAUT2 proved to be an appropriate but extensible model. The construct analysis was also modified and adopted from numerous related theories and studies.

The main focus of the current study is to provide an overview of the constructs of the UTAUT2 variable, and the methodology used in the e-wallet experiments conducted to date. Due to its widespread use, new services and solutions may be developed in the near future as the mobile payments sector continues to grow. Therefore, in the future, researchers may consider including additional factors based on a specific age group in an empirical study of e-wallet use.

Future studies could also refine and validate the model and add Shariah value concepts such as the contract perspective. Researchers can expect that the results of this study will provide them with useful information about the improved UTAUT2 framework in the field of e-wallet systems.

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Increasing SMEs Performance through Financial Literacy, Financial Inclusion and Access to Finance

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Abstract

SMEs sustainability can be achieved if it has good performance. The performance is influenced by several factors. The purpose of this literature is to describe and analyze financial literacy, financial inclusion, and access to finance in encouraging SMEs performance. SMEs that apply financial literacy to their entrepreneurial activities at a higher level have the opportunity to be more successful in running their business because they can make the right financial decisions. Furthermore, the ease of services related to finance also needs to be a concern for business actors. The ease of financial services will be good if SMEs implement financial inclusion properly as well. Financial inclusion refers to access to various financial services, at a reasonable cost, for people who are considered unbanked as well as those who run businesses in rural areas. Financial inclusion services include savings, credit (short term & long term), leasing, insurance, and pension funds. Another important thing related to the performance of SMEs is access to finance. Access to finance is one of the obstacles to the growth and development of SMEs. Access to finance can be analyzed from various aspects, namely the availability of financial services for companies and individuals such as financing which includes increasing the number of ATMs and adding access points through digital payment services.

Keywords: SMEs Performance; Financial Literacy; Financial Inclusion; Access to Finanace

1. Introduction

The COVID-19 pandemic has made many changes in various fields of life, including the economy. The impact of the spread of this virus has weakened the Indonesian economy, which is marked by a high percentage of poverty and unemployment. Badan Pusat Statistik (BPS) released the second data as can be seen in table 1.1. The high percentage of unemployment rate is caused by companies that reduce Human Resources (HR). As a result of these actions, there was an increase in the percentage of poverty and the unemployment rate.

Table 1. Poverty and Unemployment Rate Data

Year	Poverty		Unemployment Rate	
	Month	Percentage	Month	Percentage
2021	September March	9,71% 10,14%	August February	6,26% 6,49%
2020	September March	10,19% 9,78%	August February	7,07% 4,99%
2019	September March	9,22% 9,41%	August February	5,28% 5,01%
2018	September March	9,66% 9,82%	August February	5,34% 5,18%
2017	September March	10,12% 10,64%	August February	5,50% 5,33%

The weakening of the Indonesian economy due to COVID-19 requires recovery efforts. The economic growth of a country is supported by Micro, Small, and Medium Enterprises (SMEs), especially in developing countries. In Indonesia there are 19 million SMEs. SMEs have a more important role in encouraging economic development. According to the SME Law No. 20 of 2008, SMEs aim to grow and develop businesses in order to build a national economy based on people's economic justice. SMEs in Indonesia have an important contribution or role in the expansion and absorption of new workers, the formation of Gross Domestic Product (GDP), and a business safety net for low-income people in achieving efficient economic activities.

The importance of the role of SMEs is expected to be able to provide positive changes for Indonesia because of the large number of them. However, this is a concern because not a few SMEs are still experiencing instability and are difficult to develop due to experiencing several problems, one of which is financial. Lack of understanding of financial service concepts and products makes most SMEs unable to run their business properly. Therefore, it is not uncommon for SMEs to experience failure in their business. One of the factors that cause SMEs to experience delays in their development is related to financial problems. Therefore, strategic efforts are needed to improve SME performance (Suryandani & Muniroh, 2019) related to finance through access to finance, financial inclusion, and financial literacy.

Access to finance is an important determinant of the performance of small businesses because it provides them with working capital, encourages stronger innovation and corporate dynamism, enhances entrepreneurship, encourages more efficient asset allocation, and increases the company's ability to take advantage of growth opportunities (Beck & Demirguc-kunt, 2006).

The results of the study (Lakuma et al., 2019) show evidence that financial inclusion is very important for company growth. In addition, financial inclusion is a component that supports financial system stability and economic growth. The more people access financial services easily, the faster economic growth is expected, so it is expected to be able to increase economic capacity and reduce poverty and economic inequality (Raza et al., 2019).

Furthermore, financial literacy is needed by SMEs actors in running their businesses. SMEs with good financial literacy will be able to implement strategic plans to identify opportunities and threats, have adequate access to finance, and respond to changes in the fluctuating business environment so that the decisions taken will provide innovative and targeted solutions to improve SME performance. Business actors must have the ability to prepare financial reports and financing activities that require financial knowledge (Dahmen & Rodríguez, 2014). Financial literacy has proven to be very important in increasing transparency, efficiency, accuracy, and accountability in business. The success or failure of SMEs depends on their financial capabilities. Financial literacy is a key resource for organizations to improve the performance of SMEs, giving them a sustainable competitive advantage (Chepngetich, 2016).

This research was planned because of the finding of gaps in the research variables. The firstis the relationship between financial literacy and SMEs performance. The results of the study (Adomako & Danso, 2014) found a significant influence on financial literacy on SMEs performance. Meanwhile, different things were found in research (Eniola & Entebang, 2015) which said that financial literacy had no significant effect on SMEs performance. Second, is the relationship between financial inclusion and SMEs performance. The results of the study(Dewi, 2018)found that financial inclusion had a significant effect on SMEs performance. Not all research results are the same. The results of the study (Lakuma et al., 2019)found that financial inclusion had no significant effect on SMEs performance. Third, is the relationship between access to finance and SMEs performance. The results of the study (Mabula, 2018)found a negative influence between access to finance and SMEs performance. In contrast to the results of previous studies, (Bongomin, G., Ntayi, J., & Munene, 2016) found a positive relationship between access to finance and SMEs performance.

Based on the description above, the purpose of this research plan is to describe and analyze financial literacy, financial inclusion, and access to finance on SMEs performance.

2. Literature Review

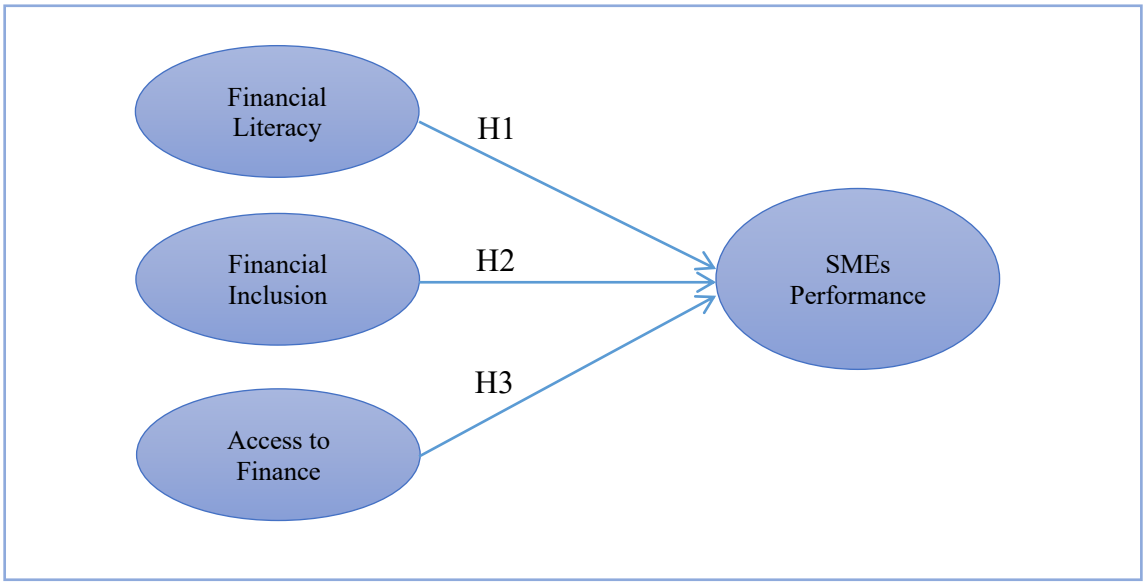


Figure. 1. Conceptual Model

2.1 SMEs Performance

Organizational performance is something that describes the extent to which a group has carried out all its main activities to achieve the vision and mission of the institution (Subagja et al., 2017). The performance of a company or SMEs is a result made by management or a company continuously and is the result of the decisions of many individuals to achieve company goals for both small and medium enterprises (Fitriati et al., 2020). From some of the opinions above, it can be concluded that the performance of SMEs is the result of evaluating the company's work achieved by a person or group with the division of activities in the form of tasks and roles within a certain period of time with company standards (Mutegi et al., 2015).

Business performance indicators according to (Aragón-sánchez & Sánchez-marín, 2005)include profitability, productivity, and market. According to (Yanti, 2019), the SME Growth Indicator includes three indicators, namely the absorption of labor, capital, and the profits or profits obtained by SMEs. (Ningsih & Tasman, 2020) combines the two previous studies by writing down indicators used to measure performance including adding sales growth, capital growth, adding labor every year, market and marketing growth, and company profit/profit growth.

2.2 Financial Literacy

Financial literacy can be defined as knowledge of basic economic and financial concepts and the ability to apply that knowledge and other financial skills to manage financial resources (Hung et al., 2009; Huston, 2010). (Lusardi, 2008b, 2008a) and (Lusardi et al., 2011)conceptualize financial literacy as knowledge of basic financial concepts and the ability to perform simple calculations. Financial literacy can be defined as individual awareness, insight, and understanding of financial concepts (Shih & Ke, 2014).Financial literacy is the ability of a person to read, analyze, manage and communicate financial conditions that affect their welfare (Lusardi, 2008b). The definition of financial literacy according to (Xu & Zia, 2012)includes financial products, concepts derived from the perception and understanding of financial institutions, and the concept of financial literacy. Meanwhile, based on the Regulation of Otoritas Jasa Keuangan Number 76/POJK.07/2016 concerning Improvement of Financial Literacy and Inclusion in the Financial Services Sector for Consumers and the Community, financial literacy is defined as knowledge, skills, and beliefs that are influenced by attitudes and behavior to improve the quality of decision-making and management. finance in well-being.

Financial literacy indicators in research (Bongomin, et al., 2016) include behavior, skills knowledge, and attitude. Meanwhile(Yushita, 2017) uses the financial literacy dimension including general knowledge of finance, savings and loans, insurance, and investment.

Several studies have shown that SMEs that apply financial knowledge to higher levels of entrepreneurial activity have the opportunity to be more successful in running their businesses. Previous research has shown that financial literacy has a high influence on access to finance in the context of SMEs in developing countries, and there is a significant impact of financial literacy on SME growth (Bongomin et al., 2017).

The relationship between financial literacy and SME performance is based on the Theory of Planned Behavior (TPB)(Ajzen, 1991) which states that there are goals and intentions before human behavior. In this case, behavioral factors in the theory of planned behavior are motivated by information in the form of financial knowledge. .. If a person has a lot of knowledge about financial matters, that knowledge can be used as a decision-making factor to maximize business performance.

Good financial literacy enables entrepreneurs to use their skills in finance so that business owners or managers can make complex and strategic financial decisions related to the success of achieving business goals and growth (Drexler et al., 2014). Previous research by (Dahmen & Rodríguez, 2014)found that there was a significant relationship between financial literacy and business performance. This relationship is logically applied to companies with good financial literacy that will be able to strategically identify and respond to changes in financial conditions so that the decisions taken will create appropriate and well-directed solutions to improve company performance.

2.3 Financial Inclusion

Demirgüç-Kunt & Klappe (2013) defined financial inclusion as the use of formal financial services among various groups that benefit the welfare of many individuals. (Sahay et al., 2015)said that financial inclusion is access, use, and delivery of financial services at affordable costs for vulnerable segments of society. (Sarma, 2012) provided a comprehensive definition of financial inclusion based on several dimensions including the accessibility, availability, and use of the formal financial system for all members of the economy. (Ozili, 2018) defined financial inclusion as a process to ensure all individuals have access to basic financial services through their participation in the formal financial sector. Financial inclusion can also be interpreted as a process that ensures access, use, availability, and quality of the formal financial system to all members of an economy (Raza et al., 2019). Meanwhile, based on the Regulation of Otoritas Jasa Keuangan No. 76/POJK.07/2017 concerning Improving Financial Literacy and Inclusion in the Financial Services Industry for Consumers and the Community, Inclusive Finance is defined as the availability of access to various financial institutions, products, and services according to their needs and abilities in order to improve the welfare of the community. Financial inclusion indicators according to (Bongomin, et al., 2016) include quality, usage, and welfare.

Makina (2019) in his research said that financial inclusion provides opportunities to accelerate inclusive growth. In addition, a higher level of financial inclusion can facilitate increased participation by various economic sectors in the formal financial system because along with the increasing share of the formal financial sector, this strengthens the use of interest rates as the main policy tool for macroeconomic stability that has a positive impact on economic growth and development. company performance (Cecchetti & Kharroubi, 2012).

Based on the Theory of Planned Behavior (TPB), reduced barriers from the bank and non-bank financial institutions provide opportunities for business actors to easily access financial resources; TPB shows attitude, the influence of social environment, and strong or weak factors driving a person's behavior to access financial institutions. Financial inclusion is a process to ensure that all individuals have access to basic financial services through their participation in the formal financial sector (Ozili, 2018). By making financial access available and affordable for economic agents, a business will work well so that business performance will increase (Ibor & Offiong, 2017). In his research, he concluded that there is a significant relationship between financial inclusion and the performance of micro, small and medium enterprises. The financial inclusion policy has a significant and positive impact on the performance of SMEs.

2.4 Access to Finance

Access to finance is defined as the ability of individuals, households, companies, and businesses to access and use various financial services if they so desire (Rojas-suarez, 2010). (Soetino & Setiawan, 2018) said that there are three syndicators used to measure financial access, namely access or availability, use, and quality. Access or availability is the ability to benefit from formal financial services in terms of physical affordability and actual cost. Usage in this case is a measure of the actual use of financial services and products. Quality is the level of fulfillment of demand and can affect people's needs. In this case, the quality can be in the form of financial literacy index, the number of financial service complaints, and the introduction of complaint service solutions.

Access to finance is an important determinant of the performance of small businesses as it provides them with working capital, encourages stronger innovation and enterprise dynamism, enhances entrepreneurship, encourages more efficient asset allocation, and enhances firms' ability to take advantage of growth opportunities (Beck & Demirguc-kunt, 2006). Access to finance is one of the main drivers of the formation, development, and growth of the SMEs sector (Mung, 2017). These factors include the structure of the financial sector, knowledge of funding opportunities, collateral requirements, and small business support services. Based on research (Osano & Languitone, 2016), it was found that there is a relationship between financial access and the growth of SMEs, there is a relationship between funding awareness and financial access by SMEs, there is a relationship between

collateral requirements and financial access by SMEs, and there is a relationship between small business support and access to finance by SMEs. So that access to finance can affect the growth of SMEs to run well, the government needs to intervene with the right regulations, such as financing plans and the right schemes for SMEs to grow. In addition, relevant information relating to funding opportunities for SME growth is also needed (Osano & Languitone, 2016).

3. Research Methods

The population in this research plan is all SMEs in Semarang City and Semarang Regency which are engaged in the fashion sector. Sampling using non-probability sampling with purposive sampling technique. The source of data for this research plan is primary data obtained from questionnaires given to SMEs actors. This research plan is quantitative and uses PLS (Partial Least Square) analysis tool. The data obtained in this research plan are in the form of answers to questions in the questionnaire regarding several variables in this research plan, namely financial literacy, financial inclusion, and access to finance. So, from our study we know that financial literacy, financial inclusion, and access to finance are very important in encouraging the performance of SMEs.

4. Knowledge Contribution

The contribution of this research plan is expected to be able to develop competence in the field of financial management and can be used as a reference and guide in making entrepreneurial decisions and improving business performance.

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The Influence of Capital Structure, Information Technology, and Business Characteristics on SMEs' Performance During the COVID-19 Outbreak

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Abstract

The COVID-19 outbreak has affected the economy, social, and politics of almost all countries worldwide, including Indonesia. SMEs also felt the economic impact; during the pandemic, there was a decline in production and sales, resulting in a 61% decrease in income. SMEs, on average, had capital problems. This study aims to empirically test the factors that can be used to improve the performance of SMEs. The predictors used to enhance the performance of SMEs are capital structure, information technology, length of business, location, and work experience. The population of this study was SMEs registered at the Semarang City Cooperative Service with the convenience sampling method. We surveyed 100 SMEs to find the determinants of the company's success during the pandemic. The data analysis of this research used Structural Equation Modeling Partial Least Square (SEM-PLS). The results showed that the main factor used to improve the performance of SMEs is the capital structure. A capital structure dominated by capital will survive more than a capital structure overwhelmed by debt. The use of information technology strongly supports the performance of SMEs because business activities shift to online shops. Business location, work experience, and length of business are not determinants of improving the performance of SMEs because the technological transition strongly influences business activities in the pandemic era. This research has implications for the Semarang City Cooperative Office to design policies that support the use of information technology to help SMEs survive during the pandemic.

Keywords: SMEs Performance; Capital Structure; Information Technology and SMEs Characteristics

1. Introduction

Micro, small and medium enterprises (SMEs) play an essential role in the economy in Indonesia. SMEs significantly contribute to producing goods and services in various business and life sectors (Aji and Listyaningrum, 2021). In addition, SMEs contribute to absorbing labour to reduce unemployment and poverty rates, not only during normal conditions but during crises, for example, in 1998 and 2018, when Indonesia experienced a significant crisis. The current COVID-19 also directly impacts SME business activities due to restrictions on social and economic activities with various government policies through restrictions and lockdowns. This policy is carried out so that the virus does not spread more widely (Permenkes, 2020).

The Organization for Economic Co-operation and Development (OECD) report states that the pandemic has implications for the threat of a significant economic crisis marked by the cessation of production activities in many countries, falling levels of public consumption, loss of consumer confidence, falling stock markets which ultimately leads to uncertainty. If this continues, the OECD predicts a decline in output levels of between 20

percent and 40 percent in many countries, with consumer spending potentially falling by around 30 percent. This prediction indeed threatens Indonesia's national economy as well. Pakpahan said there were three implications for Indonesia regarding the COVID-19 pandemic: the tourism, trade and investment sectors. Indonesia, which is dominated by the existence of Micro, Small and Medium Enterprises (SMEs) as the backbone of the national economy, is also seriously affected not only in terms of total production and trade value but also by the number of workers who have lost their jobs due to the pandemic. Data from the Ministry of Cooperatives and Small and Medium Enterprises (KemenkopUKM) shows that in 2018 there were 64,194,057 SMEs in Indonesia (or around 99 percent of the total business units) and employed 116,978,631 workers (or roughly 97 percent of the entire workforce). Work in the economic sector).

However, during the pandemic, many SMEs experienced problems, especially in funding and distributing the products they produced. So that the pandemic directly impacts SMEs, which can be seen from the decline in income, so many SMEs go bankrupt and close their businesses. Based on a survey conducted by BAPPENAS in 2021, it was found that, in aggregate, SMEs in Indonesia during the pandemic experienced financial difficulties due to limited funding and bad credit due to the inability to pay debts.

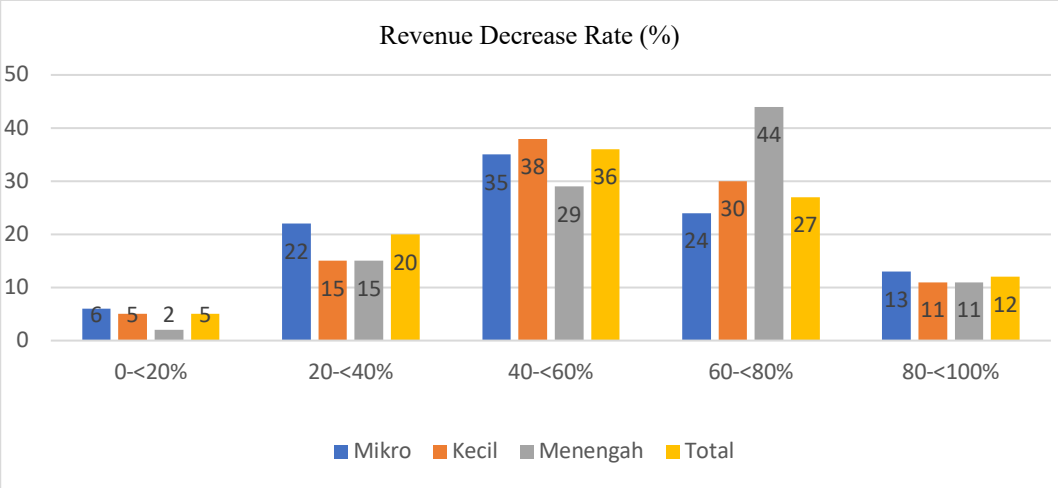


Figure 1. Rate of Decrease in Income
Source: (Bappenas, 2020)

Based on graph 1, a reasonably high decline in income is one of the leading causes of SMEs facing financial difficulties. It was recorded that 64.18 million SMEs in Indonesia experienced a 40-80% decrease in income. So it can be concluded that SMEs are facing enormous turbulence due to the pandemic, therefore, SMEs need to consider other strategies so that SMEs can still survive in various conditions. Based on this phenomenon in predicting the factors that affect the performance of SMEs during the pandemic, the researchers used predictors of capital structure, information technology, length of business, location, and work experience.

The capital structure is a balance structure or comparison between foreign capital or own capital (Prabowo and Sutanto, 2019). Foreign capital is short-term and long-term debt owed by the company. Own capital is divided into retained earnings and can also be included in company ownership. The capital structure is fundamental because it will determine where the company's funds will flow (Prabowo and Sutanto, 2019). A capital structure dominated by own capital with a large percentage compared to debt will keep the company from the possibility of bankruptcy. This is supported by research by Aji and Listyaningrum (2021), Prihatminingtyas (2019), and Alifiana et al (2016), explaining that capital structure has a positive effect on the performance of SMEs. Meanwhile, the studies of Iriani and Muniarty (2020), Gonibala et al (2019), and Ririn et al (2014) explain that capital structure does not affect the performance of SMEs. Capital structure has a negative effect on income, where the use of high debt has an increased risk of causing a high-interest expense Iriani and Muniarty, (2020).

Information Technology is the use of internet-based technology developments and applications provided by digital platform companies to market and sell service products with the expectation of a sustainable increase in business income Aji and Listyaningrum (2021). An accounting Information System (AIS) is part of information technology. AIS is an information system that handles everything related to accounting Mas'ut and Masrura (2018). The better the use of SIA, the company can provide, manage, and report finances easily, quickly, and accurately Mas'ut and Masrura, (2018). This is supported by research by Aji and Listyaningrum (2021), Marfuah and Hartiyah (2019), and Pratama (2018) explain that information technology appropriately used will improve the performance of SMEs. In comparison, research by Noviono and Pelitawati (2017), Putra and Jember (2019), and Mahayasa (2017) explains that information technology does not affect the performance of SMEs due to non-

technical factors. Information technology does not affect the performance of SMEs, where technological advances will facilitate the financial reporting process Noviono and Pelitawati (2017).

The following variable is the characteristics of SMEs. Three factors are considered to affect SMEs' performance: the length of business, location, and work experience. The first factor is the length of interaction. The longer a person pursues his company will increase his knowledge and affect his income level. The longer a business actor is in the business field, the more knowledge about consumer behaviour and market behaviour will increase Prihatminingtyas (2019). This is supported by research by Prihatminingtyas (2019), Alifiana et al (2016), and Marfuah and Hartiyah (2019), explaining that the length of business has a positive effect on income. While the research of Prihatminingtyas (2019), Polandos et al (2019), and Purnomo et al (2018) explain that length of business has a negative effect. The size of a company has a negative impact on income, where the length of business of less than one year needs to improve the skills of approaching consumers Prihatminingtyas (2019).

Business actors choose a location to get the expected income by considering ease of access, suitability of consumer segmentation, and facilities for developing a business (Aji and Listyaningrum, 2021). The more strategic the business location chosen, the higher the level of sales and affect the level of success of a business (Aji and Listyaningrum, 2021), this is supported by research by Aji and Listyaningrum (2021), Prihatminingtyas (2019), and Marfuah and Hartiyah (2019) explains that location has a positive effect on income. In comparison, the research of Pratama (2018), Prima (2019), and Meilinda and Mahmud (2020) explains that location has a negative effect. The site has a negative impact on income, where MSMEs that do not have a personal kiosk or are still setting up their business at home mainly only sell their business online so that MSMEs get orders, not from direct customers who come to their business location via online, so that wherever the site of the company does not have a positive effect on MSME income Meilinda and Mahmud (2020).

Work experience includes knowledge, skills, and abilities possessed by workers in developing responsibilities from previous jobs (Cita and Karmini, 2019). The longer a person works, the more experience with work increases. Someone with a lot of work experience will master a job better, so they can complete the job well. This indicates that the person has good work effectiveness (Cita and Karmini, 2019) this is supported by research by Shaleha and Pahlevi (2020), Pratama (2018), and Wardana and Yuliarmi (2018) explain that work experience has a positive effect on income. While the research of Cita and Karmini (2019), Sudarsani et al (2015), and Widyastuti (2018) explain that work experience has a negative effect on income, where knowledge and the provision of entrepreneurship training are essential for business actors, so that prospective MSME actors can apply innovations and creativity in the products they produce so that they can apply sales and Income Cita and Karmini (2019).

2. Literature Review

2.1 Signal Theory

This study uses signal theory to justify the relationship between variables. This theory requires the sender to give a signal or signal in the form of information that reflects the condition of a company that is beneficial to the recipient (Spence, 1973). According to Brigham and Ehrhardt (2011), a signal theory is management's perception of the company's growth in the future, which will affect the response of potential investors to the company. Signal theory suggests how a company gives signals to users of financial statements. This signal is in the form of information about what management has done to realize the company's goals for information about the fluctuations in the company's stock price. Data released by the company is essential because it affects investment decisions outside the company. When the information is announced, and all market participants have received the information, market participants first interpret and analyze the data as a good signal (good news) or a wrong signal (news chapter) (Putri, 2021).

The relationship between signal theory and research variables is that the better the signal issued by the company to the banking sector, the better the signal will be. The bank will believe in the company and will invest in the company so that the company can develop a more significant business and attract more consumers for transactions in the company. The company will get the expected profit. Capital is sourced from its capital, and this capital structure will show a positive signal because it will make it easier for business operations. Then the second is money sourced from credit creditors of capital originating from debt can cause a negative signal because if one day the income received is not following the target, it will make it difficult to pay debts (Prabowo and Sutanto, 2019).

The information technology used in this research is an Accounting Information System (AIS). The use of AIS in recording the financial statements of SMEs will show a positive signal because the use of AIS will make it easier to record financial statements (Mas'ut and Masrura, 2018). Furthermore, the length of business can be seen from how long the company has been standing. The size of the trade shows a positive signal. The longer a business is established, the more people will recognize the industry; in other words, the company already has a name in the community (Marfuah & Hartiyah, 2019). Location is related to the establishment of the business. The area shows a positive signal because having a company with a strategic location is a great business opportunity Marfuah and

Hartiyah, 2019). Work experience can be seen from how long someone has worked. Work experience shows a positive signal because someone with work experience will make it easier to do his job (Wardana and Yuliarmi, 2018).

2.2 Capital Structure

Capital structure is equity and debt funding in a company which is often calculated based on the relative size of various funding sources (Prabowo and Sutanto, 2019). The capital structure is divided into two: the capital structure of own capital and the capital structure of debt. This study uses a capital structure sourced from its capital. Signal theory confirms that if the capital structure comes from its capital, it will give a positive signal. This statement is supported by research by Aji and Listyaningrum (2021), Prihatminingtyas (2019), Alifiana (2021), Marfuah and Hartiyah (2019), and Wibiseno and Usman (2021), explaining that capital structure has a positive effect on SME performance. This proves that when the capital structure is sourced from its capital, it will avoid debt, and profits can be reprocessed as business capital. Based on the statement above, the proposed hypothesis:
H1: Capital structure has a positive effect on income.

2.3 Information Technology

The application of information technology, especially the Accounting Information System (AIS), helps collect and process transaction data and communicate processed financial information to parties in need (Mas'ut and Masrura (2018). Signal theory confirms that the higher the use of AIS it will give a positive signal, because the use of AIS in processing financial statements will make it easier to provide complete and relevant information to the company. This statement is supported by research by Aji and Listyaningrum (2021), Marfuah and Hartiyah (2019), Wardana and Yuliarmi (2018), Prima (2019), and Sasongko and Satrianto (2021), explaining that information technology has a positive effect on income. This proves that when using information technology, it will be easier to determine the profit or loss obtained. Based on the statement above, the proposed hypothesis:
H2: Information Technology has a positive effect on Revenue.

2.4 Length of Business Activity

The length of business is the length of time that has been carried out by business actors in running a business (Marfuah and Hartiyah, 2019). The longer a business actor carries out his line of business will affect his productivity (professional ability/expertise), so will increase business income. Signal theory confirms that if a company can stand long enough, it will give a positive signal. If a business has been established long enough, it will inform outsiders that the company can survive and is consistent with what was created. A business that can survive long enough proves the firm has sufficient income. This statement is supported by research by Alifiana (2021), Marfuah and Hartiyah (2019), Setiaji and Fatuniah (2018), Vijayanti and Murjana Yasa (2016), and Dinar et al (2021), explaining that the length of business has a positive effect on income. This proves that when a company has been around for a long time, it will affect the income level. Based on the statement above, the proposed hypothesis:
H3: Business Length has a positive effect on Income.

2.5 Business Location

The business location is where the business operates, all activities ranging from procurement of raw materials to selling products to consumers. The more strategic the business location and the easier it is to reach consumers, the business income will increase (Marfuah and Hartiyah, 2019). Signal theory confirms that a more strategic business location will give a positive signal. Because businesses that have strategic locations will have the opportunity to attract consumers, which will provide opportunities for business owners to earn income. This statement is supported by research by Aji and Listyaningrum (2021), Prihatminingtyas (2019), Marfuah and Hartiyah (2019), Setiaji and Fatuniah (2018), and Artaman et al (2016), explaining that location has a positive effect on income. This proves that when the business location is strategic, it will attract many customers and affect revenue. Based on the statement above, the proposed hypothesis:
H4: Location has a positive effect on Income.

2.6 Work experience

One's work experience strongly supports skills and speed in completing work, so the error rate will decrease (Wardana and Yuliarmi, 2018). Signal theory confirms that if you have high work experience, it will give a positive signal, because the more extended work experience or, the more work experience a person has, the more skilled

and faster he is in completing the tasks that are his responsibility so that the output produced is more and is expected. More and more income. This statement is supported by research by Cita and Karmini (2019), Shaleha and Pahlevi (2020), Wardana and Yuliarmi (2018), Gustiana and Irwanto (2017), and Giri and Dewi (2017), explaining that work experience has a positive effect on income. This proves that the more work experience you have, the more opportunities you have to earn income. Based on the statement above, the proposed hypothesis:
H5: Work experience has a positive effect on income.

3. Research Method

This study uses a quantitative approach with comparative causal research methods or causal relationships. The quantitative approach is a research method based on the philosophy of positivism, used to examine specific populations or samples, data collection using research instruments, and quantitative or statistical data analysis to test predetermined hypotheses (Sugiyono, 2013). The comparative causal method in this study is to examine the relationship between capital structure, information technology, length of business, location, and work experience on income. The population of this research is SMEs in Central Java, and the sampling technique is convenient. And the number of samples was determined using the Slovin formula with an r rate of 5%.

3.1 Variable Measurement

Table 1. Definition of Operational Variables.

Variable	Indicator	Source
SMEs Performance	➢ Income elements ➢ Sources of income ➢ Cost	Adipati (2018)
Capital Structure	➢ Business size ➢ Influence on income ➢ Smoothness in business	Rinjaya (2020)
Information Technology	➢ Cash register and inventory recording ➢ Business financial reports and target planning ➢ Sales budget and production costs	Patimah (2019)
Business Length	➢ The length of the merchant's business is expressed in years ➢ How to think in the future ➢ Doing innovation and creativity	Rohmah (2019)
Location	➢ Selection with various considerations ➢ Close to the crowd ➢ Easy access and affordable ➢ Convenient to visit	Dewi (2019)
Work experience	➢ Length of time or working period ➢ Known level of knowledge and skills ➢ Mastery in work and equipment	Viani (2019)

3.2 SEM-PLS Data Analysis

The data used in this study is primary data, namely data collected directly from the respondents of the research object. The data collection method used is a survey using a questionnaire. The questionnaire in this study used the indicators of previous research. The data analysis method of this research uses Structural Equation Modeling-Partial Last Square (SEM-PLS) using the WarpPLS 8.0 application. According to Meilinda and Mahmud (2020), PLS is appropriate to reduce data, namely by determining the minimum number of factors needed to calculate the maximum proportion of the total variance represented. The evaluation of the model is carried out in two stages evaluation of the measurement model (outer model) and assessment of the structural model (inner model). The measurement model was carried out to test the validity and reliability of the instrument in the research model.

An instrument is valid if it has a loading factor value above 0.70 and an AVE above 0.05 for reflective constructs and has a p-value below 0.05 and a VIF value below 3.3 for formative constructs (Ghozali, 2018). An instrument is reliable if it has Composite Reliability and Cronbach's Alpha values above 0.7 (Ghozali, 2018). Inner model testing is done to test the relationship between latent variables. The hypothesis is accepted if it has a path coefficient (β) > 0 and a p-value <0.05. Mediation hypothesis testing is done by looking at the total effect value and p-value for total effect. Job satisfaction can be said to mediate if it has a total effect value > 0 and a p-value for total effect < 0.05.

4. Results and Discussion

The sample of this research is MSMEs in Tembalang District, registered with the Cooperatives and MSMEs Service of Semarang City. The data collection technique is used in conventional sampling. This is a sampling method where anyone who coincidentally meets the researcher can be used as a sample. The following table of sample demographics in this study:

Table 2. Characteristics of Respondents.

Information	Total	%
Education		
Primary school	4	4%
Junior High School	6	6%
Senior High School	58	58%
Diploma	1	1%
Bachelor	31	31%
	100	100%
Business Life		
0-5 years	52	52%
6-10 years	18	18%
11-15 years	6	6%
16-20 years	5	5%
>20 years	19	19%
	100	100%
Monthly income		
5-10 million	30	30%
11-20 million	13	13%
21-30 million	16	16%
31-40 million	20	20%
>50 million	21	21%
	100	100%

Respondents of this study were SME owners in Central Java with a total of 100 SMEs. Based on a survey conducted by researchers describing the owners of SMEs as a sample in terms of education level, the average is dominated by high school graduates 58% and undergraduates 31%. SMEs that are the research sample have an average length of business under five years, so in the context of a pandemic, they do not yet have strong fundamentals. Judging from the income obtained by respondents, the average monthly Income of SMEs is below 20 million.

4.1 Measurement model analysis (Outer Model)

To test whether all the indicators used have good quality and can represent the variables used as predictors, it is necessary to test the validity and reliability. The validity test is used to determine the ability of the research instrument to measure what it is supposed to measure (Cooper and Donald, 2006). A reliability test is used to measure the consistency of respondents in answering the research instrument.

Table 3. Outer Loading Test Results

Variable	Validity					Reliability		
	P Value	VIF	AVE	Outer Loading Factor	Cross Loading	AVE Square	Composite Reliability	Cronbach Alpha
Capital Structure	0.001	1.908	0.674	0.821	0.226	0.821	0.805	0.517
Information Technology	0.001	1.884	0.606	0.843	0.140	0.779	0.86	0.782
Business Length	0.001	2.105	0.695	0.888	0.056	0.834	0.872	0.779
Location	0.001	1.851	0.695	0.879	0.105	0.834	0.919	0.89
Work experience	0.001	1.987	0.594	0.811	0.089	0.771	0.897	0.863
Capital Structure	0.001	1.715	0.641	0.841	0.199	0.801	0.915	0.887

Table 3 describes the validity and reliability of all research constructs. All research constructs have met the discriminant validity test, as evidenced by the p-value of all constructs < 0.001 (<0.005) and if the VIF is below 3.3. In contrast, for convergent validity testing, all constructs have an AVE > 0.5, the value of the outer loading factor above 0.7 and higher than the cross-loading value, so it has met the convergent validity test. The reliability of the research instrument assessed from composite reliability and Cronbach's alpha showed that the overall value of the test results was above 7, so all research constructs were reliable.

4.2 Structural Model Analysis (Inner Model)

Through the bootstrapping process, T-statistic test parameters were obtained to predict the existence of a causal relationship. A structural model (inner model) predicts the causality relationship between latent variables. The structural model (inner model) is evaluated by looking at the percentage of variance explained by the R^2 value.

Table 4. Hypothesis Testing Results

Variable	Direct Effect		
	Path Coef	P Value	R^2
Capital Structure	0.089	0.182	0.429
Information Technology	0.203	0.017	
Business Length	-0.249	0.004	
Location	0.342	<0.001	
Work experience	0.029	0.385	

4.3 Discussion

4.3.1 Capital Structure and Income

The test results show that the capital structure has no effect on income, so hypothesis H1 is rejected. Based on table 4, the capital structure has no effect on the performance of SMEs, as evidenced by the value of 0.089 and the P-value of 0.182. This shows that SMEs that use capital with their sources of money have not been able to meet operational needs and still need capital sourced from creditors for their business operations. Especially during the pandemic, SMEs experience a decline in income, so they need additional funds to continue their business.

The results of this study are relevant to the signal theory, which explains that if the capital used in conducting a business is capital sourced from its capital, this capital structure will show a positive signal. It does not cause the possibility of SME income to decrease if they only use their capital. Gonibala et al (2019)say that if capital is increased, there will be an increase in income, but if capital decreases, it will decrease in revenue. The results of this study are linear with the investigations of Gonibala et al (2019), Ririn et al (2014), and Iriani and Muniarty (2020). They say that capital structure does not affect income.

4.3.2 Information Technology and Revenue

Based on table 4, information technology improves SMEs' performance, as evidenced by the results of the path coefficient with a value of 0.203 and a P-value of 0.017. The test results show that information technology positively affects income, so hypothesis H2 is accepted. Therefore, SMEs that use AIS in operational processes, especially business financial records, will be more helpful because they can know transparently about the flow of financials in and out.

The results of this study are relevant to signal theory, which explains that the use of AIS in recording MSME financial statements will show a positive signal because the use of AIS will make it easier to record financial statements Mas'ut and Masrura (2018). According to research by Aji and Listyaningrum (2021), good use of information technology (AIS) will increase income because it will make it easier to find good and correct financial accounting. The results of this study are linear with the investigations of Aji and Listyaningrum (2021), Marfuah and Hartiyah (2019), and Pratama (2018) that Information Technology has a positive effect on income.

4.3.3 Length of Employment and Income

Based on table 4, the length of business has a negative effect on income, as evidenced by the results of the path coefficient with a value of (-0.249) and a P-value of 0.004. The test results show that the length of business does not affect income, so hypothesis H3 is rejected. During a pandemic, whether or not a company survives is not influenced by the size of the business but the ability to survive and adapt to various challenges.

Length of business is not a predictor of SME performance because companies that adapt to technology are more successful than businesses that do not apply technology in business. Purnomo et al (2018) explain that the longer you do the job, it does not guarantee to increase in your income because it depends on the skills and knowledge you have. The results of this study are linear with the investigations of Prihatminingtyas (2019), Polandos et al (2019) and Purnomo et al (2018), explaining that length of business has a negative effect on income.

4.3.4 Business Location and Revenue

Based on the results of the inner model, location has a positive effect on income, as evidenced by the results of the path coefficient with a value of 0.342 and a P-value <0.001. The results of this study are linear, with research by Aji dan Listyaningrum (2021), Prihatminingtyas (2019), and Marfuah and Hartiyah (2019)stating that location has a positive effect on income. The test results show that the business location has a positive effect on income, so hypothesis H4 is accepted, which means that the choice of business location must be considered carefully, especially concerning accessibility. Companies that choose strategic locations will quickly get consumers and make it easier for their products to be absorbed by the market (Marfuah and Hartiyah, 2019).

4.3.5 Work Experience and Income

Based on table 4, work experience has no effect on income, as evidenced by the results of the path coefficient with a value of 0.029 and a P-value of 0.385. The test results show that work experience has no effect on income, so hypothesis H5 is rejected, where work experience is not a benchmark for the business to progress and develop. Work experience is not a predictor of SME performance. This is because the research respondents do not have long working experience with a business duration of under five years. The Cita and Karmini study (2019) explains that someone with a lot of work experience will have more control over a job to complete the job well. This indicates that the person has good work effectiveness. The results of this study are linear with the investigations of Shaleha and Pahlevi (2020), Pratama (2018), and Wardana and Yuliarmi (2018), explaining that work experience does not affect income.

5. Conclusion

Based on the results and discussion, the capital structure, which is dominated by own capital, does not affect the performance of SMEs. This is because, during the pandemic, SMEs experienced financial difficulties, thus requiring capital from banks. Information technology applied by SMEs during the pandemic is beneficial in promoting and distributing their products to improve SMEs' performance. Choosing a strategic business location will encourage SMEs to scale up to increase their performance. The work experience of business people cannot be a predictor of company performance because, during a pandemic, adaptability and use of technology are important factors.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Nexus of Waqf Education Contribute on Economic Development in Malaysia. ARDL Approach to Cointegration (Extended Abstract)

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1. INTRODUCTION

Waqaf is a significant issue that affects the economic, political, community, educational, and social growth in addition to its spiritual and religious aspects. The waqaf institution addresses a wide range of issues ranging from the economic to the social aspects of human development, it can be regarded as one of the most important tools for enhancing Islam's pride, dignity, and supremacy (Shukor, Anwar, Sabri, Aziz, & Ariffin, 2016). Therefore, within the broader framework of Islamic viewpoints, such a crucial issue cannot be allowed to run itself without adhering to any specified laws, rules, and scientific management systems.

In Malaysia, waqf in the education started with Islamic education school such as Sekolah Agama Negeri (SAN), Sekolah Agama Rakyat (SAR) and madrasah. Sekolah Agama Negeri (SAN) is fully funded by the state government and administrated through States Regious Counsil, Sekolah Agama Rakyat (SAR) was administrated by the States Religious Council and Zakat. The institutions gain financial support from federal government, state government and State Islamic Religious Council. While The madrasah and pondok institution established by waqf properties. The first madrasah was built on the waqf land given by ulma or waqif. The madrasah education system synchronizes with Islamic education from the Middle East especially from Egypt. Following the arrival of British colonists in Tanah Melayu, the madrasah was placed under States Islamic Religious Council which each state's education curriculum was differing from each state (Azha et al, 2013).

Only a few studies have explored the effect of the cash waqf in secondary and higher education on the economic growth. In fact, cash waqf is considered as alternative option for achieving modern macroeconomic development by reducing government expenditure, the government 's reliant on budget deficits and debt and establishment finance institution (Harun et al. 2016).

This study has theoretical and practical significance. Using Solow Growth Theory and New Classical Theory (Durlauf, Kourtellos, & Minkin, 2006),to underpin the research, and the present study offer theoretical insight, especially into role of cash waqf and educational waqf to sustain economic growth in the long term. This study provides new insight of cash waqf on economic growth especially in northern region of Malaysia.

2. MATERIAL AND METHODS

The World Bank's Malaysian development indicators served as the source of information for this analysis. Using the Error Correction Model (ECM) and the Autoregressive Distributed Lag (ARDL) model for cointegration. Economic growth is the study's dependent variable, and cash waqf in education is its independent variable. Meanwhile, the macroeconomic factors are labour, human capital, inflation, capital, as well as initial real GDP used to support the independent variable in the study.

3. DISCUSSION

In the case of Cash Waqf in education, the expected sign is positive. This is most likely because education waqf is expanding and making great changes every year around the world. This development suggests that society is becoming more aware of the value of waqf for educational objectives. Even the significance of waqf needs to be promoted for the growth of higher education waqf in this nation. However, the expected sign can be negative due to lack of awareness on how to manage waqf.

4. CONCLUSION

The findings of this study have several implications to enhance and overcome the effect of Cash Waqf of education on economic growth. The application of this education waqf should be based on a concept independent of any political-dominated government funding sources. For instance, waqf in Turkey is distinctive in that it is not connected to political or religious doctrine but rather is centred on helping one another and showing respect for other people.

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The Beef Cattle Livestock Research: from the Perspective of the Resource-Based View (RBV Theory)

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Abstract

Resource Based View (RBV) theory is primarily used to see how the theory is used to analyse the success of the firm or organisational structure in controlling resources for the company's development. According to numerous accounts, Barney proposed the RBV hypothesis for the first time in 1991. This paper reviews previous literature to examine the evolution of the RBV theory specifically in the field of beef cattle livestock research This study examined three categories of research papers, fifteen types of journals, and six types of theses that are connected to RBV theory.

Keywords: Literature review; RBV; intangible assets.

1. Introduction

Montgomery (1994) describes the reasons why businesses should diversify. The market-power view, the agency view, and the resource-view are three perspectives that can also be used as reasons why businesses diversify. The market-power perspective and the resource-view are both consistent with profit maximisation, but only the latter is consistent with resource efficiency. The agency viewpoint, on the other hand, is managerial in character and is incompatible with either profit maximisation or efficiency.

Corwin Edwards (1955), in "Conglomerate Bigness as a Source of Market Power," may additionally have been the primary to articulate this market-power perspective. In this perspective, companies that not only produce goods in large quantities but also sell these goods to many markets do not need to treat each market as a separate unit to set business policies and do not need to seek to maximize profits in the sale of each of its products, which assumes this is in contrast to the typical system. When viewed from the company's position in the market organization, the extent and nature of its operations, the company can exploit, enlarge, or protect its dominance through ways other than those commonly associated with the concept of monopoly (Montgomery,1994).

In the journal Montgomery (1994) it was reported that there was a separation between business owners (principals) and managers (agents) in 1932 involving Berle and Means. At the same time, the market power perspective on diversity is concerned with sacrificing a business's competitors and consumers for additional benefits, in contrast to the agency's view of diversification at the expense of corporate shareholders for the benefits that corporate management can enjoy. Thus, a negative relationship between diversification and agency value can be predicted from an agency perspective (Montgomery, 1994).

Several perspectives are offered as early clarifications of the resource view, all of which might be based at the work of Edith Penrose in 1959. According to the resource perspective, responding to surplus capacity in

productive variables -which are referred to as resources- is a way for rent-seeking companies to diversify. This comprises the market variables the firm has acquired, the services it has produced from those factors, and the specialised expertise it has amassed through time. According to the literature on business strategy, if it is a common feature that makes resources difficult to transfer across corporate borders, it can also make them difficult to replicate by rivals, so there may be sources of competitive advantage in the markets where they are used. The resource stock determines the company's profit margin and degree of diversity in the resource view.

Firm resources differ in specificity, according to Montgomery & Wernerfelt (1988). They believe that highly specialised resources can only be deployed efficiently in a limited number of businesses (such as productive talents in biotechnology), but because of their specialised nature, resources can generate greater marginal returns. As for the less particular elements, such as standard milling machines, can, on the other hand, transfer further and form the foundation for a broadly diversified company, the reason behind such companies favouring lower rental rates is the availability of more machines. This has major consequences for resource views' forecasts. Because if businesses are different, then their ideal degrees of diversity will also vary. Hence, profits can be maximised at a relatively high degree of diversification for businesses with fewer specialised resources (Montgomery, 1994).

As part of the following explanation on other research that are being worked on, this article focuses on a literature review on resource-view. As a result, this study was prepared with the goal of assisting researchers and readers in better understanding resource studies, particularly those concentrating on agriculture.

2. Literature Review

2.1 The Resource-Based View (RBV) Theory

Resource-based view (RBV) defines the availability of intangible assets, capabilities and tangible resources, in addition to their heterogeneous combination to form the base for company accomplishment (Lahtinen, 2009). The idea of Resource-Based View (RBV) of a company as a collection of resources that varies with interest can provide additional value for the firm (Mill et al., 2002). The concept of organizational resources is at the core of *the Resource Based Theory (RBT)* (Walley et al., 2011).

Malafaia et al. (2014) elaborated that the basic principles of RBV is a company that consists of a set of resources depends on the strategic perspective of its managers to develop a sustainable competitive advantage, because RBV involves interactions between resources, strategic sustainability factors, and also social relationships between resources. Mill et al. (2002) added that valuable resources are not necessarily designed to ensure higher performance. Katie (2021) said that resources were included inside the farm enterprise as intangible assets, among others: devoted employees (clerks who esteem the equipment and farm animals owners); relationships with other people (for example: work familiarity); technology (regarding information gathering); and family heritage (for example: work ethic).

2.1.1 Defining Competences, Capabilities and Resources

Mill et al. (2002) confirmed that as “a competence” refers to the ability to do something. If applied to the company, there will be two conditions, where:

- If the company can outperform most competitors with competitive factors that are valued by customers, then the company has strengths or high competency activities.
- If the firm's performance is not good for most competitors due to competitive factors valued by customers, the company has weaknesses or activities with low competence. This condition can reveal ways to describe how well (or not) the company in carrying out the required activities can be known through this circumstance.

Mill et al. (2002) added that a competence is better regarded as a variable, not an attribute, because it is something that must be owned by a company. Therefore, they concluded that competence, or the ability to do something while being supported by resources, is required by the organisation to carry out the duties that are assigned to it. They said that a resource is something that an organisation owns or has access to, even if that access is transient. There are two types of resources: tangible assets and intangible assets.

Table 1. Types of Resources and Capabilities in Resource Based View.

Tangible Resources and Capabilities	Examples:	Examples on Beef Cattle Livestock:
Financial	▪ Ability to generate internal funds ▪ Ability to raise external capital	This article takes an example from livestock in the United States from a study by MacDonald & William (2009) which explains that the five largest expenditure items for livestock producers are purchases of livestock, feed, supplies/repairs, labor, and interest expenses.
Physical	▪ Location of plants, machines, offices, and their geographic locations ▪ Access to raw materials and distribution channels	The design of housing and handling facilities that are suitable for beef cattle farming needs to consider the weather, topography, and the availability of feed and pasture. Thus, the location for buildings and handling facilities for beef cattle farming in New England should be located on well-drained soil with properly designed surface water drainage situated away from streams, other bodies of water and is not close to population centers (Government of Saskatchewan Agriculture, 2008).
Technological	▪ Possession of patents, trademarks, copyrights, and trade secrets	The aim of beef cattle producers in applying technology is not only to improve animal performance and well-being, but also to increase the profitability of the producing company. Antibiotics, implants, ionophores, parasiticides, genetics, vaccines, physiological modifiers, and nutrition are technologies that have been widely adopted in beef cattle farming in the United States.(Hersom et al. 2018).
Organizational	▪ Formal planning, command, and control systems ▪ Integrated management information systems	NOA –a Management Information System (MIS) - hebrew acronym for "Managing the National Dairy Herd", developed by the Israeli Cattle Breeders Association (ICBA). NOA aims to provide individual and national livestock managers with up-to-date information on all aspects of dairy activity (Ezra, 2007).
Intangible Resources and Capabilities	**Examples:**	
Human	▪ Managerial talents ▪ Organizational culture	In this section, beef cattle farms in Australia provide education and training to ensure workforce skills and also impart skills and knowledge to international customers. There are organizations and institutions involved in R&D projects for the Australian beef and agricultural industry and food production, while The Commonwealth Scientific and Industrial Research Organisation (CSIRO), Australia's national science are organizations and institutions involved in the project
Innovation	▪ Research and development (R & D) capabilities to innovate new product, process and services ▪ Capacities for organizational innovation and change	Several innovations in beef cattle farming have been widely introduced such as the artificial insemination, vaccination and biosecurity. Artificial insemination is recognized as one of the assisted reproduction technique. Meanwhile, vaccination and biosecurity are related to each other to maintain sanitation and healthy cattle (Abdullah et al., 2021).
Reputational	▪ Perceptions of product quality, durability, and reliability among customers ▪ Successful product branding and positioning with satisfied and loyal customer base ▪ Reputation as a good employer ▪ Reputation as a socially responsible corporate citizen.	In Australia there are more than 40 different breeds of cattle so the Australian Beef Sector has the opportunity to export products to different markets around the world, from premium beef varieties and specialty cuts to grassfed, grainfed, organic and halal products, through to bulk supply of hamburger meat (Australian Government, 2021)

Source: Barney (1991)

Mill et al. (2002) explained that physical or material resources that can be properly valued and measured are known as tangible assets. Meanwhile, intangible assets are resources that cannot be easily measured accurately and the resources that the company uses for planning and implementing corporate strategy. The resources are divided into two resources, namely: tangible resources (including: financial, physical, technological, and organizational) and intangible resources (including: human, innovation, and reputational).

Jurevicius (2013) informed that the resources in the RBV model play a significant role in assisting organisations in achieving improved organisational performance.

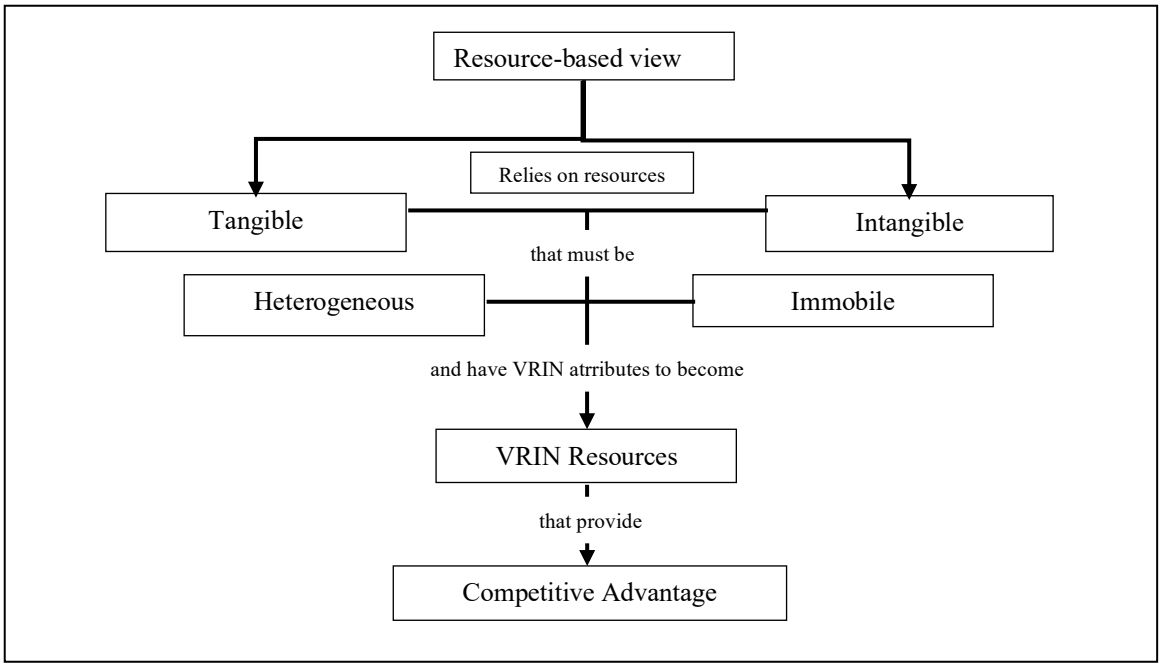


Figure 1. The Resource-Based View (RBV) Model
Source: Jurevicius (2013)

Figure 1. shows that resources must be heterogeneous and immobile, which is a fundamental premise in the Resources Based View (RBV). If the resources fulfil these two assumptions, then the company has the VRIO attribute, which indicates company's competitive advantage.

Jurevicius (2013) explained that heterogeneous of Resource Based View, where the skills, abilities, and other resources that an organization have been diversified from one company to another. Jurevicius (2013) elaborated that the second assumption is that Resource Based View (RBV) is immovable, in short term resources are immovable and do not migrate from company to company (for examples: brand equity, processes, knowledge or intellectual property). Sustainable competitive advantage can be obtained through implementing strategies by utilizing the company's internal strengths, responding to environmental opportunities, neutralizing external threats, and averting internal weaknesses (Jurevicius, 2013).

Madhani (2010) informed that how organisational resources produce long-term competitive advantage is achieved through analysis and interpretation utilising the Resource Based View (RBV). The 'VRIN' criteria are those that must be met in order to get a competitive edge and sustain performance (Madhani, 2010). The following is an explanation of the 'VRIN' criterion:

1. *Valuable (V):* If it provides strategic value for the company, it helps the company exploit market opportunities or help reduce market threats (Madhani, 2010). Examples of resources that can be declared valuable include: such as physical plants which are part of tangible resources (Collis, 1994; Alonso, 2019) or technological knowledge or brand names that are part of intangible resources (Collis and Montgomery, 1995; Alonso, 2019).
2. *Rare (R):* To provide a competitive advantage - resources capable of designing and executing a distinct company plan in comparison to other competitors- resources must be scarce or unique (Madhani, 2010). High-quality human resources are examples of rare resources (Wright et al., 1994; Alonso, 2019).
3. *Imperfect Imitability (I):* Resources can be the base of long run-term competitive advantage only if companies who lack them are unable to gain them due to the following factors: many challenges in obtaining resources, an uncertain relationship between capability, and competitive advantage, or resource complexity (Madhani, 2010). It can be inferred that a durable competitive advantage develops when a potential competitor or competitors are unable to generate or acquire these resources (Capron & Hulland, 1999; Alonso, 2019), among others: contracts, patents, registered designs, or trademarks (Das & Teng, 2000; Alonso, 2019).
4. *Non-Substitutability (N):* Because sources cannot be replaced by way of different alternative resources, so competitors cannot attain the alike performance with the aid of substituting sources with other alternative resources (Madhani, 2010). Examples of resources that can be said to be non-substitutable include: distribution channels and physical resources (such as oil fields or locations), which are frequently seen as specific corporate resources that are difficult to replace (Das & Teng, 2000; Alonso, 2019). Two forms of substitution are identified. It is reasonable to assume that competitors who are able to replace resources will use a similar strategy (Barney, 1991; Alonso, 2019). Second, investors competing with successful companies may be the result of strategic substitutes from numerous sources (Alonso, 2019).

Primarily, competitive advantage can be achieved, when a company has valuable resources, rare resources and the company's assets are not acquired by many other competing companies (Barney, 2001; Alonso, 2019). Furthermore, by increasing their effectiveness and efficiency in such a way, companies can achieve a sustainable competitive advantage (Barney, 2001; Alonso, 2019).

2.1.2 Resource-Based View (RBV)-Agriculture

Eghtedari et al. (2014) explained that Resource-Based View (RBV) conceptualized the company as a set of resources with various interests in generating value-added for the company - the value-added created when resources are manipulated, evaluated, and used correctly in context company environment. Therefore, the available resources and capabilities focused on developing physical and people resources to produce the company's ability to generate new competitive advantages and explore new markets (Eghtedari et al., 2014).

Eghtedari et al., (2014) further stated that agricultural enterprises consider themselves to have distinct competencies and believe that these abilities will help them both in the short and long run. However, resources (competence) to represent the organisation in relation to the market restrictions or opportunities and the level of benefits that can be obtained (Eghtedari et al., 2014).

Rozhan (2019) added that the latest issues and challenges confronting the agricultural industry are the large number of low agrofood commodity production, low productivity, less rivalry among many agrofood products in the national and global market, the developing of the agricultural industry in other parts of the region, the issue of climate change, and the new goal of the new government in Malaysia. So the government is developing new strategies and initiatives for beef cattle livestock. Rozhan (2019) explained that strategies and new initiatives livestock sub-sector do not conflict or overlap with the National Agrofood Policy. These strategies and initiatives have been developed in response to the existing situation and performance of the livestock sub-sector (Rozhan, 2019). The agricultural sector's success has been impeded by current concerns and problems. The new strategies and initiatives are as follows:

Table 2. The New Strategies and Initiatives regarding Beef Cattle Livestock in Malaysia.

No	Objectives	Strategy	Initiatives
1	To modernize and boost agricultural production to ensure sustainable supply and stabilize the nation's food prices by stressing the paddy, ruminants as well as fishery sub- sectors.	Increase production of ruminant sub-sector.	- Set up the development plan for beef industry; - Increase the production of milk in Malaysia; and - Review the need for the development of high value beef industry
		Reduce the dependence on imported agriculture input.	- Develop grain corn industry; and - Increase the production of animal feed, including using the palm kernel cake
2	To make agriculture a solid, sustainable and profitable venture as a source of income for farmers, livestock breeders and fishermen and young agro- entrepreneurs.	Increase income and improve welfare of farmers	- Implement a new program called New Source of Wealth; - Increase the participation of farmers in the downstream industry; - Generate income from the Projek Pertanian Rakyat (People Agricultural Project); - Evaluate alternative crops to be cultivated after the main production season; - Introduce an Agrofood Protection Skim (SPA); and - Managing farmers' land optimally based on land suitability
		Implement capacity building activities for sustainable farmers, fisheries and agro-entrepreneurs.	- Develop capacity of farmers, fisherman and agro-entrepreneurs.
		Develop young agropreneurs in the area of agrofood.	- Set up the National Council of Young Agropreneur; and - Improve the capacity of young agropreneur

Source: Rozhan (2019)

3. Methodology and Data

The methodology in this article was adopted from Ramdhani et al. (2014), while a literature review study is a study with a specific topic, as well as data published within a certain period of time. To obtain information related to policies and evidence-based care, as a stage in the research process, and as part of an academic evaluation are some of the reasons for conducting a literature review. Questions about this can be started by asking where to start, how to choose a subject, and how many articles to include to what a review of the literature entails (Cronin, et. al., 2008). A literature review might just be a summary of the sources, but it generally follows an organisational structure and includes summary and synthesis (Ramdhani et al., 2014).

A re-cap of the source's key information is referred to as a summary, while the re-organization or reshuffling of the material is referred to as synthesis. It is hoped that this can provide a fresh look at old material or blend

new ideas with old ones, and can also chart the intellectual evolution of the field, including major disputes. Furthermore, relying on the circumstances, the literature review might also analyse the sources and advise the reader on the most topical or relevant (Ramdhani et al., 2014).

The first stage in performing a literature review in this study was to obtain data from Google Scholar to gather information regarding RBV in agriculture, and the following was discovered:

Table 3. Data from Google Scholars.

No	Keywords typed into the Google Scholar	The number of articles that appear * 10 items on each page	Total
1	RBV	93.500 articles * 10	935.000
2	RBV into Beef Cattle Stock	19.200 articles * 10	192.000
3	RBV into Beef Cattle Stock 2020-2021	11.800 articles * 10	118.000
4	RBV into Beef Cattle Stock 2020-2021 Asian Region	4.180 articles * 10	41.800
5	RBV into Beef Cattle Stock 2020-2021 Asian Region Malaysia Indonesia	477 articles * 10	4.770
6	RBV into Beef Cattle Stock 2020-2021 Asian Region Malaysia Indonesia agriculture	266 articles * 10	2.660
7	RBV into Beef Cattle Stock 2020-2021 Asian Region Malaysia Indonesia agriculture strategic management	231 articles * 10	2.310

The final findings of the study focusing on locating 2310 articles may be shown in the table above. However, owing to time restrictions and the availability of numerous irrelevant or inaccessible publications. As a result, this study can only access 103 publications. The following is a list of literature references relating to this topic that have been compiled.

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Table 4. Article Types Collected.

No	Types of Articles	Total
1	Research Article	3
2	Journal	15
3	Thesis	6
4	The article has nothing to do with the study.	212
	Total	231

The appendix table contains a summary of the analysis of the article's viewpoint about the views of the RBV in their study.

4. Result and Discussion

The implications of the RBV theory may be utilised for a variety of investigations, such as the examination of three research papers gathered for a literature review. Kinkel et al. (2018) apply RBV theory to manufacturing technology enterprises, AbdussalaamIyanda et al. (2018) apply RBV theory to SMEs, and Xu & Yi Zhang (2021) apply RBV theory to shipping firms. According to Kinkel et al. (2018), the RBV theory explains that firms can build organisational procedures and routines, allowing them to employ resources and develop skills more efficiently and effectively, and that some businesses are able to use manufacturing processes to create unique and rarely imitated competencies in specific places and to use these resources in a more targeted and effective manner. According to AbdussalaamIyanda et al. (2018), RBV theory describes how competitive advantages may be achieved by a unique and distinct method of obtaining, developing, and efficiently deploying physical, human, and organisational resources (Barney, 1991). However, AbdussalaamIyanda et al. (2018) believe that human resources are an important corporate input injected into the firm's production process and service-oriented work process to enhance performance and offer evidence that the company may raise employee creativity and therefore induce higher performance. RBV's concepts of value, uniqueness, inimitableness, and substitutability cannot be fulfilled through HR structures, but rather through the firm's human resource (i.e., human capital), because any HR design may be replicated by competitors. Meanwhile, Xu & Yi Zhang (2021) concentrate on intellectual capital (IC), which is connected to a resource-based view (RBV) in which firms with distinct and valued resources may grow revenues and improve core competitiveness by leveraging intangible resources, notably intellectual capital (IC).

Meanwhile, based on 15 journal papers, it is possible to infer that the study done is:

1. Haniruzila et al. (2020; Barney, 1991) investigate RBV theory in relation to firm-controlled resources into many typologies, including human, physical, capital, information, and knowledge. If firms own and control valuable, uncommon, unique, and non-replaceable resources, the firm can gain a competitive advantage

(Wernerfelt, 1984). However, according to another research by Nahapiet & Ghoshal (1998) which looked at the level of social capital, it concluded that organisations with high levels of social capital are significantly more likely to be successful than competitors with low levels of social capital. Haniruzila et al. (2020) examined the performance of Bumiputera SMEs in terms of innovation utilising a theoretical link between RBV theory and Kitchell's innovation adaption model. The study demonstrates that innovation performance improvement (competitive advantage) is obtained from utilizing the capabilities of resources and the processes of an innovation culture (Teece, 1998). They argue that this study fills the gap by successfully integrating these theories, allowing for a more comprehensive understanding of how Bumiputera SMEs' resources may be capitalised through the value and norms of organisational members, and then leveraged to improve creative performance.

2. Montgomery (1994) proposes that resource-view viewpoint is founded on Edith Penrose's notion in 1959, which talks about rent-seeking firms diversifying in response to surplus capacity in productive variables, which are referred to as resources in the resource perspective. These include market factors, services derived from those variables, and specialized expertise gained through time. Montgomery (1994) recognised that there are major implications for resource perspective projections. Because businesses differ, so do their optimal levels of diversity. Earnings for a company with fewer specific or more specialised resources can not only be maximised with relatively high diversification, but also with less diversification. So it can be concluded that the journal of Montgomery (1994) discussed more about the dangers of acquisition studies that may have an influence on the deployment of business resources for optimal profit in his research.
3. According to Al-shami et al. (2020), the resource-based view theory is built on various perspectives, including the following: resources are "any stored and accessible parts owned or managed by a firm." (Amit & Schoemaker, 1993) and resource-based perspective of the firm describes organisations as complex assemblages of various, distinct, and one-of-a-kind resources and skills (Thornhill & Amit, 2003; Wernerfelt, 1984). According to the RBV hypothesis, company failure may be linked to a lack of tangible and intangible resources as well as firm skills. Al-shami et al. (2020) investigate the impact of female entrepreneur satisfaction on company economic performance. According to the study's findings, there are direct and immediate influences on the liquidity of women who own small companies, resulting in loan default, which commonly leads to failure and bankruptcy.
4. According to Feranita et al. (2020), the RBV theory refers to the company's strategic assets, such as an innovative organisational culture, which influences its success (Barney, 1991) and can enhance company performance. Feranita et al. (2020) used RBV theory to analyse the performance of SMEs in Indonesia, and the study found that transformational leadership has a positive and substantial influence on SMEs' innovation and performance. In the relationship between transactional leadership and the performance of SMEs, innovation is essential.
5. According to Putra et al. (2021), RBV (Resource Base View) emphasises the company's internal resources and skills, as well as their connection to strategic decision making. RBV also demonstrates how a company's resources affect externally competitive results and processes. The answer is referred to as "strategic assets," which include resources and competencies (Amit & Schoemaker, 1993). Concerns have been raised about strategic assets such as a business culture that is socially savvy, calm, and fosters habits.
6. Tey & Arsil (2021) utilised RBV analysis to study the financial effect and, ultimately, the early-mover advantage of plantation businesses' certification order decision-making. The RBV becomes relevant because it relates asymmetric strategic elements and their quality to varied financial performance of firms. This model was utilised to determine the impact of diverse strategic resources on financial returns. Based on panel data from seven Malaysian broiler firms from 2006 to 2008, Tey & Arsil (2021) discover that profitability is influenced by the degree of forward integration, current ratio, and operating margin, and profitability is still largely reliant on efficiency.
7. Ahmad & Shuhymee (2021) use the resource-based view (RBV) of business adopted from Wernerfelt (1984), which emphasizes that management talent is the basis for improving company performance and competitive advantage through maximizing resources, which has an impact on lowering costs. Organizational planning can improve company performance through the use of various important talents (management skills, marketing skills, financial skills, legal skills, administrative skills, and higher-order abilities). Ahmad & Shuhymee (2021) used RBV theory to analyze the performance of SMEs in Pakistan, so that it can be seen that management skills have a positive influence on the performance of SMEs and implies that strategic planning mediates the relationship between managerial skills and SME performance.
8. Alamene & Waribugo (2021) who use the RB theory of Barney (1991) state that a business with valuable, uncommon, inimitable, and non-substitutable resources makes the company different from its competitors and achieves a sustained competitive advantage. RBV theory also explains that the company's long-term competitive advantage can be obtained from an entrepreneurial competency (can be in the form of valuable skills, knowledge, and abilities) which is quite rare, making it difficult for rivals to develop all necessary competencies. The RBV theory of the company also explains that to identify or develop resources links, it is

necessary to link the value creation process with the ability of manager (Grant, 1991; Barney, 1991). Alamene & Waribugo (2021) explained that there are three company competencies, including: operational competence (which is the most significant driving competence of company performance), followed by learning competence, and strategic competence (although these competencies have a modest influence on the corporate's success).

9. According to Eneh et al. (2021), the RBV of the firm from Penrose's point of view (Penrose, 1980; Barney, 1991; Mahkija 2003 in Corrado et al., 2015; Onyekwelu, 2014) is a view that involves a sequence of administrative procedures and multiples of production resources (i.e. human or physical). However, Barney et al. (1991) concentrated on the central premise of RBV theory, which is built on a competitive platform that may provide economic advantages for the firm. The study supported Penrose's (1980) resource-based view (RBV) of firm theory, which claims that resources and capabilities might explain performance and, consequently, increase voluntary disclosure of intangible assets (IA). The reason behind that an intangible asset is generally because it provides value and aid in the maintenance of healthy competitive advantages.
10. Ibarra-Cisneros et al. (2021) explain that the theory relating to company resources is dependent on SO (strategic orientation) (Zhang et al., 2015), which involves a process interaction of company with its environment (Miles & Snow, 1978) in order to achieve greater performance, satisfaction, and competitive advantage and employed based on the firm's resources and behavioural tendencies (Hakala, 2010) to grow its ability to achieve the desired goals (Choo, 1996).
11. According to Jin et al. (2021), the resource-based view (RBV) believes that a firm's internal resources may enhance its core competitiveness and if a firm wants to compete in the external economy, it must develop R&D activities. Jin et al. (2021) link the scenario COVID-19 that has a significant influence on global industry and economy. The empirical finding in the high-tech industry suggest that the COVID-19 pandemic has had a substantial and negative impact on ROE, ROA, and ATO, and that R&D investment acts as a moderator in the relationship between the pandemic and firm performance. The resource-based view (RBV) believes that R&D can not only compete in the external environment, but can also improve the fundamental competitiveness of companies. High-tech companies should prioritize R&D spending due to the fact that technology is important in reducing the spread of COVID-19 and treating for people who are suffering.
12. According to Maelah et al. (2021), RBV theory focuses on an organization's competitive edge based on internal resources. Resources can also take the form of components that can be utilised to construct value-creating techniques. These resources may be both material and intangible, and they encompass all assets, skills, organisational processes, corporate features, information, knowledge, technology, and so on (Barney, 1991). Maelah et al. (2021) explore the links between MAI (management accounting information), cloud computing, and decision making in SMEs in Malaysia. The findings contribute to the body of knowledge in management accounting by using the RBV Theory to characterise MAI as a resource and cloud computing as a capability for achieving a competitive advantage in decision making.
13. Irfan et al. (2021) analyse the RBV related to the company's internal resources that are unique, unparalleled, and provide a competitive advantage (Huo et al., 2016); competitive advantage in companies can not only be obtained by good working relationships among the necessary diverse stakeholders (Wernerfelt, 1984; Barney, 1991); but also in companies that are capable of aligning resources and capabilities in an integrated manner (Chadwick et al., 2015; Sirmon et al., 2011). As for Irfan et al. (2021) use RBV theory for SC and IT strategies to improve company performance in the textile sector. Based on the findings of the ISM method, the conclusion is textile sector performance, with a lean, green, and resilient SC strategy and IT as significant possibilities.
14. Setiawan et al. (2021) describe how the resource-based viewpoint of RBV sees an organisation as a collection of diverse channels and facilities, particularly IT resources of corporate achievements. Setiawan et al. (2021) focus on how bank output fluctuates when artificial intelligence programmes are used, which has a long-term influence on bank profitability.
15. Yusop et al. (2021) argue that Resource-Based View Theory related to internal strength within the company is responsible for generating better performance and long-term competitive advantage (Bekhet et al., 2020; Kapelko, 2006); or the link between a company's success and its internal resources- will provide a competitive advantage (Egbunike & Okerekeoti, 2018; Hunt, 1999). This study groups the RBV theory by categorizing business performance into two categories: (a) operational, which uses non-financial performance indicators to treat performance indicators (such as: market share and product quality), and (b) financial, which focuses on accounting-based measures (such as: profitability, stock earnings) to sales growth while considering market size (such as: market to book ratio).

In terms of thesis studies utilised as LR for RBV theory, the study discovered five categories of theses that characterise the RBV opinion, as follows:

1. Möller (2012) describes a unique approach to explaining the origins of competitive advantage (RBV) based on the resource-based theory. A resource is diverse and immobile, with the following four characteristics: a) valuable, in the sense that these resources are not only able to take advantage of opportunities, but also neutralize threats in the company's environment, b) scarce, c) can be imitated imperfectly, and d) there can be no strategically equivalent substitute. This research also describes three types of company resources, including: physical capital resources, human capital resources, and organizational capital.
2. According to Vokshi (2015), RBV was largely used in FDI (Foreign Direct Investment) research from industrialised nations, primarily in the form of OFDI. RBV rose to popularity in the 1980s and 1990s with the publication of major works by Wernerfelt (1984) and Barney (1990). (1990). Ghoshal was a pioneer in the use of RBV in the global market (1987). According to RBV specialists, companies should look for sources of economic advantage within their own organisations rather than seeking them in a competitive external environment.
3. Based on the viewpoint of Krishna (2013) regarding resource-based theory (RBV) that competitive advantage comes from within the organization rather than the external environment of the industry in which it works (Conner & Prahalad 1996). The examples of resources are: physical resources, human capital, organizational capital, financial resources, and technological capabilities (Hofer & Schendel 1978; Barney 1991, 1995), while examples of unseen knowledge-based phenomena include: capabilities, intangible assets, and intermediate products (Amit & Schoemaker 1993). The RBV was expanded to include a Dynamic Capability perspective (Teece et al., 1997; Eisenhardt & Martin 2000), which is a driving force for managers to recombine other resources into a new source of competitive advantage, especially in situations of rapid and unpredictable change (Henderson & Cockburn 1994; Teece et al., 1997).
4. Federica (2019) explains that RBV theory may be applied to any type of organisation, and it is widely accepted that family companies have numerous benefits and outperform non-family enterprises. To avoid this grey zone, the Resource Based View provides a practical tool for better understanding the relationship between family, competition, and performance by taking into account four different sources of family firm capital: human (skills, knowledge, training, relationships), physical (plant, raw materials, location, cash, access to capital, intellectual property), and governance structures (knowledge, access to capital, intellectual property) (Habbershon T.G. & Williams M.L., 1999).
5. According to Rui (2018), the Resource-Based View (RBV) hypothesis defines a firm's resources at a particular point in time as those (tangible and intangible) assets that are semi-permanently tied to the organisation. Intangible resources such as reputation, brand name, and proprietary technology are more difficult to replicate, contributing to the company's long-term competitive advantage (Hitt et al., 2001). Firms must reorganise their resources and adapt to the changing economic situation.
6. According to Tambunan (2021), resource-based view theory (RBV), which focuses on the availability of resources and capabilities at the business level, is essential for sustaining competitive advantage and performance. He discovered that entrepreneurial mindset and access to external financial resources were two important factors impacting SMEs' potential to grow production since they improved the company's competitive advantage.

5. Conclusion

The term "Resource-Based View" refers to a method of organising resources. Viewing a company as a collection of resources that vary according to interest might bring value to the organisation. The Resource Based View is built around the idea of organisational resources. According to Malafaia et al. (2014), one of the basic principles of RBV is that a company made up of a set of resources relies on the strategic perspective of its managers to develop a sustainable competitive advantage, because RBV involves resource interactions, strategic sustainability factors, and social relationships between resources. When applied to the firm, there are two conditions: If the company can exceed most rivals with competitive aspects that customer's value, then the company has strengths or high competence activities.

As a result, Mill et al. argued that competence, or the capacity to accomplish something while being backed by resources, is necessary by the organisation in order to carry out the responsibilities given to it. Meanwhile, intangible assets are resources that cannot be easily assessed precisely and are used by the firm for corporate strategy development and implementation. Jurevicius (2013) defined a heterogeneous Resource Based View as one in which an organization's talents, competencies, and other resources have been dispersed from one business to the next.

According to Jurevicius (2013), the second assumption is that the Resource Based View is immobile; in the near term, resources remain immovable and do not transfer from business to firm (for examples: brand equity, processes, knowledge or intellectual property). Primarily, competitive advantage may be obtained when a business has valuable resources, uncommon resources, and its assets are not purchased by many other competing

companies. However, resources to reflect the organisation in connection to market constraints or possibilities, as well as the amount of advantages that may be gained.

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Financial Digitalization of Marketing Technology; Improving the Competitiveness of Micro Business in Sleman Regency of Yogyakarta in the Era of COVID-19

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Abstract

The purpose of this study was to determine the extent of the role of financial digitalization of marketing technology in efforts to increase the competitiveness of micro-enterprises in Sleman Regency in the era COVID-19. The type of research carried out is descriptive qualitative field research, using a phenomenological approach which reveals phenomena that occur in individuals. Technical data collection is done by interview and documentation using purposive sampling which is then followed by triangulation of data to test the validity of the data. The results of the study reveal that the use of digitalization plays a role in efforts to increase the competitiveness of Micro Enterprises in Sleman district, as evidenced by the increase in product sales and business productivity after the use of digitization, besides that it also facilitates the sale and marketing of products that can cut promotional costs and also expand market reach so that can compete with other businesses.

Keywords: Financial; Financial Digitalization; Marketing Technology; Micro Business

1. Introduction

At this time, the COVID-19 pandemic continues to spread and its transmission causes an economic crisis in Indonesia. Likewise, the COVID-19 pandemic will make it difficult for micro business actors to maintain and develop their businesses. The micro business sector, which at the time of the 1998 monetary crisis was considered the most able to survive, is now collapsing. KEMENKOP data states, more than 50% of micro businesses have closed. The condition of micro-enterprises in Sleman Regency is no exception, the existence of social restrictions and the recommendation to stay at home during the pandemic caused a significant impact on the survival of micro-enterprises in Sleman, of which there are quite a number of them. According to Pustopo, the head of the Sleman Regency Cooperatives and MSMEs Service, of the 47 thousand SMEs in Sleman Regency, more than 5 thousand SMEs were most severely affected by COVID-19. Being the biggest PR is how micro businesses can survive in difficult conditions like today, there needs to be a breakthrough or steps that can be taken by micro businesses so that they can survive and grow so they can face the COVID-19 condition.

Several researchers explain that the inability of Micro Enterprises to increase competitiveness is due to micro-enterprises having various limitations, such as lack of ability to adapt to the environment, lack of agility in anticipating business opportunities, lack of creativity, and lack of innovation in anticipating various environmental challenges (Kristina Sedyastuti, 2018). Even Tambunan revealed that the competitive resources and weaknesses of micro-enterprises in Indonesia are caused by minimal working capital, difficulties in marketing, low skills and technology management, low productivity, limited access to financial resources and productive resources, especially in terms of capital, technology, and lack of access to financial resources. business network (*Tambunan, UMKM Di Indonesia*, 2009).

On the other hand, the obstacles that are often encountered by business actors are capital problems, the organizational structure is still simple, the difficulty of finding raw materials, limited human resources, difficulties in market penetration and promotion, low understanding of technology, and the absence of neat financial reports so that they do not have a good understanding of technology. competitiveness. Meanwhile, nowadays technological developments are progressing very rapidly, one of which is internet facilities to conduct buying and selling transactions online as known as e-commerce (Guna et al., 2013). In addition, there is an increase in competitiveness with network technology or what we often call the internet. This research states that every small business needs internet to develop its competitiveness.

Facing the current situation, the existence of micro-enterprises must be able to enter the digital ecosystem. Digitalization of financial technology is considered to be one of the solutions that can be done by Small and Medium Enterprises (SMEs) to market their products when conditions do not allow for frequent face-to-face meetings like today, so that these SMEs do not close. in addition to expanding market access. Small and Medium Enterprises (SMEs) must see the benefits of E-commerce for easy and efficient market access. This condition requires Small and Medium Enterprises (SMEs) to choose the one that is effective and on target. An answer that is considered relevant to answer the current situation is one of them is the presence of digitization. It is proven that during the Large-Scale Social Restrictions (PSBB) there was an increase in the use of e-learning, e-commerce, digital literacy, and demand for delivery(Lestari, 2020).

Sleman Regency is one of the regencies in Yogyakarta Province with a fairly large number of micro-enterprises. Based on data from the Ministry of Cooperatives and MSMEs in Sleman Regency, the number of Micro Enterprises in Sleman Regency as of October 2020 was 52,671 which was dominated by micro businesses with a total of 51,668 businesses (Sleman, 2020). More than 5,000 SMEs have been affected by COVID-19, one of which is the Creative Economy sector. Based on the results of a survey from the Cooperatives and SMEs Office (Dinkop UKM DIY and Jogja Economic Resilience for COVID-19 (JERCOVID) with 1,000 SMEs affected by COVID-19 from all districts/cities in DIY, it was found that the creative economy is the third most affected business sector after business. trade and processing industry as much as 21.2% (Ginting, 201 C.E.). Therefore, the authors are interested in analyzing how financial digitalization of marketing technology; improving the competitiveness of micro business in Sleman Regency of Yogyakarta in the era of COVID-19.

2. Method

This research is categorized as qualitative research, where according to Sugiono, qualitative research in obtaining the information and data needed by researchers is looking for directly in the field (Sugiyono, 2013). So in collecting data, researchers explore data sourced from the field and will be analyzed with regard to the competitiveness and resilience of the culinary creative industry after using e-commerce and competitiveness. In its operation, qualitative descriptive methods are used as part of the research process that will create descriptive data in the form of written or oral words (expressions) obtained directly from the field related to the theme (Anis Chariri, 2009).

The approach used by researchers is a phenomenological approach. Where this approach reveals the phenomenon or description of the concept of experience that occurs in individuals (Noor, 2012). In the context of qualitative research, a phenomenon is something that grows in the researcher's awareness by using a certain way to become visible and real (Yusuf, 2017). Qualitative research with a phenomenological approach aims to bring awareness and in-depth understanding of how humans experience things. In this study, the phenomenological approach looks at and analyzes how the level of competitiveness Micro Enterprises in the COVID-19 era (Saldana, 2011).

3. Discussion

3.1 The Situation of Micro Enterprises in Sleman Regency During the COVID-19 Pandemic

MSMEs in this study meet the criteria as stipulated in PP UMKM No. 7 of 2021 concerning the criteria for micro-enterprises. The growth of the culinary business in Sleman Regency has contributed and played a role in supporting the economy of Sleman Regency. In addition, the culinary arts in Sleman Regency are quite famous

and become one of the attractions for tourists to come to Sleman Regency. Micro-enterprises in Sleman Regency are also one of the business sectors with the largest contribution to regional development, where these micro-enterprises can create sizable job opportunities for local workers, so that they are very helpful in overcoming unemployment. However, after the COVID-19 Pandemic affected various sectors, especially in the business sector where there was a decrease in demand, a decrease in input supply, a tightening of credit conditions and a liquidity crisis as well as increasing uncertainty (Pembatasan Sosial Berskala Besar Dalam Rangka Percepatan Penanganan Corona Virus Disease 2019 (COVID-19), 2020).

The COVID-19 pandemic is a tragedy that affects billions of people in the world, where this outbreak has caused many negative impacts on the global economy, industry, companies and also micro-enterprises themselves. As a result, a slowdown in the momentum of economic activity has been predicted by many economists since the arrival of COVID-19 in Indonesia, namely in March 2020 (Bahtiar, 2021). Likewise with Micro Enterprises in the COVID-19 pandemic, it will make it difficult for micro business actors to maintain and develop their business. At the time of the 1998 monetary crisis, which was considered the most resilient, it has now collapsed. Kemenkop data states, more than 50% of MSMEs are closed. The condition of micro-enterprises in Sleman Regency is no exception (Syarifudin, 2021).

Micro-enterprises are faced with a difficult situation where there are restrictions on operating hours which can only operate from 08.00 WIB to 20.00 WIB every day, limiting the number of customers with a maximum of 25% of visitors of capacity and a maximum meal time of 30 minutes (Pembatasan Sosial Berskala Besar Dalam Rangka Percepatan Penanganan Corona Virus Disease 2019 (COVID-19), 2020). With the policy issued by the government, it automatically affects the operational limitations of micro-enterprises and the decrease in consumers shopping directly and automatically has an impact on a significant decrease in income turnover. This condition makes online transactions an option, both for producers and consumers. According to Pustopo, the head of the Sleman Regency Cooperatives and Micro Business Office, of the 47 thousand SMEs in Sleman Regency, more than 5 thousand SMEs were most severely affected by COVID-19. Being the biggest PR is how Micro Enterprises can survive in difficult conditions like today, there needs to be a breakthrough or steps that can be taken by Micro Enterprises in order to survive and be able to develop so that they can face the current pandemic conditions (Syarifudin, 2021).

Based on the results of in-depth observations of business actors in Sleman Regency, some of the impacts felt as a result of the COVID-19, namely a decrease in turnover of up to 90%, reduction of employees, the implementation of a shift system for employees, as well as some of these SMEs carrying out a digitalization strategy. the digitization they use are (Rosmitha, n.d.):

a. Use of Social Media As a marketing medium such as the use of Whatsapp, Instagram, Facebook, as well as TikTok and business websites. Findings in the field 90% of business actors have implemented digital marketing with social media, they routinely carry out promotions by honing their creativity to update information related to prices, product photos, and other detailed information. The form of digital marketing that is carried out is utilizing social media or live product promotions, as well as the use of business WhatsApp, Instagram ads, all of which are synchronized, which facilitates access to social media and can reach consumers with targeted criteria.
b. The use of online platforms as a means of selling, namely by cooperating with digital platforms such as GOFOOD, GRABFOOD, AND SHOPEEFOOD.
c. Using a digital financing system, namely by adopting an e-payment system that serves payments by debit, M-Banking, digital wallets and even payments through Q-RIS.
d. Implementing Customer Relationship Management.

Maintaining good relations with customers is part of the important factor that becomes a survival strategy that must be carried out by business actors, especially in the current COVID-19 condition, because it will have an impact on customer loyalty. Based on the results of the study, it shows that culinary business actors in Sleman Regency are not only focused on finding new customers, but also maintaining and building good relationships with old customers and other parties, such as providing delivery services when orders are in large quantities, providing services with quick responses to complaints. , or other information needed by consumers and customers, even providing compensation to orphans and poor people during the pandemic (Lesmana et al., 2020).

Based on this research, business actors in Sleman Regency have implemented, built and maintained good relationships, both online and offline with customers, consumers and other parties.

3.2 Improving the Competitiveness of Micro Business in Sleman Regency of Yogyakarta by Financial Digitalization of Marketing Technology

3.2.1 Improving the quality of human resources

Human resources are part of the most important elements that can affect competitive advantage and the progress of a business, so good HR management is needed to be able to produce employees who have loyalty and superior quality in working together to bring SMEs forward (Porter, n.d.).

From the results of interviews conducted by researchers to the SME sector, the average level of education of employees owned is at the SMA/SMK level so that these employees are familiar with digitalization used for marketing. In this case, the level of quality of human resources owned by entrepreneurs is very important to increase the competitiveness of the business (Rosmitha, n.d.).

Some of the benefits of digitalization on perceived HR quality are (Appsensi, n.d.):

a) Adding qualified and skilled workforce assets
b) Increase the effectiveness of employees in completing daily work.
c) Develop employee competencies that have not been seen so far
d) Adding innovation
e) Increase product value and competitiveness
f) More organized and systematic
g) Facilitate communication between employees
h) Increase data accuracy and global reach

3.2.2 Can compete with competitor environment

In accordance with Porter's theory, the competitiveness of a business can also be measured by how a business can compete with its competitors (Meichio Lesmana, Ahmad Suminto, 2021). According to the theory of utilizing digitalization and competitiveness by Turban and Humdiana, those who use digitalization help small businesses to compete with large businesses and also expand their reach to all regions so as to improve supply management in facilitating business operations (Porter, n.d.).

In this study, several SME culinary informants in Sleman Regency felt that digitalization could help their businesses to be able to compete, especially in the new normal era of COVID-19. The development of technology is a distinct added value in competing with other business actors (Rosmitha, n.d.).

On the other hand, the advancement of digitalization technology is an opportunity to compete with other businesses, for example some SMEs who interview researchers on average all use a marketplace or digital platform, whose main function is as a gathering of online businesses that will market and sell easily and as a liaison. between seller and buyer. Just like waroeng steak and shakes, they also use GO-FOOD, GRABFOOD, SHOPEEFOOD as a marketplace and digital platform, so consumers can easily buy various products without having to go anywhere (Rosmitha, n.d.).

3.3.3 Maintain and improve customer satisfaction

The culinary business of Sleman Regency in its activities in the midst of the new normal era of COVID-19 is not only required to digitize marketing and promotions with digital marketing, but it is no less important, namely to maintain and increase consumer satisfaction, where this can be seen based on several components, namely: product quality, service quality, price and product advertising (Porter, n.d.).

The results of research on culinary business actors in Sleman district reveal that the average quality of the products they serve is guaranteed because these business actors use fresh ingredients and are guaranteed to be halal, also always make impromptu orders based on orders received, so that even though they eat a little longer time but produces a satisfactory product (Rosmitha, n.d.).

3.3.4 Increase productivity

The results obtained from interviews regarding productivity with informants of culinary business actors in Sleman Regency, on average, business actors agree that the use of digital, especially in sales and promotions helps increase the productivity of a business, this is evidenced by the increase in sales of their business products, because the convenience of consumers in accessing business information and ordering products, in addition, according to business actors, the use of digital can provide promotional cost savings (Lesmana et al., 2020).

3.3.5 Help increase the potential of the region

The results of in-depth research on Culinary SMEs in Sleman Regency showed that most of the informants agreed that the use of digitalization in SMEs, especially in the form of marketing on digital platforms and promotions with digital marketing, could expand market reach which in turn could increase the potential of a business area (Lesmana et al., 2022). By marketing and selling products using the internet, it is easier for consumers to introduce products to consumers in viewing products from both price and product specifications. The use of digital platforms such as gofood, grabfood and shopeefood and digital marketing makes it easier for consumers to find information related to products, as well as other consumer assessments of these culinary products (Rosmitha, n.d.).

4. Conclusion

Based on the results of research on several research objects as well as facts in the field that the use of marketing digitalization has a positive impact on efforts to increase competitiveness, especially in this COVID-19 era. This change or effect from the use of marketing digitalization can be seen based on the increased understanding of technology in human resources which can be a competitive advantage for SMEs and the productivity of a business in these SMEs which is marked by increased sales of their business products after the COVID-19 outbreak, making it easier to in terms of sales data collection and computer-based financial reports. With the use of marketing digitalization, it also simplifies the sales process as well as promotion and marketing processes that can expand market reach and ultimately increase regional potential. The use of marketing digitalization helps product introduction to consumers by saving more on promotional costs than conventional methods. So that the use of marketing digitalization helps the sustainability of SMEs to continue to survive even in difficult situations.

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The Impact of Ownership Concentration on Real and Accrual-Based Earnings Management: Evidence from Jordan

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Abstract

This paper examines the impact of ownership concentration on real and accrual-based earnings management in industrial companies listed on the Amman Stock Exchange (ASE). The sample is 34 industrial companies listed on the ASE in 2015-2019.The impact of concentrated ownership on real and accrual-based earnings management is examined using regression analysis. The results indicate that managerial, institutional, and foreign ownership have a statistically significant positive impact on accrual-based earnings management at the 5% level. On the other hand, family and government ownership do not significantly affect accrual-based earnings management. Government and institutional ownership have a statistically significant negative impact on real based earnings management at the 5% level, while family ownership has a statistically significant positive impact on real earnings management at the 5% level. Finally, managerial and foreign ownership do not have a statistically significant impact on real earnings management.

Keywords: Real earnings management; accrual earnings management; concentrated ownership

1. Introduction

The accounting figures in the financial reports are of great value to shareholders and investors and are considered as the most important measures of the company's performance (Bao and Lewellyn, 2017). These numbers influence shareholder and investor decisions as they can be used to forecast future stock prices and earnings. Good accounting information also increases business opportunities and managers' incentives. Therefore, managers may resort to earnings management to mislead financial reporting users (Maswadeh, 2018).

Earnings management is the manipulation of and interference in financial statements by the management. Management intervention may be the result of personal objectives and motives associated with the ratio of managerial ownership (Maswadeh, 2018). Butar-Butar and Indarto (2018) define earnings management as the "practice of distorting the real financial management of the company".

The agency theory expects companies with a high ownership concentration to have lower agency costs, as this form of ownership may contribute to the management's capability of achieving the interests of the owners. But ownership concentration may lead to a conflict of interests between majority and minority shareholders. Based on these theoretical arguments, it is assumed that ownership concentration has an ambiguous effect on earnings management.

Some studies, such as Farouk and Bashir (2017) and Kouaib and Jarboui (2014), have found that ownership concentration could reduce earnings management, while Shleifer and Vishny (1997) find that it has a positive association with earnings management. Isenmila and Afensimi (2012) and Lassoued et al. (2015) discover a positive relationship between ownership concentration and earnings management. However, some gaps remain. This study intends to fill these gaps by investigating the impact of corporate governance on earnings management.

Thus, this study examines the effect of concentrated ownership on real and accrual earnings management in industrial companies listed on the Amman Stock Exchange (ASE). Jordan is selected because of the availability of data and because it is a part of the Middle East and North Africa. The research problem can be expressed with

the following question: Does concentrated ownership affect real and accrual-based earnings management of industrial companies listed on the ASE?

2. Literature review and hypotheses development

The agency theory suggests that family ownership can alleviate agency problems as family members are long-term investors and often part of senior management. They are therefore able to exert control over management and be actively and directly involved in business decisions. Additionally, they provide better oversight over managers, leading to lower monitoring costs (Gaaya et al., 2017).

The opposing perspective hypothesizes that family ownership can increase agency conflicts because of their strong influence that allows them to compel the company to meet their demands, appoint management, and confiscate the rights of other shareholders (Kotlar et al., 2020). Paiva et al. (2016) find that in developing countries, the agency problem is exacerbated by the weak presence of corporate governance mechanisms, hence the expropriation of minority shareholders' rights.

H1a: Family ownership has no impact on real earnings management in industrial companies listed on the ASE.

H1b: Family ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

On the other hand, large institutional shareholders have an additional incentive to monitor company disclosures due to their influence in the company. Institutional ownership is seen as a control and monitoring tool that can monitor managerial procedures. The combined experience and resources of multiple institutional investors may reduce agency costs by increasing monitoring procedures and realizing equity between different parties. Institutional investors will oppose any decisions that do not serve the interest of the company (Brickley et al. 1988; Jensen and Meckling, 1976; Aluchna and Kaminski, 2017).

The impact of institutional ownership on earnings management remains an important topic of discussion. Aluchna and Kaminski (2017) suggest that institutional investors have a significant interest in maintaining the company's performance and long-term sustainability. They also have greater knowledge and experience in reading, analyzing, and interpreting financial reports, on top of more familiarity with administrative behavior. All these characteristics can mitigate opportunistic earnings management. According to Sadjiarto et al. (2019), institutional ownership is negatively associated with earnings management practices.

H2a: Institutional ownership has no impact on real earnings management in industrial companies listed on the ASE.

H2b: Institutional ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

Government owners with a large shareholding has the motivation to control the behavior of managers, resulting in lower agency costs and increased profitability. Government ownership also increases the managers' concern to realize the owners' interests. The managers may choose the most appropriate accounting methods to serve the interests of the shareholders and contribute to the growth of firm performance (Liu, 2018; Jensen and Meckling, 1976).

There is a positive relationship between government ownership and earnings management. The higher the percentage of government ownership, the greater its motivation to manage earnings. Ji et al. (2015), Lai and Tam (2017), and Lassoued et al. (2017) find a positive relationship between government ownership and earnings management.

H3a: Government ownership has no impact on real earnings management in industrial companies listed on the ASE.

H3b: Government ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

According to La Porta et al. (1999), there is risk that foreign investors lack information, are disadvantaged by political changes, and lack adequate legal protection. These create concerns among foreign investors about the future of their investments. Foreign investors seek to invest in companies with good governance because they have more experience and qualifications compared to local investors (Lieberman and Kirkness, 1998). Foreign ownership is similar to institutional ownership in that it is an effective corporate governance mechanism. Foreign ownership also contributes to lower agency costs by restricting earnings management practices. It also has a role in enhancing the value of the company (Dahlquist Robertsson, 2001).

Frydman et al. (1999) suggest that foreign owners have financial and managerial experience and skills, as well as good understanding of corporate governance. These characteristics are positively reflected in management behavior in the form of lower earnings management. Several studies, e.g., Osemene et al. (2018), Alzoubi (2016), and Shayan-nia (2017) also find that foreign ownership is negatively related to earnings management. Yasser et al. (2017), however, reveal that foreign ownership is positively associated with earnings management.

H4a: Foreign ownership has no impact on real earnings management in industrial companies listed on the ASE.
H4b: Foreign ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

Finally, managerial ownership has a significant role in improving the value of the company and reducing the gap and conflict between managers and shareholders, as it motivates managers to work as shareholders. A high degree of managerial ownership gives the managers more power and opportunity to interfere in business decisions and strategies (O'Callaghan et al., 2018).

The separation of ownership and management increases agency costs because managers may focus on their own interests rather than those of the shareholders (Alves, 2021). This opportunistic behavior will increase the wealth of managers at the expense of owners (Nuanpradit, 2019). As a result, owners must expend substantial costs to monitor managers and ensure the alignment of both parties' interests. The agency theory assumes that a lower degree of managerial ownership gives more incentive to managers to realize their self-interests. The theory also suggests that managerial shareholding can lead to the convergence of interests between managers and shareholders (Jensen Meckling, 1976).

Managerial ownership can reduce the opportunistic behavior of managers, and thus it is expected to reduce earnings management. Several studies (e.g., Liu, 2018; Alzoubi, 2016; Alves, 2012) have found a negative relationship between managerial ownership and earnings management. On the other hand, managerial ownership may lead to poor firm performance because managers are inclined to make self-serving decisions (Zhuang, 2017). Other studies (e.g., Farouk and Bashir, 2017; Kamran Shah, 2014) find a positive relationship between managerial ownership and earnings management.

Organizations in Jordan have high ownership concentration, which is expected to reduce agency problems and, accordingly, earnings management. Therefore, the following hypotheses were formulated:

H5a: Managerial ownership has no impact on real earnings management in industrial companies listed on the ASE.
H5b: Managerial ownership has no impact on accrual-based earnings management in industrial companies listed on the ASE.

3. Data

The population of the study is all non-financial companies listed on the Amman Stock Exchange (ASE), which were 43 services companies and 38 industrial companies. The sample consists of all listed industrial companies in 2015-2019 with available data. The final sample is 38 firms. The manufacturing sector is chosen because of its importance for the Jordanian economy, as it contributes to about 25% of the national GDP. Data for the research variables are collected from the annual reports of the sample during 2015-2019. Four companies are excluded because of the lack of data in their reports.

The dependent variables in this study are real and accrual-based earning management. Real earnings management is measured using Roychowdhury's (2006) model. According to Roychowdhury, there are at least three methods of real earnings management: sales manipulation, reduction of discretionary expenditures, and overproduction. These are explained below.

3.1. Sales manipulation

Sales manipulation is the attempt by the management to increase sales temporarily before the end of the fiscal year using certain measures that can affect the process and volume of sales (Chin, 2008). Gunny (2010) observes that managers try to increase sales for the fiscal year to meet the targeted profits by offering discounts and more lenient credit terms. By offering price discounts, managers can induce demand and thus sales at the end of the fiscal year. Naturally, the organization will not be able to provide similar discounts in the subsequent year. It will return to the old price, which causes its sales to reduce in the coming year. Zaineldeen (2012) states that managers may accelerate current profits at the expense of future gains. More lenient credit conditions is given by means of providing more credit facilities, such as reducing interest rates on future sales or offering discounts for an urgent sales process, to boost sales during a given period (Roychowdhury, 2006). Sales manipulation is measured using Roy Chowdhury's (2006) model:

$$\frac{CFOit}{Ait-1} = \alpha 0 + \alpha 1 \frac{1}{Ait-1} + \alpha 2 \frac{Sit}{Ait-1} + \alpha 3 \frac{\Delta Sit}{Ait-1} + e \quad (1)$$

where:
CFO*it*: Cash flows from the operations of company (i) in period (t)
S*it:* Net sales of company (i) in period (t)
▲S*it:* Change in sales between the current year and the previous year of company (i) in period (t)
A*it*-1: Total assets of company (i) in period (t-1)
e: Random error.

3.2. Reduction of discretionary expenses

Reducing expenditures is an effective way to increase profits. Since R&D costs usually represent a large percentage of estimated expenditures, the organization usually inflates profits by cutting them. Additionally, managers may also cut the training, travel, advertising and promotion, and administrative expenses because their effects are only achieved in the long term. Through these measures, managers could create or inflate profits. However, they force the organization to postpone new projects. Thus, budget cuts sacrifice the economic value of the organization in the long term for the sake of short-term profits (Roychowdhury, 2004). Estimated expenditures are measured using the following model (Roychowdhury, 2006):

$$\frac{EXPit}{Ait-1} = \alpha 0 + \alpha 1 \frac{1}{Ait-1} + \alpha 2 \frac{Sit}{Ait-1} + e \quad (2)$$

where:
EXP*it*: Total voluntary expenses for the operations of company (i) in period (t)
S*it:* Net sales of company (i) in period (t)
A*it*-1: Total assets of company (i) in period (t-1)
e: Random error.

3.3. Overproduction

Overproduction increases the number of units produced to reduce the overall cost of production. The focus of this method is the cost of production, defined as the costs of goods sold plus inventory changes in a given period (Roychowdhury, 2004). As managers increase production to meet the expected demand, the fixed production costs are distributed over a larger number of units, reducing the fixed costs per unit. Because this reduction is not matched by an increase in unit marginal costs, the total unit costs decrease, resulting in a reduction in the cost of production in the organization's reports (Roychowdhury, 2004). In the long term, there is an increase in marginal costs per unit, but this increase does not exceed the decrease in fixed costs per unit, so the total costs will decrease, which leads to a reduction in production costs. But by increasing production, the organization has a higher inventory count, and so it must bear a higher cost of storage (Chin, 2008). The cost of the extra production is measured using Roychowdhury's (2004) model:

$$\frac{PRODit}{Ait-1} = \alpha 0 + \alpha 1 \frac{1}{Ait-1} + \alpha 2 \frac{Sit}{Ait-1} + \alpha 3 \frac{\Delta Sit}{Ait-1} + \alpha 4 \frac{\Delta Sit-1}{Ait-1} + \varepsilon \quad (3)$$

where:
PROD*it*: Production cost of company (i) in period (t)
S*it:* Net sales of company (i) in period (t)
▲S*it:* Change in sales between the current year and the previous year of company (i) in period (t)
A*it*-1: Total assets of company (i) in period (t-1)
e: Random error.

Accrual-based earnings management is measured using Kothari et al.'s (2005) model:

$$TACCijt/(Aijt\text{-}1) = \alpha + \beta 1\ 1/(Aijt\text{-}1) + b = \beta\ 2\ (\blacktriangle REVijt - \blacktriangle RECitj)/(Aijt\text{-}1) + \beta\ 3\ PPEijt/(Aijt\text{-}1) + \beta 4(ROAijt\text{-}1) + \varepsilon ijt \quad (3)$$

where:
TACCijt: Total accruals of company (i) in sector (j) during period (t).
Aijt-1: Total assets of company (i) in sector (j) at the beginning of period (t).
▲REVijt: Change in revenue of company (i) in sector (j) between two years (t-1) and (t).
▲RECijt: Change in accounts receivable of company (i) between two years (t-1) and (t).
PPEijt: Total property, plant, and equipment value of company (i) in sector (j) during year (t).
ROAijt-1: The rate of return on assets of company (i) in sector (j) during period (t-1).
$^{\varepsilon}$ijt: Estimated random error expressing the value of discretionary (abnormal) accruals of company (i) in sector (j) during year (t).

Non-discretionary (normal) accruals can be expressed with the following equation:

$$NDACCijt/(Aijt-1) = \alpha + \beta 1\ 1/(Aijt-1) + b = \beta\ 2\ (\blacktriangle REVitj - \blacktriangle RECitj)/(Aijt-1) + \beta\ 3\ PPEijt/(Aijt-1) + \beta 4(ROAijt-1) + {}^{\varepsilon}ijt \quad (4)$$

where:
NDACCijt: Non-discretionary accruals of company (i) in sector (j) during period (t).

The independent variable of concentration ownership is divided into five categories: family ownership, institutional ownership, government ownership, foreign ownership, and managerial ownership. Each category is measured as the percentage of each ownership to the total ownership of the company. Finally, the control variables are firm leverage, firm size, and firm age (Farouk Bashir, 2017; Kouaib Jarboui, 2014; Shleifer Vishny, 1997; Isenmila Afensimi, 2012; Lassoued et al., 2015).

Two regression models are used to estimate the relationships between these variables and earnings management:

$$AEM_{it} = \alpha_0 + \beta_1 FAMILY_{it} + \beta_2 INSTITUTIONAL_{it} + \beta_3 GOVERNMENT_{it} + \beta_4 FOREIGN_{it} + \beta_5 MANAGERIAL_{it} + \beta_6 FSIZE + \mathcal{E} \quad (5)$$

$$REM_{it} = \alpha_0 + \beta_1 FAMILY_{it} + \beta_2 INSTITUTIONAL_{it} + \beta_3 GOVERNMENT_{it} + \beta_4 FOREIGN_{it} + \beta_5 MANAGERIAL_{it} + + \beta_6 FSIZE_{it} + \mathcal{E} \quad (6)$$

where: AEM: accrual-based earnings management; REM: real earnings management; FAMILY: percentage of family ownership; INSTITUTIONAL: percentage of institutional ownership; GOVERNMENT: percentage of government ownership; FOREIGN: percentage of foreign ownership; MANAGERIAL: percentage of managerial ownership; and FSIZE: natural logarithm of total assets.

Table 1. Research variables.

Variable	Definition	Type	Measurement
AEM	Accrual-based Earnings Management	Dependent variable	Kothari et al., 2005
REM	Real earnings management	Dependent variable	Roychowdhury, 2006
FAMILY	Family ownership	Independent variable	Total shares owned by family divided by total shares of the company.
INSTITUTIONAL	Institutional ownership	Independent variable	Total shares owned by institutions divided by total shares of the company.
GOVERNMENT	Government ownership	Independent variable	Total shares owned by government divided by total shares of the company.
FOREIGN	Foreign ownership	Independent variable	Total shares owned by foreign divided by total shares of the company.
MANAGERIAL	Managerial ownership	Independent variable	Total shares owned by managers divided by total shares of the company.
FSIZE	Firm size	Control variable	Natural logarithm of total assets.

4. Results

4.1. Descriptive statistics

Table 2 presents the descriptive statistics (maximum, minimum, mean, and standard deviation) of the independent and dependent variables, using data from 170 firm-year observations of industrial companies listed on the ASE in 2015-2019. This study uses Roychowdhury's (2006) model to measure real earnings management and Kothari et al.'s (2005) model to measure accrual-based earnings management.

Table 2. Descriptive statistics.

Variable	Minimum	Maximum	Mean	Std. Deviation
Accrual-based earnings management	-0.34	0.22	0.0001	0.08100
Real earnings management	0.09	2.59	.6452	0.37435
Family ownership	0.00	47.93	34.55	8.26
Managerial ownership	0.00	98.72	44.36	16.28
Government ownership	0.00	54.15	28.04	9.42
Institutional ownership	0.00	43.58	31.51	6.26
Foreign ownership	0.00	98.80	16.65	8.47
Firm size	8.00	10.69	9.3455	0.4820

The results in Table 1 show a low level of accrual-based earnings management (M = 0.0001, max = 0.22, min = -0.34), consistent with Alzoubi (2016) and Ballesta and Meca (2007). On the other hand, there is a high level of real earnings management (M = 0.6452, max = 2.59, min = 0.09), consistent with Idris (2012).

There is a moderate level of family ownership (M =.3455, max = .4793, min = 0.000), consistent with Alzoubi (2016). Managerial ownership is high (M = 0.4436, max = 0.987, min = 0.000), with Haddad (2019). There is a moderate level of government ownership (M = 0.2804, max = 0.5415, min = 0.000), consistent with Kurdi (2017). Institutional ownership (M = 0.3151, max = 0.433, min = 0.000) and foreign ownership (M = 0.1665, max = 0.988, min = 0.000) are moderate, consistent with Haddad (2019). The firm size variable is transformed into natural logarithm to resolve standard deviation and normality problems. The result is consistent with Idris (2012).

To test for multicollinearity, a correlation matrix between the explanatory variables is used (Table 3).

Table 3. Correlation matrix.

	Family Ownership	Managerial Ownership	Government Ownership	Institutional Ownership	Foreign Ownership	Firm Size
Family ownership	1					
Managerial ownership	0.37	1				
Government ownership	0.46	0.34	1			
Institutional ownership	-0.18	0.54	-0.03	1		
Foreign ownership	0.50	0.31	0.20	-0.05	1	
Firm size	-0.01	0.50	-0.05	0.23	0.13	1

The results indicate that no correlation is larger than 70%, which means the absence of multicollinearity. Variance inflation factor is also used to test for multicollinearity (Table 4).

Table 4. Variance Inflation Factor and tolerances.

Variables	VIF	Tolerance
Family ownership	1.162	0.861
Managerial ownership	1.261	0.793
Government ownership	1.035	0.967
Institutional ownership	1.332	0.751
Foreign ownership	1.130	0.885
Firm size	1.403	0.713

All VIF values are lower than 10, and all tolerance values are higher than 10%, which means that there is no problem of collinearity.

4.2. Accrual-based and real earnings management

To test the effect of concentrated ownership on real and accrual-based earnings management, the OLS model is used to estimate discretionary accruals using Kothari et al.'s (2005) model and to estimate REM using Roychowdhury's (2006) model. The OLS model is the most appropriate model to test the research hypotheses. The results are as follows.

4.2.1. Accrual-based earnings management

To estimate accrual-based earnings management, Kothari et al.'s (2005) model is used. Table 5 shows the results of the estimation.

Table 5. Accrual-based earnings management model (Kothari's model).

	B	***T***	**Sig**
(Constant)	-0.094	-0.960	0.346
1/Ai,t-1	0.349	0.477	0.607
(ΔREVi,t - ΔRECi,t) / Ai,t-1	0.003	3.262	0.003
PPEi,t / Ai,t-1	-0.017	-0.491	0.598
ROAi,t-1	0.005	6.288	0.000
R^2	0.2467		
F	13.104		
Sig	0.000		
D-W	2.047		

The R^2 is 24.67%, which means that there is low accrual-based earnings management in Jordanian listed industrial companies. This regression equation is used to estimate accrual-based earnings management. The results of regressing accrual-based earnings management on concentrated ownership are shown in Table 6. The results are consistent with Idris (2012).

Table 6. Concentrated ownership and accrual-based earnings management model.

	B	***T***	**Sig**
(Constant)	-0.008	-0.982	0.335
Family ownership	0.114	1.456	0.165
Managerial ownership	0.001	2.429	0.012
Government ownership	0.084	0.684	0.486
Institutional ownership	0.071	2.328	0.015
Foreign ownership	-0.001	2.181	0.020
Firm size	-0.027	-0.727	0.468
R^2	0.49239		
F	14.745		
Sig	0		
D-W	2.09		

As shown in Table 6, the R^2 of the model is 49.24%, which means that the concentrated ownership variables explain 49.24% of the variance in accrual-based earnings management. Moreover, the model is significant (F = 14.745, p = 0.000), indicating that the model significantly explains the changes in accrual-based earnings management.

The results also indicate that managerial ownership has a significant positive impact on accrual-based earnings management (t = 2.429, p = .012).

Institutional ownership has a significant positive impact on accrual-based earnings management (t = 2.328, p = .015), and foreign ownership has a significant positive impact on accrual-based earnings management (t = 2.181, p = .020). These results are not as expected, implying that managerial, institutional, and foreign ownership could increase accrual-based earnings management practices. Finally, family ownership (t = 1.456, p = .165) and government ownership (t = 0.684, p = .486). The results suggest that family and government ownership are not significant determinants of accrual-based earnings management practices. Finally, firm size does not affect accrual-based earnings management (t = -0.727, p = .468), suggesting that firm size does not significantly influence accrual-based earnings management practices.

4.2.2. Real earnings management

Roychowdhury's (2006) model is used to estimate real earnings management. Table 7 shows the results of the model.

Table 7. Real earnings management model (Roychowdhury's model).

	Sales manpulation			**Reduction of discretionary expenses**			**Overproduction**		
	B	***T***	**Sig**	***B***	***T***	**Sig**	***B***	***T***	**Sig**
(Constant)	0.370	3.489	0.001	-0.120	-1.485	0.157	-0.345	-2.518	0.019
1/Ai,t-1	-2.419	-3.024	0.005	1.330	2.197	0.039	2.327	2.273	0.033
SALESi,t/Ai,t-1	0.223	2.312	0.031	0.053	4.048	0.000	0.820	14.082	0.000
ΔSALESi,t/ Ai,t-1	-0.003	-2.338	0.029	-	-	-	0.004	1.597	0.129
ΔSALESi,t-1/ Ai,t-1	-	-	-	-	-	-	0.096	1.586	0.132
R^2	0.121			0.136			92.8		
F	7.397			12.699			484.286		
Sig	0			0			0		
D-W	1.846			1.868			1.953		

The adjusted R^2 of sales manipulation and discretionary expenses are respectively 12.1% and 13.6%. Although they are higher than the figures reported by Kang and Kim (2012) (4% and 2% respectively), they are lower than those reported by Roychowdhury (2006) (45% and 38% respectively). On the other hand, the adjusted R^2 of

overproduction is 92.8%, which is also similar to that of Roychowdhury (2006) (89%) and Kang and Kim (2012) (90%). The results of the regression analysis are shown in Table 8. The results are consistent with Idris (2012).

Table 8. Concentrated ownership and real earnings management model.

	B	***T***	**Sig**
(Constant)	0.740	21.080	0.000
Family ownership	0.566	2.727	0.006
Managerial ownership	0.001	0.363	0.679
Government ownership	-0.236	-2.595	0.008
Institutional ownership	-1.459	-3.699	0.001
Foreign ownership	0.000	0.132	0.832
Firm size	0.041	2.330	0.021
R^2	0.613		
F	17.338		
Sig	0		
D-W	2.047		

As shown in Table 8, the R^2 of the model is 61.3%. This shows that the concentrated ownership variables explain 61.3% of the variance in real earnings management. Moreover, the model is significant ($F = 17.338$, $p = 0.000$), indicating that it significantly explains the changes in real earnings management.

The results also indicate that family ownership has a significant positive impact on real earnings management ($t = 2.727$, $p = .006$). This result is not as predicted, and it implies that family ownership could have a significant influence on real earnings management practices. On the other hand, government ownership has a significant negative impact on real earnings management ($t = -2.595$, $p = .008$). Institutional ownership also has a significant negative impact on real earnings management ($t = -3.699$, $p = .001$). These results are as predicted, suggesting that government and institutional ownership could decrease real earnings management practices. Managerial ownership ($t = 0.363$, $p = .679$) and foreign ownership ($t = 0.132$, $p = .832$) have no significant effect on real earnings management. These results are not as expected, indicating that managerial and foreign ownership could not have a significant influence on real earnings management practices. Finally, firm size has a positive significant effect on real earnings management ($t = 2.330$, $p = .021$). This result is as predicted and implies that firm size could have a significant influence on real earnings management practices.

5. Conclusion

The main objective of the study is to examine the effect of ownership concentration on real and accrual-based earnings management in industrial companies listed on the ASE. The current research applies two models (accrual-based earnings management and real earnings management).

The results of the first model (accrual-based earnings management) show that managerial, institutional, and foreign ownership have a statistically significant positive impact on accrual-based earnings management. But family and government ownership do not have a statistically significant impact on accrual-based earnings management. For the second model (real earnings management), the results show that government and institutional ownership have a statistically significant negative impact on real earnings management. Moreover, family ownership has a statistically significant positive impact on real earnings management. On the other hand, managerial and foreign ownership do not have a statistically significant impact on real earnings management.

The findings of the study may be useful for Jordanian regulatory bodies to enhance the effectiveness of corporate governance mechanisms. Furthermore, it may bring the attentions of practitioners (investors, bankers, etc.) in the manufacturing companies to give more consideration on the role of the board of directors in the quality of financial reports. A high-quality financial report can assist investors and bankers to make their investment and financing decisions. The results are also useful for the regulators in any improvement process of the corporate governance in Jordan.

The limitation of this research is that it includes only three characteristics of the board of directors. Future research may extend this work by including more board characteristics or other corporate governance characteristics. Future research could also include more control variables, such as performance and audit quality.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Why Digital Islamic Financial Literacy is Important? (Extended Abstract)

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1. INTRODUCTION

Many Malaysians still have trouble managing their finances in today's modern world, leaving them extremely exposed to the effects of a financial shock (Dr Mahathir bin Mohamad 9th Prime Minister of Malaysia as retrieved on 22 July 2019 in National Strategy). The risk and accountability for one's own financial decisions tend to increase as finances grow more complex and diversified. The Malaysian government is creating a National Strategy for Financial Literacy 2019–2023 in respond toward this issue. In relation, financial education that has a substantial influence on financial literacy was recommended as the primary procedure to assist and lead to the development of financial well-being in relation to improving Malaysian financial literacy.(Hathaway & Khatiwada, 2011; Ismail et al., 2017; Widyastuti et al., 2020; Yong et al., 2018). Next, although there has been a substantial amount of earlier research on the subject of financial literacy, there is still little research on financial literacy that focuses on Islamic finance (Ab Rahman et al., 2018; Antara et al., 2016; Hafizah et al., 2016). As a country to be known as Islamic Financial Hub (Mohd Noor et al., 2014; Rudnyckyj, 2014; Yusof & Shabri, 2008), It's disappointing that Malaysia is still trailing behind in creating structures and programmes for Islamic financial literacy education, leaving relatively few people with a solid grasp of Islamic finance. (Lahsasna, 2016). National Strategy also emphasis the important of adaption digitalization in education. Numerous studies have shown that digital interventions speed up the learning process and have a good impact on students' behaviour (Escuenta et al., 2017; Tulinayo et al., 2018). Additionally, it is believed that the usage of digital technology can influence education when majority in Malaysia today have access to the digital platform which based on the Hootsuit and We Are Social report in January 2022, Malaysia has 89.6 percent of digital platform (Kemp, 2022).

2. LITERATURE REVIEW

2.1 Islamic Finance in Malaysia

Islamic finance is viewed as a different form of financing that, in principle, should be more stable than conventional financial systems (Lahsasna, 2016). Zakat, faraid, waqf, Islamic asset management, Islamic debt management, Islamic bank, Islamic insurance known as Takaful, Sukuk, Islamic capital market, Islamic stock market, Islamic real estate investment trust (IREITS), and more are all part of the Islamic financial system. Other than that, The Islamic financial system offers identical goods and services to the conventional financial system, but its operations are guided by a set of moral and ethical standards that specify what is ethically 'correct,' i.e., what should be done and what transaction that promote the public good or against the public good (Noor & Ibrahim, 2022).

2.2 Islamic Financial Literacy in Malaysia

Financial literacy is a set of indicators that are used to forecast the need for financial education and to account for difference in financial outcomes, such as saving, investing, and borrowing behaviours. (Frączek, 2015; OCDE, 2012). Islamic financial literacy is considered a new area that can be considered as on development stage with very limited literature (Ab Rahman et al., 2018; Abdullah & Anderson, 2015; Hafizah et al., 2016). In addition, compared to the conventional system, there are many more topics that need to be covered for Islamic financial literacy. In the context of Islamic financial literacy, people should be aware of, among other things, the concepts

of money, prohibited Syariah elements, business, banking, zakat, inheritance, the Islamic means of earning money, acceptable financial transactions and services, and prohibited business and financial practises (Lahsasna, 2016).

2.3 Digital Platform of Islamic Financial Literacy

There is no specific definition of digital platform for education as the term "digital platform" refers to technologies that enable data homogenization, editability, programmability, distributedness, and selfreferentiality (De Reuver et al., 2018; Kallinikos & Aaltonen, 2013; Yoo et al., 2010). The use of digital platforms is an advantage if utilized as much as possible in helping to develop education (W.E. Putra, I.L. Kusuma, 2020). In relation, Malaysia place 9th from top country in the world most actively using digital platforms (Kemp, 2022). Malaysian Communications and Multimedia Commission (MCMC) in their survey as retrieved in 2020 found that 66.9 percent of digital users are came from the age of young adults which age between 35 to 15 years old (Malaysian Communications and Multimedia Commission, 2020).

3. METHODOLOGY

This research using quantitative method by distribute questionnaire using online platform. Quantitative research designs are often pre-determined. In quantitative research, the ideal function of the researcher is as a separate observer and conducting experimentation is a requirement in this research. A set of questionnaires were developed for this study and aims to conduct a pilot test of 30 respondents. For data collection, 350 respondents of young adult age between 18-35 years old were suggested using snowball sampling method.

4. CONCLUSION

Financial literacy is crucial for preventing the economic problems of individuals, families, communities and even countries. The Islamic financial literacy for education digital education platform is currently in its early phases and is not yet commercially accessible in Malaysia. Other than that, the use of digital education suggested help students learn more quickly and have a bigger impact on society, particularly among young adults. Currently there are many different options of digital platform using by young adult for many purposes. Therefore, this study focusing on young adults' preferences for digital platforms for Islamic financial literacy.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Review of Blockchain-based Governance Framework for the Frozen Estate in Malaysia

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Abstract

In Malaysia, the frozen estates or inheritance properties are managed by Civil High Court, Syariah Court, Land Office and Amanah Raya Berhad. The beneficiaries or heirs should make a claim of inheritance properties to the authorized or administrative agencies that managing estates distribution. Each of the agency have their own function and there are procedures need to follow before making the application to claim the deceased's estates. The problem in managing frozen estates are time and cost issues, irresponsible attitude of the heirs and the complexity of the current governance. All problems effects the increasing the issues of frozen estates in Malaysia to RM70 billion in 2020. This study implement the blockchain-based governance framework for the frozen estates in Malaysia. Blockchain technology is a decentralized databased that bring all the agencies and the heirs to make transaction or the right transfer process on a single platform using blockchain-based system. Blockchain technology provides transparency, immutability, security, and real-time transaction. This study use basic qualitative research methodology that analyses the issues and challenges in managing frozen estate and current governance in managing frozen estates. Lastly, this study proposed the comprehensive blockchain-based governance framework for the frozen estate in Malaysia. Thus, the framework will strengthen the management of frozen estate among Muslim and can ensure justice and social wellbeing of the heirs.

Keywords: Blockchain Technology; Frozen Estate

1. Introduction

Frozen estates are the property that detained from any transaction, unclaimed or delayed claim of the estates by the heirs until all the deceased's estates are completely distributed. Thus, frozen estates are the big issues that should be taken seriously by the authorities or administrative that involve in this matter. Blockchain technology is a significant advancement in the era of the fourth industrial revolution (IR4.0). Blockchain technology has the revolutionary potential to resolve many global community's existing challenges. The discussion of this technology has received a lot of attention in public. It combines three established technologies: private key cryptography, peer-to-peer networking, and a consensus procedure. Blockchain technology can change from an uncertain to a trustworthy transaction (Nur Husna Zakaria & Munir, 2018).

Based on the statistics, the number of frozen estate or unclaimed estates are increasing in Malaysia. In 2007, the value of unclaimed estate is RM40 billion (Rejal Arbee, 2007). In 2014, the value of frozen estates is more than RM52 billion with more than 1 million number of inheritance cases (Badrul Hafizan Mat Isa, 2013). In 2016, the number of frozen estates increase to RM60 billion (Anon, 2016) and more than RM70 billion frozen estates in 2020 (Ekhwan Haque, 2020*).* There are 90% from the total amount of frozen estate are Muslim properties. The value of inheritance properties is increasing from time to time because of the inflation of the inheritance properties and the increasing of the new cases of the deceased's estates. These statistics trigger the importance of managing the frozen estates and inheritance properties with the right methods so that the problems can be solved, and the Muslim societies will gain benefits from its to enhance the economic growth.

The legal system in Malaysia has been influenced by British policy and administration affects the Muslim Malay community in the management of their estate especially in terms of administration and distribution (Noraini Noordin et al., 2012). As a result, there are three agencies that manage and administer the Muslim estate in Malaysia, namely the High Court, the Small Estate Distribution Section of the Department of Director General of Lands and Mines (land office) and Amanah Raya Berhad. Meanwhile, the Syariah Court only has the power to issue Faraid certificates to determine faraid's heirs and the share of Faraid, verify the will (if any), and if issues arise involving the validity of the marriage, the confirmation of the heirs and the rights of the heirs (Noraini Noordin et al., 2012).

Numerous studies on the factors of delay in the division of the estate have been carried out. Wan Suraya Wan Hassin et al. (2016) found the factors that contribute to the problem of frozen estates in Malaysia are the attitude of the property owner, the factor of heirs and legal factors. Rusnadewi and Nur Inayah (2010) stated the failure settlement of the estate is due to the ignorance of the heirs, the lacking understanding of the concept of the actual inheritance of property by faraid, the existence of various jurisdictions in the administration of the estate in Malaysia that can confuse the community, the delay of the process in the management of the estate and weakness of the estate administration system. Most of the delay factors indicate is due to the disagreement of the heirs regarding the administration of the estate in Malaysia. So, it is a necessity to explain matters related to estate administration in Malaysia since there are not many studies done regarding the scope of administration and law of the frozen estate (Roslan & Ahmad, 2022).

Then, the development of blockchain technology using smart contracts can be applied in most administrative agencies because the qualities of secure and irreversible, distributed ledger, decentralized data management, transparent and auditable, efficient, low cost, coordinated, and adaptable (Guo & Liang, 2016). Essentially, blockchain is a decentralized, distributed ledger system that ensures data security, transparency, and integrity. The administration and inheritance property claim process take four months to a year to be completed depend on the complexity of the process (Wan Nur Izzah et al., 2021). Each beneficiary needs to complete several processes to obtain their share of inheritance property. The blockchain technology can streamlines the entire process using the ability of decentralized databased that can record all the transactions that occur including real estate certificates, the changes, digital maps, and settlement records with the evidence that cannot be tampered or destroyed, and the transaction is transparent and very secure.

The structured of the paper is as follow; a past research related to the management of frozen estate in Malaysia and the issues of current governance are discussed to see the need of applying blockchain technology and what is the opportunities of using blockchain technology in managing frozen estate. Besides, the research methods introduced are about the reviewing the past literature about the frozen estate and blockchain technology. Lastly, the discussion about the blockchain-based governance framework for the frozen estate, and conclusion are included in the last part of the paper.

2. Literature Review

2.1 The Management of Frozen Estate in Malaysia

There are four institutional that manage the inheritance property that will discuss here including the Civil High court, Syariah Court, Amanah Raya Berhad and the Department of Director General of Lands and Mines (Land Office). Based on legal framework, the beneficiaries or heirs should make a claim to the authorized or administrative agencies that managing estates distribution. Based on the Malaysian law, all the estates become frozen after the declaration of death till granted probate from the High Court. All large estates or non-small estates falls under the jurisdiction of the Civil High Court. Before application to claim the deceased estate is made, the beneficiaries, or appointed lawyer or trust corporation need to have grant of probate or letter of administration. The process to have grant of probate will take a lot of time before the estate can be distributed.

The Syariah court will manage the case that related to Muslim only. The Syariah Court has right to issue inheritance certificate after the death of a Muslim by determining the eligible heirs and certify the shares. The cases that manage by the syariah court including wills, gift inter *vivos*, division and inheritance of testate or intestate property and others that brought under Act 505, the Administration of Islamic Law (Federal Territories) Act 1993 under section 46, jurisdiction of Syariah High Court.

Amanah Raya Berhad (ARB) is the administrator and executor that managing movable estate that value under RM600,000 of the deceased's estates testate or interstate. If the estate is less than RM50,000 in cash, ARB can issue order and deliver it to the heirs. But if the estate in between RM50,000 to RM600,000, ARB will make declaration and determine the net estates of the deceased. Then, ARB will prepare a statement of account of the estate, and the estates will distribute according to *Faraid*.

The Department of Director General of Lands and Mines (Land Office) has the authority to manage the administration and distribution of the small estate matters. Based on the Small Estates (Distribution) Act 1955 under the Amendment Act A1331, the ceiling values of the small estates increase from RM600,000 to RM2

million in 2009. However, based on Small Estates (Distribution)(Amendment) Act 2021 under section 3, small estates mean estate of a deceased person that consist of any property situated in any state (substituting the wholly or partly of immovable property) and not exceeding RM5 million in total value (substituting for not exceed RM2 million). Based on the Principal Act, the requirement that the deceased must have died interstate remains to be apply.

Therefore, it is important that the administration of the estate be scrutinized to ensure that the surviving heirs inherit the property of the deceased. If the deceased's estate is not properly administered, the distribution of inheritance will be a complex matter and trigger the concern of the beneficiaries. The existence of several estate administration agencies and the legal stated caused confusion to the public, and there have been grievances and criticisms by blaming the Land Office, Syariah Court and other agencies when the issue of inheritance cannot be resolved, disputes over the heirs and others (Wan Nur A'ina Mardhiah Wan Rushdan et al., 2021). Thus, the failure to contain this problem is due to the legal constraints and negative social and cultural practices of the society that need to be studied to find a comprehensive solution to overcome the problem.

2.2 Issues / Problems related to Frozen Estate

There are a lot of issues that lead to the increasing number of frozen estates in Malaysia. The problem in managing frozen estates that will discuss here are time and cost issues, irresponsible attitude of the heirs and the complexity of the current governance. These problems are related to each other that cause the increasing number of frozen estates in Malaysia.

2.2.1 Time and Cost Issues

Firstly, the process of claimed inheritance properties consume a lot of time. The process or procedure in both Civil and Syariah Courts take time to process the claim. Consequently, the inheritance cases must be processed by the heirs through both Civil and Syariah courts will lead to a high cost of time and money (Azi Haslin Abdul Rahman & Rusni Hassan, 2020). The claim process of inheritance property may take three to ten years for normal cases and can up to more than 20 years for special cases that have a lot of issues (Yaacob, O., 2006). In addition, the public's notion that adequate *faraid* and high claims processing costs together with complex claims processing matters also contribute to the problem of property that is not claimed (Ahmad Hidayat Buang, 2008). The impact of this problem led to the increasing of frozen estates which resulted losing billions of assets value of Muslims and contributing losses to the country in the absence of economic generation.

2.2.2 The Irresponsible Attitude of The Heirs

The unawareness and lack of knowledge of the heirs will make the process more difficult. Most of the heirs have difficulties to complete the claim form of inheritance and comply all the documents needed in the process (Abd Ralip, 2011). The heirs do not know the right procedures to start with and the process to claim the frozen estates. Then, the heirs are delaying the process because of time constraint, lack of understanding and only relying to other relatives (Mohd Fauzi Mohd Yusoff, 2004). Besides, the absence of nominees, loss contact of other heirs and no heirs of the estates also the reasons of increasing frozen estates (Mahamood, 2006).

Rahman et. al (2016) said that the cause of delay in managing and settlement of the inheritance properties is due to the lack of consensus and understanding between the family members. Then, the people that has no knowledge and do not understand the different jurisdiction and diversity of the estate management institutions in Malaysia also lead to the delay of inheritance distribution (Rahman et. al., 2016). In the end, it will result in the estate claim not being fully implemented or left halfway through.

2.2.3 The Complexity of The Current Governance

In Malaysia, the current governance of frozen estate involves the jurisdiction of the federal government and state government that provide under the Federal Constitution. This make the management of claims of Muslim estates is quite complicated because involve with different administrative agencies. The procedural laws relating to estate claims are provided under the ninth schedule, list 1 item 4(e) involving the entire Malaysian community, both Muslim and non-Muslim. While for the management of Muslim property, Islamic law in relation to inheriting property, testate and intestate is under the jurisdiction of the state in the ninth schedule, list 2 item 1 (Jasni Sulong, 2011). In short, grant of probate or letter of administration issued by high court and land office, and certificate of *faraid* issued by the Syariah Court of the states are required by Muslims to enforce the distribution of inheritance (Mohd. Ridzuan Awang, 2008).

Mohd. Al-Adib Samuri (2016) raised the issue of conflict of jurisdiction between the Civil High Court and the Syariah Court when a case related to a Muslim's inheritance is decided by the Civil High Court. There is the

problem of unclaimed property from several circumstances such as the beneficiaries of the property has died, not yet old enough, has disability of thinking, undetected, and there was a dispute and discontent among the heirs (Mahamood, 2006). Noraini Noordin et al. (2012) discusses two main factors contributing to delays in the distribution of estates which is the process of obtaining an administrative power of attorney involving many parties with different procedures, and the heirs who are less proficient in estate administration. Thus, the administrative agencies such as High Court, Syariah Court, Land Office, and Amanah Raya Berhad need to have proper guidelines of their jurisdiction and need to educate the heirs regarding the process to claim frozen estates.

2.3 Blockchain Technology

Blockchain technology is a distributed ledger that connect between blocks of data. Blockchain technology use public key encryption to save all the data and the history of transaction that involved in every ledger and the block will get notified if any change happens in the network (Drescher, 2017). Based on the structural perspective, blockchain has a structured using distributed database. Decentralized blockchain are immutable that secured via cryptographic algorithms that control each block in the chain (Bailis et al., 2017; Hawlitschek et al., 2018). There are three categories of blockchain technology that is permissionless, permissioned or combination of both categories. Permissionless blockchains defined the blockchain with no restriction on the nodes as it enables any user to join the blockchain network and become nodes. Permission blockchain has limit the right of nodes on the blockchain network. The access to the permission blockchain network limited to the specific nodes. Only the permissioned blockchain user can have access to the identity and database of the network. Blockchain technology is cost efficient because it can reduce the several cost like the transaction cost or administrative cost (Casino et al., 2019). Thus, blockchain technology eliminate the intermediaries using decentralized structured that enable the interaction between users to make transaction more efficiently and more quickly.

2.3.1 Transparency

Blockchain enhance the transparency of the system network that will eliminate the centralised authorities. Transparency is how the information is accessible to all the counterparties in the network (C. Bai & J. Sarkis, 2020). Therefore, transparency is very necessary to emerge secure environment that associated with the blockchain. The highest level of transparency increases the trust between the administrative agencies and the beneficiaries, increases the efficiency of the services and can reduce expenses. Blockchain technology has tampering-proof mechanism that help to increase the level of transparency. All the transaction are recorded and store in the blockchain system. It will enhance the transparency of the status information that improve time efficiency and automation system of inheritance properties. The transparency of the process and the efficient of the management increase the distribution of the frozen estate to the beneficiaries. All the agencies in the blockchain network will get benefit of the transparency that enable time control of necessary steps by using automated smart contract (B. Fahimnia, et al., 2015). Blockchain technology enable transparency and privacy because data is stored in private-permissioned ledger that allow administrative agencies managing the frozen estate while assure the data privacy of the clients. To achieve the high transparency, need access control to the authorised data of a private-permissioned blockchain so that the access to the information is more secure and effective.

As a decentralized databased, blockchain bring all the stakeholders including all related agencies and the heirs to make transaction or the right transfer process on a single platform using blockchain-based system. Each party can see all the estate distribution transaction because of the transparency of the network. Blockchain technology with smart contract provides a lot of advantage in the estate distribution process because of the transparency and immutability to track the ownership and division. Blockchain technology can increase the transparency of the system that will result the less of failures (Zelbst et. al., 2019). Each party can see all the estate distribution transaction because of the transparency of the network and each of the transaction is permanently recorded and accurate in real-time that will increase the trust of the heirs for the estate distribution process using blockchain technology. All data that stored in the system can be accessed by all authorized parties. The heirs or beneficiaries can view the progress and completion of the deceased's estate distribution. Blockchain technology has the potential to increase the transparency using shared visible ledger (Zelbst et al., 2019). Thus, the element of transparency in blockchain network will increase the performance of the frozen estate's management.

2.3.2 Security

Then, blockchain technology has structured data using recordkeeping system, provide high security of digital platforms and cost efficient (Andoni et al., 2019; Puthal et al., 2018). Blockchain is a chain of information that connect with other block using peer-to-peer protocol that track all the transaction in the network (Swan, 2015). The technology saves the history of transaction using timestamp digital document and cannot be backdated or

tempered. Usually, the digital texts, audio and video has a problem to verify the originality or the last altered because it can be amended without supervision, cannot be track and ease to manipulated by someone that has interest (Swan, 2015). So, there is no issue of duplicated records or the manipulation of data using blockchain technology that control the system of databased without the central server.

Blockchain technology can be used in managing frozen estate because it can enhance the levels of systemic risk than conventional technology. Blockchain provide latest information to the application that use asymmetrical encryption methods refer as public or private keys. Blockchain technology using cryptographic security can enhance the protection of the transaction, transfer, and storage for personal and sensitive information. The protection is at the high level that provide the mechanism of tracking and interoperability of data between various devices. The success of blockchain application is dependent on one of the components of blockchain technology that is the security.

To ensure the functionality of the system, the proof of work (PoW) mechanism is the key aspects of security. A new block must be generated in the network nodes to verify and save the recent transactions. To generate new block required solving extremely computationally intensive mathematical puzzle. Data security is very important to protect any digital information from unauthorized activities during the transaction. The information in the blockchain network is protected by the encryption so that the aspect of information security is at the high level (Alizadeh et al., 2022). The rules and restriction of the consortium and hybrid blockchain strengthen the security of the network. Blockchain need high integrity and security of the transaction and maintain the privacy of the nodes to prevent any attacks to the system (Yli-Huumo et al., 2016). In blockchain network, the privacy is maintaining by limit the information without the identities to the transaction (Nakamoto, 2012).

2.3.3 Traceability

Blockchain technology make the recorded data immutable that form trust between users because of the transparency and traceability transactions (Panisi, 2017). Blockchain has traceability system that can be solution for the current system because it has the characteristic of decentralized and tamper-proof mechanism. Traceability allows the documentation and locates the inheritance properties and distribution of frozen estate from the owner to the heirs. Traceability system will help to collect the relevant data, define information and be the communication protocols. Thus, all the information will be managed and presented clearly to all agencies in the network.

The information or transaction that happen in the blockchain network can easily be traced because all the history of the transaction are recorded based on the real-time. Blockchain technology is capable to record, process, filter data, store and analyse data based on the need of the network. Blockchain technology that have the advantages of transparency, decentralization, security, and immutability can solve the problem of untrustworthy device. So, the permissioned blockchain that used in managing frozen estates aims to create information chain accessible and traceable data in the blockchain network that can help all the agencies get access to the data without any manipulation because all the history of data are traceable to the person or agencies that have permission to access the data in the chain.

2.3.4 Real-time Transaction

Blockchain technology provides immutability, transparency, and real-time transactions (Abu bakar & Al-zyoud, 2021; Werner et al., 2021). The administrative agencies and the beneficiaries can monitor the distribution of the deceased's estate in real-time. All the related agencies can manage frozen estates online in real-time using blockchain technology. When other agencies update the status of the estates, the other agencies can monitor and make changes to the transactions in real-time. Each of the transaction is permanently recorded and accurate in real-time that will increase the trust of the heirs and for the estate distribution process using blockchain technology.

3. Methodology

In analysing the social economic burden of frozen estates in Malaysia, this study focuses on the components related to the issues and problem of managing frozen estates and current governance of frozen estate that led to the increasing number of frozen estates in Malaysia. Then, this study also focuses on the element that contain in the blockchain technology. This study adopts the qualitative research methodology by using the content analysis technique. The content analysis is including the interpretation, synthesis, and documentation procedures on the gathered information through the past literature such as published articles about frozen estate, official websites, newspaper articles, reports, and published articles on management of inheritance properties and blockchain technology. This data is essential to publicly look at the issues faced by the agencies that manage the distribution of estates towards the existing implementation.

4. Discussion

This study proposing the blockchain-based governance framework for the frozen estate in Malaysia. The framework contains the component, problem, effect, solution, concepts, outcome, and benefits based on the literature review from past studies. The component is about the frozen estates or the inheritance properties of Muslim community.

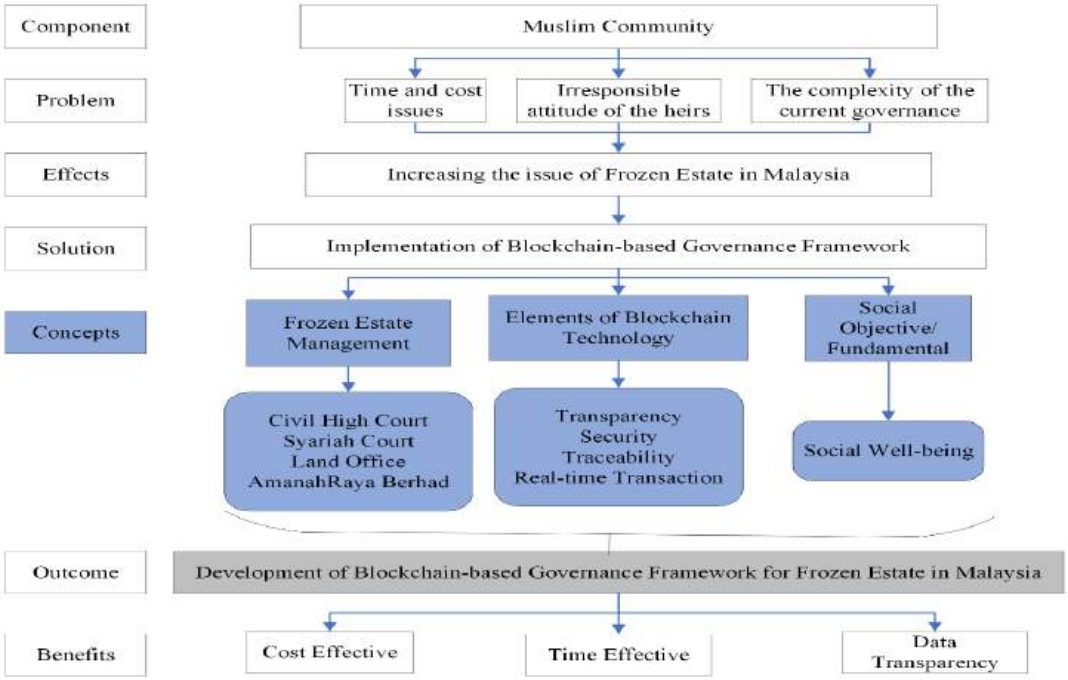


Figure 1: Blockchain-based Framework for Frozen Estates

Based on figure 1, there are a lot of issues regarding the distribution of inheritance properties including the time and cost issues, the irresponsible attitude of the heirs and the complexity of the current governance that managing deceased's estates in Malaysia. However, with the advancement of technology nowadays give a lot of opportunities by implementing the blockchain-based network to manage the frozen estates. Blockchain technology is a decentralized database network that use block and chain in a network with the elements of transparency, security, traceability and real-time transaction.

Then, the administrative agencies that managing the distribution of decease's estates are the High Court, the Syariah Court, Land Office and Amanah Raya Berhad. All agencies have their own standard and procedures to manage the frozen estates. The conceptual framework is involving the problem and concepts of managing frozen estate and the elements of the blockchain technology. The development of blockchain-based governance framework for frozen estates in Malaysia have the benefits of cost and time effective and data transparency.

5. Conclusion

This on-going study is hoped to establish the blockchain-based governance framework for the frozen estate in Malaysia. Thus, the blockchain-based framework will optimize the distribution of frozen estate with the transparency of data, cost, and time effective. In the future, the issue of frozen estate will be managed efficiently, and the current governance can be improved.

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The Implementation of Productive Waqf in Pesantren Gontor

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Abstract

This paper discusses productive waqf and the uniqueness of the application of productive waqf management in a pesantren (Islamic boarding school). Furthermore, the standardisation of the law used in the implementation of the productive waqf, which includes al-Qur'an, Hadits, fiqh rules, and aqwâl al-'ulamâ, must be examined in order to reach a conclusion on the implementation status. There are many unique things to analyze in the implementation, such as the use of the institution fund, which is oriented to develop cash waqf, and the exictence of the waqf board, which becomes the highest decision maker. Because all of the pesantren's assets become waqf property, the highest leader is no longer on the foundation but on the waqf board.

Keywords: Pesantren; Gontor; Productive Waqf

1. Introduction

Pesantren is a unique educational institution in Indonesia. Also known as Islamic boarding schools, Pesantren have roots in the Islamic educational system, developed by the Ulama' (Islamic scholars) in 1062 and served as Indonesia's indigenous educational system. Pesantren, formed from the term "Santri" and ending in the prefix "-pe" and the suffix "-an," refers to a residence for students or santris who are studying (Zulfiqar, 2015). As a Pesantren, Gontor has built Islamic boarding schools by investing in and managing Waqf assets through modern management-based business units. Expanding the definition of Waqf to include not just fixed but also moveable objects. Waqf is not confined to religious purposes but also economic development and social welfare (Ahmad, 2015; Mukhitdinova & Khadzhaev, 2020; Zarkasyi, H.F. 2020). Waqf Pesantren's assets have grown dynamically through time. In 1958, the Pesantren Gontor possessed approximately 18.59 hectares of land; by 2009, the land asset had grown to approximately 825,184 hectares (Daniar, 2019; Uluyol. B, 2021; Osman, A.Z, 2020). Endowments, donations, trades, and purchases provide the land assets. Additionally, Pesantren Gontor owns around 50 company units invested as Waqf assets. This Pesantren has spent over 20 of its Waqf holdings in productive business units (Huda & Santoso, 2020; Syamsuri, Syamsuddin Arif, Alfarid Fedro, 2020). Pesantren is responsible for managing the institutions' assets, most of which are Waqf endowments. As a result, Pesantren is developed into an institution capable of assisting society's socio-economic development through community development programs (Medias & Pratiwi, 2019; Iman, A, 2017).

Waqf has two distinct dimensions: vertical and horizontal. The vertical dimension underscores that Waqf is a way for a Muslim to honour his god by bestowing upon mankind his best property (Triyawan, A, et al. 2021; Triyawan, A, et al. 2022). While the horizontal dimension is an act of goodwill performed by Muslims toward their fellow human being because humans must assist one another in order to purify the soul (Surah at Taubah [9]: 103). In reality, he expects nothing but Allah SWT's benevolence (Surah Al Hajj [22]: 77; Qur'an al Baqarah [2]: 265,272; Qur'an Al Qashash [28]: 77).

Pesantren which is an educational institution in indonesia has the uniqueness. Gontor as a pesantren has developed Islamic boarding school waqf assets by investing waqf assets and manages in the form of modern management-based business units. Expanding the form of waqf that is not only limited to fixed objects but also movable objects. The large number of waqf are not limited utilise only to the aspects of worship, but also penetrate to the improvement of the economy and welfare of the people (Afif, M. 2021). The Assets of Waqf Pesantren experienced dynamically, for instance in 1958 the Pesantren Gontor had a land asset around 18.59 hectares, then in 2009 the land assets has developed to about 825,184 hectares. The land assets are obtained through endowments, grants, exchanges, and purchases. Furthermore, More than 50 business units owned by Pesantren Gontor and those were invested as the asset of waqf. This pesantren has invested its waqf assets in more than 27 productive business units. Pesantren are required to manage the asset of the institutions which is the majority of it are waqf endowment. Therefore, pesantren are expected to be able to become institutions that can contribute to the socio-economic aids of the society through community development programs.

2. Legal Basis of Waqf

This study used the legal basis of Waqf from Al Qur'an, and Sunnah Rasulullah SAW. This section explains some verses of the Qur'an and Ahaditsu Annabawiyah that relate to Waqf. The term *Waqf* is not written in the Qur'an explicitly. Islamic scholars use the general verses related with the command of Shodaqah, such as in Al Baqarah verse 261–262, Allah SWT give information about rewards and multiple goodness for those who spend their wealth in the way of Allah.

مَّثَلُ ٱلَّذِينَ يُنفِقُونَ أَمۡوَٰلَهُمۡ فِي سَبِيلِ ٱللَّهِ كَمَثَلِ حَبَّةٍ أَنۢبَتَتۡ سَبۡعَ سَنَابِلَ فِي كُلِّ سُنۢبُلَةٖ مِّاْئَةُ حَبَّةٖۗ وَٱللَّهُ يُضَٰعِفُ لِمَن يَشَآءُۚ وَٱللَّهُ وَٰسِعٌ عَلِيمٌ ٢٦١

(2:261) "The example of those who spend their wealth in the Way of Allah is like that of a grain of corn that sprouts seven branches, and in every branch there are a hundred grains. Thus, Allah increases the deeds of everyone He pleases. Allah is Magnificent and All-Wise."

(2:262) "Those who spend their riches in accordance with Allah's will and refrain from emphasising their goodness and creating harm will find their recompense safe with their Lord. They have no need to worry or grieve.x"

QS. Ali Imran: 92 is used by the scholars of Syafi'iyah as the legal basis of *Waqf*.

لَن تَنَالُواْ ٱلۡبِرَّ حَتَّىٰ تُنفِقُواْ مِمَّا تُحِبُّونَۚ وَمَا تُنفِقُواْ مِن شَيۡءٖ فَإِنَّ ٱللَّهَ بِهِۦ عَلِيمٞ ٩٢

(3:92) "You shall not attain righteousness until you spend out of what you love (in the way of Allah). Allah knows whatever you spend."

In addition, scholars of Malikiyah and Hanabilah refer to Q.S Al Hajj: 77 as the basis of Waqf.

وَٱفۡعَلُواْ ٱلۡخَيۡرَ لَعَلَّكُمۡ تُفۡلِحُونَ

(22:77) ".... and do Good that you may prosper."

Once after the revelation of this verse, Abu Talhah, one of the companions of the Prophet Muhammad, donated his beloved Bairaha garden.

2.1 Hadiths of Waqf

Among the hadiths that form the basis and arguments for *Waqf* is a hadith that tells the story of Umar bin al-Khattab when he acquired land in Khaibar (Munandar, E, & Nopianti, N, 2022). After he asked the Prophet for guidance about the land, the Prophet advised him to withhold the origin of the land and give alms as a result.

عَنْ عَبْدُ اللهِ بْنِ عُمَرَ -رَضِيَ اللهُ عَنْهُمَا- قَالَ: «قَدْ أَصَابَ عُمَرُ أَرْضًا بِخَيْبَرَ. فَأَتَى النَّبِيُّ -صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ- يَسْتَأْمِرُهُ فِيْهَا. فَقَالَ: يَارَسُوْلَ اللهِ، إِنِّي أَصَبْتُ أَرْضًا بِخَيْبَرَ، لَمْ أُصِبْ مَالًا قَطُّ هُوَ أَنْفَسُ عِنْدِيْ مِنْهُ، فَمَا تَأْمُرُنِي بِهِ؟ فَقَالَ: إِنْ شِئْتَ حَبَّسْتَ أَصْلَهَا، وَتَصَدَّقْتَ بِهَا. قَالَ: فَتَصَدَّقَ بِهَا، غَيْرَ أَنَّهُ لَا يُبَاعُ أَصْلُهَا، وَلَا يُوْهَبُ، وَلَا يُوْرَثُ. قَالَ: فَتَصَدَّقَ عُمَرُ فِي الْفُقَرَاءِ، وَفِي الْقُرْبَى، وَفِي الرِّقَابِ، وَفِي سَبِيْلِ اللهِ، وَابْنَ السَّبِيْلِ، وَالضَّيْفُ. لَا جُنَاحَ عَلَى مَنْ وَلِيَهَا أَنْ يَأْكُلَ مِنْهَا بِالْمَعْرُوْفِ، أَوْ يُطْعِمُ صَدِيْقًا، غَيْرُ مُتَمَوِّلٍ فِيْهِ

"Umar acquired land in Khaibar and then addressed the Prophet, saying, "O Messenger of Allah, I have gained land in Khaibar that is of great value and that I have never acquired." What was he directing me to do? "If you wish, keep the source and give alms or benefits," the Prophet added. Then Umar donated it as a charitable act; he

should not be sold, given, or made an heir. Umar distributed alms to the impoverished, families, freed slaves, those fighting for Allah's cause, travellers, and guests. However, individuals who care for it may use it appropriately, such as eating or feeding others, without making it a source of money."

Another hadith that discusses Waqf is the hadith related to Abu Hurairah by the Muslim imam (Mustafa, M, 2020). The hadith texts read as follows: "When a person dies, his acts are cut off except from three sources: alms (Waqf), exploitable knowledge, and pious children who pray for him."

عَنْ أَبِي هُرَيْرَةَ رضي الله تعالى عنه: أَنَّ رَسُوْلَ اللَّهِ ﷺ قَالَ: إِذَا مَاتَ ابْنُ آدَمَ انْقَطَعَ عَنْهُ عَمَلُهُ إِلَّا مِنْ ثَلَاثٍ: صَدَقَةٍ جَارِيَةٍ، أَوْ عِلْمٍ يُنْتَفَعُ بِهِ، أَوْ وَلَدٍ صَالِحٍ يَدْعُوْلَهُ. رَوَاهُ مُسْلِمٍ

Hadith narrated by Ibn Mājah (Al-Mundziri, 2003: 110; Al-Būshīri, 2004: 224) explains;

عَنْ أَبِيْ هُرَيْرَةَ قَالَ: قَالَ رَسُوْلُ اللهِ صَلَّى اللهُ عَلَيْهِ وَسَلَّمَ: «إِنَّ مِمَّا يُلْحِقُ الْمُؤْمِنَ مِنْ عَمَلِهِ وَحَسَنَاتِهِ بَعْدَ مَوْتِهِ عِلْمًا عَلَّمَهُ وَنَشَرَهُ، وَوَلَدًا صَالِحًا تَرَكَهُ، وَمُصْحَفًا وَرَثَّهُ، أَوْ مَسْجِدًا بَنَاهُ، أَوْ بَيْتًا لِابْنِ السَّبِيْلِ بَنَاهُ، أَوْ نَهْرًا أَجْرَاهُ أَوْ صَدَقَةً أَخْرَجَهَا مِنْ مَالِهِ فِيْ صِحَّتِهِ وَحَيَاتِهِ يُلْحِقُهُ مِنْ بَعْدِ مَوْتِهِ

"From Abu Hurairah said, Rasulullah SAW said: Indeed, among the deeds and goodness of a believer who will meet him after his death is; the useful knowledge he taught and spread, the pious children he left behind, the mushaf he inherited, the mosque he built, the house for Ibn Sabil he built, the river (water) he drained to the public or the alms he took out of his wealth when he was healthy and during his life, all of these will meet him after he dies."

2.2 Rukun Waqf

a. Waqif (who give the *Waqf*)
   There are four criteria for waqif; independent, sensible, mature (*baligh*), not under care (not a debtor and not a person who is seriously ill or has a disease that tends to be deadly) (Hakim, A, 2020).
b. Mauquf 'Alaih (the purpose/place of the *Waqf* property is the recipient of the *Waqf*).
   Waqf must be utilized within appropriate limits and permitted by Islamic Law. The condition for mauquf alaih is a self approach to Allah. Therefore, the object of *Waqf* must be the object of virtue which is included in the self approach to Allah. Mauquf alaih should not conflict with the values of Sharia in accordance with the practice of *Waqf* as a part of worship.
c. Mauquf (*Waqf* Assets)
   In general, *Ulama'* have the same opinion in requiring *Waqf* assets. The assets should be permanent, known in form, fully owned by the waqif, and there is no choice of khiyar (have certain conditions)
   1. Hanafia's scholars divide Mauquf into four conditions:
      a) The object of the *Waqf* must be permanent.
      b) The object of the *Waqf* is known clearly or concretely.
      c) The *Waqf* object is the property of the wakif at the time the *Waqf* process occurs.
      d) The *Waqf* object is not mixed with other entities.
   2. The Malikiyah's scholars group requires that the *Waqf* property is in full ownership of the wakif, does not mix with other people's property rights, does not become collateral for pawnshops or is being rented out.
   3. The Hanabilah and Syafi'iyah scholars groups required that the *Waqf* object be clear and concrete, not guaranteed debt, become the full property of the wakif that can be transacted in buying and selling, provides benefits for a long period. In article 16 of Law Number 41 of 2004, *Waqf* assets consist of:
      a) Immovable Objects
         There criteria for immovable things: (i) land rights must be in line with applicable laws and regulations, both registered and unregistered, (ii) buildings or portions of buildings that stand on the ground, and last, plants and other items associated with the land, (iii) ownership rights to the residential unit in accordance with applicable laws and rules, as well as other immovable property in accordance with applicable sharia provisions and laws and regulations.
      b) Movable Properties
         However, seven examples of movable properties are in line with Sharia principles and applicable laws and regulations, including money, precious metals, securities, cars, intellectual property rights, leasing rights, and other movable properties.
d. *Sighat (Waqf Declaration)*
   Shighat is a statement or pledge uttered by people who have a property to endow their assets. Two parts of Shighat are Ijab and Qabul. Ijab is a statement from the property owner to surrender his property as *Waqf*. While Kabul is an acceptance speech from the party to whom the *Waqf* property was handed over (Sarwat, 2018: 24). Shighat *Waqf* can be expressed in writing, verbally, or with a sign that can be understood. Statements in writing or verbally can be used to declare *Waqf* by anyone, while the sign method is only for people who cannot use it in written or oral ways. Of course, statements with these signals must be fully understood by the Waqf recipient to avoid future disputes (Sari, 2007, 62). In chapter 21 of Law number 41 year 2004, the declaration of *Waqf* in the *Waqf* act contains:

1. The identity of Waqif.
2. The identity of *Nazhir*.
3. Data and description of *Waqf* property.
4. The allocation of *Waqf* property.
5. *Waqf* period.

3. Discussion

3.1 The Implementation of Productive Waqf in Pesantren Gontor

Gontor has been implemented Productive Waqf in all activities. The practice of the Productive waqf needs to be examined, whether it include in the category of particular waqf, or it is just waqf process in general (which is usually done by other pesantren, namely waqf of land and gifts or donations from others as an ordinary shadaqah). The practice of waqf in the pesantren Gontor utilizes the existing institution funds, both from sympathizers and parents of students to be developed and managed in such a way so as to meet the needs of the pesantren without reducing the institution funds. In addition, the pesantren does not solely put all of the funds to be managed, but always allocates the funds in accordance with what is planned, for example, for the construction of dormitories. Based on the data in the field, the practice of waqf in the pesantren Gontor is one of the implementations of productive waqf management, in the form of cash waqf.

Pesantren Gontor is one of the biggest pesantren in Indonesia in which the highest leadership position is the waqf Board. All the structural body in the pesantren of Gontor is under the auspices of waqf board as nâzhir. As a consequence, is that all development of the pesantren conducted by the nâzhir. In principle, the requirement of waqf, especially Productive waqf is that the mauquf should not be reduced, but it is to be developed only. This is to keep dawâm al-intifâ‟ ma‟a baqâ‟ „aynihâ (sustainability of benefits that can be used from the waqf without reducing the waqf property or mauqûf `alaih). This stipulation was implemented in the pesantren Gontor, and it can be seen from the utilization of the waqf. Pesantren Gontor does not use the funds, but developes them first and the results are used for construction and the operational costs of the pesantren, including the salaries of teachers and administrators. The material wholeness (baqâ‟aynihâ) of waqf lies in its internal value. It is clear that in the pesantren Gontor, the mauqûf alaih is maintained and developed. The results are utilized for the benefit of the pesantren, which is generally allocated for da`wah (religious mission) and education (li al-da'wa wa li al-tarbiyah).

There are three basic principles that should be emphasized when trying to apply the principle of productive waqf. First, the allocation of funds must be seen in the frame of "integrated project", instead of a separate fee. This is to dispel the assumsion that the waqf fund will be depleted when used, for example, for salaries, wages of construction workers, whereas waqf property should be everlasting. The Second is the principle of nâzhir welfare. This is because the nâzhir is not positioned as a professional, they do not manage waqf property with good management and so they tend to be unprofessional. Therefore, it is the time to make nâzhir as a profession that gives hope of prosperity, not only in the hereafter, but also in this world. The third is the principles of transparency and accountability in which the waqf board and the institutions it helped must report the fund management process to the people annually (Mahendra, M, 2022). The pesantren Gontor has already implemented the principles, except the one that makes Nazhir as a profession that gives hope of prosperity. It is associated with the basic principles of the attitude of the pesantren stakeholders, namely ikhlâs al-„amal; without ulterior motives. From the description of the legal basis as referred to in the foregoing discussion, it can be concluded that the pesantren Gontor relies heavily on the waqf implementation system, one of which uses productive waqf or cash waqf. This conclusion is based on several reasons, namely:

First, that the highest leadership in the pesantren Gontor is waqf board which is fully carried out by the Assembly of Kiai assisted by other teacher Syamsuri, S, et. al. 2021). So that the system used in the pesantren management is the management of waqf with capital development system.

Secondly, the pesantren Gontor has fulfilled the requirement of Productive waqf implementation system, which does not eliminate the initial capital, but continue to develop and use the proceeds for the benefit of the pesantren. In this case, dawâm al-intifâ‟, as one of the requrirement, has been fulfilled. This state is out of the debate of Islamic scholars.

Third, the waqf board that manages waqf as well as supervises the implementation of waqf, at the level of practice (in the management of waqf property) is fully carried out by the Bureau of Economics who has several business units which are ready to develop (Arroisi, J, & Syamsuri, S, 2020). This is continuously developed coupled with the goal of expanding the network economy, so that the pesantren no longer dependents on external funds. The positive impact of the effort is the constructions of facilities and infrastructure which are not delayed when the needed funds are not obtained (Ihsan, H, & Ibrahim, SHHM, 2011).

Fourth, capital raised by the pesantren Gontor is derived from ummah, which is collected through a variety of ways, either compulsory or voluntary contribution, or requested funds. Indeed, in the implementation of waqf, there is no contract which is explicitly mentioned at the time when the money is given; that the money will be

used as capital by the pesantren to run a business from which the results would be used for the benefit of the pesantren, or specifically, there is not a specific contract of cash waqf. Normatively, it does not go through the proper principle.

4. Conclusion

There are many units' business of Productive waqf practice in the pesantren Gontor; waqf of land and cash waqf with the development of productive waqf system. In terms of land waqf, the pesantren Gontor manages to raise funds to buy a land which is then donated as waqf or to share with community to make the land productively. With regard to the Priductive waqf, the pesantren Gontor collects funds both donations from sympathizers and from the parents of students - even mandatory contribution of students - to be managed and developed through productive waqf system and management. The most importantly in the implementation of waqf, the pesantren Gontor does not use the collected funds for the purposes of financing the pesantren's needs, but rather, it uses the profit.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Mediating Roles of Attitude between Knowledge and Health Behaviour Change Intentions

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Abstract

This paper presents a conceptual framework and valid hypotheses to be empirically tested by future researchers. During the COVID-19 pandemic, the framework clarifies the relationship between employees' attitudes, knowledge, and intentions to modify their health behaviour. In accordance with the Movement Control Order (MCO) issued due to the COVID-19 pandemic, all offices in Malaysia will be closed and employees will be required to work from home during this time. It is well-established that a health-promoting behaviour is beneficial for disease prevention and well-being promotion. Consequently, the purpose of this study is to determine employees' attitudes toward their intent to modify their health behaviour during the COVID-19 pandemic. As a conceptual paper, it reviewed scholarly articles on the variables of past studies related to employee health behaviour change intentions, attitude, and knowledge. The proposed framework would have a number of important implications for comprehending, generating awareness of, and promoting employee health behaviour change intention, in addition to contributing to prior research on health behaviour change

Keywords: Health behaviour; attitude; knowledge; employee; COVID-19

1. Introduction

Health behaviour change is important in critical times such as the current COVID-19 pandemic. It is vital to make adjustments to life as people need to change their norms to maintain survival due to the pandemic. Extant literature shows evidence of immediate impacts of the pandemic on society; for instance, the prevalence of negative emotion such as depression and anxiety, and a significant increase in sensitivity to social risks (Li et al., 2020). In fact, another study also found the pandemic poses psychological challenges to society (Wang, 2020). Thus, from the perspective of employers, health behaviour change is needed as employees need to stay healthy to perform their tasks.

The objective of this paper is to present a framework of health behaviour change for employees in adjusting to the changing scenario due to pandemic. Specifically, the paper aims to outline factors influencing the employees' health behaviour. This conceptual paper is structured as follows: Literature review of employee attitude, employee knowledge, and employee health behaviour are explained, followed by elements of employee health behaviour. Subsequently, the conceptual framework is explicated and ended with conclusion. Here introduce the paper, and

put a nomenclature if necessary, in a box with the same font size as the rest of the paper. The paragraphs continue from here and are only separated by headings, subheadings, images and formulae.

2. Employee Knowledge

Health knowledge and attitude are applicable specially to self-management of health behaviours as such intrinsic enablers are essential, particularly for volitional behaviours (Chen, Baird, & Straub, 2019). In fact, it has been suggested more than a decade ago that increased knowledge is associated with a greater influence of attitudes on behaviour (Fabrigar, Petty, Smith, & Crites, 2006). In a study by Escalante-Guerrero, Roca-Chiapas, and Macias-Cervantes (2012), students were found to be able to correctly identify the food groups but they could not identify low-fat food preparations, which indicates their lack of knowledge in food preparation techniques. On the other hand, Liu et al. assert that enhanced knowledge has a positive correlation with overt behaviour, thus corroborating the knowledge-attitude-behaviour model that foregrounds three continuous processes of human health-related behaviours, namely knowledge acquisition, belief generation, and behaviour formation (2016). Furthermore, Hu et al. (2016) also corroborate the contention that there is a positive association between these domains, as increased levels of knowledge significantly influence the percentage of highly satisfactory attitudes and behaviours. Gellert and Tille (2016) reported a strong correlation in their findings by indicating that low health knowledge will lead to inefficient use of health care services and in turn, result in poor health outcomes.

3. Mediating Factors: Employee Attitude

In general, attitude can be identified as the degree at which one has a positive versus negative evaluation of the behaviour (Albarracin & Shavitt, 2017). Attitudes have been suggested to have the strongest association with individual intention food choices (McDermott et al., 2015). Prior research has also shown that there is relatively good attitude towards eating behaviours and genetically modified food (Hu et al., 2016; Gerson, Goto, Wolff, & Giovanni, 2013). In their study, Branscum and Fay (2019) found attitudes as the strongest determinant towards healthy sleep behaviours, while Wolfe and Prichard (2019) validated that attitude has the greatest impact on sleep intentions and behaviours of undergraduate students' athletes.

4. Elements of Health Behaviour

In more contemporary workplaces, addressing the risk of psychosocial factors is not only limited to the work environment context, but the individual health, lifestyle and social environment are also considered as part of the important elements in the field of occupational health and safety (World Health Organizations, 2010). Behaviours connected to poor health include a sedentary lifestyle, smoking, and alcohol consumption, which then lead to chronic health outcomes such as type two diabetes, cardiovascular disease, depression, and stroke (Tuner & Lingard, 2016). The health behaviour of interest was those related to healthy eating, physical activity, and forbearing stress (Sabir, Sevenhuysen, Fieldhouse, & Roger, 2017). Some researchers have driven further development of various behaviour that include smoking, alcohol use, diet, physical activity, sexual behaviour, physical visits, medication adherence, screening, and vaccination (Hamzah, Suandi, Ismail, & Muda, 2018).

Based on AIA Validity Survey (2018), employees in Malaysia had poor health behaviour with unhealthy diet (91.7%), sleep deprivation (54.4%), and physical inactivity (45.9%). Despite the extensive studies on health behaviour, there is a gap in studies on dietary, physical activities, and sleep durations during the COVID-19 pandemic. To address the gap in the literature, this paper focuses on eating habit, physical activity, and sleep duration among employees in Malaysia during the MCO period due to the pandemic, and the diagram can be seen in Figure 1.

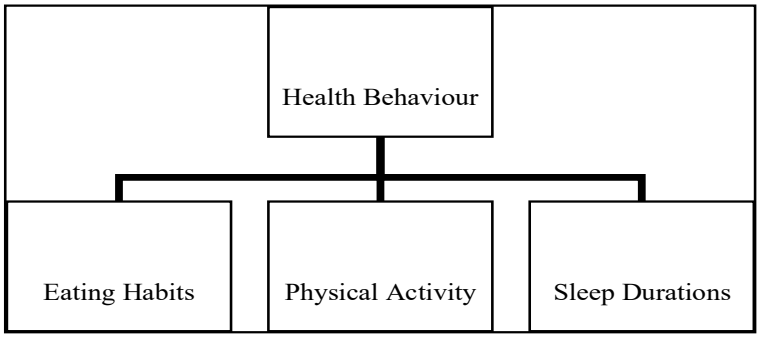


Figure 1: Elements of Health Behaviour

5. Eating Habits (EH)

Traditionally eating has been considered as an everyday life routine activity, but it has now been shifted to be a corporate matter and public health policy issue. Eating habit is important in determining one's health status and level of morbidity occurring in a population because whatever food that been consumed will impact human wellbeing (Mohamad Kasim et al., 2018). Eating habit among Malaysians has been guided by the Malaysian Food Pyramid that was introduced in the country for the first time in 1997 (see Table 2) (Tee, 2011). However, it is difficult to predict a person's eating behaviour due to several differences in their daily food intake and to determine the causes of a certain form of behaviour (Kostanjevec, Jerman, & Koch, 2013).

6. Physical Activity (PA)

Recently, lack of physical activity (PA) has been strongly contended as a vital predictor in influencing several chronic diseases including obesity and cardiovascular disease (Lau, Wong, & Wong, 2019). The number of people engaging in physical exercise has been decreasing, and these behaviours are known to be associated with non-communicable chronic disease such as diabetes, hypertension and many more (Frange, Souza de Quieroz, Silva Prado, Tufik, & Mello, 2014). Recent studies conducted in Malaysia have shown that obese children and adolescents are physically inactive than their normal-weight peers (Cai Lian, Bonn, Si Han, Chin Choo, & Chee Piau, 2016). Following the guideline of the Ministry of Health Malaysia, individuals who spent at least 150 minutes/week in moderate or 60 minutes/week (see Table 1) in vigorous physical activities were considered as physically active; otherwise, they were considered as physically inactive.

The lack of physical activity (PA) strongly contended as a significant predictor to influence some chronic diseases including obesity and cardiovascular disease (Lau, Wong, & Wong, 2019).

Lack of physical activity (PA) is strongly contended as a vital predictor in influencing several chronic diseases including obesity and cardiovascular disease (Lau, Wong, & Wong, 2019).

7. Sleep Duration (SD)

Sleep duration is a crucial determinant that commits to overall health status. It has been reported that intense values of sleep duration are correlate with higher levels of mortality rates and increased rate of cardiovascular and metabolic diseases (Hui & Grandner, 2015). Previous studies have shown associations between employees' sleep and a wide variety of negative occupational outcomes, including absenteeism, decreased productivity or presenteeism, accidents and injuries, and increased healthcare costs. One of the bases of healthy life is adequate sleep and it cannot be apart from life. Lifestyle may affect sleep because it has a clear influence on mental and physical health (Stefan, Vecetic, Vrgoc, & Sporis, 2018). In general, elderly experience many physical and psychological changes, thus signifies the importance of sleep duration and sleep quality in individual's daily life. On average, human spend a third of their lives asleep, and adults between the ages of 26 and 64 have a sleep range of seven to nine hours per night (Hirshkowitz, Whiton, & Albert, 2015) (see Table 2).

Table 1: Guidelines for Health Behaviour.

Health Behaviour	Guideline
Eating Habits (EH)	Malaysian Food Pyramid
Physical Activity (PA)	at least 150 minutes/week in moderate or 60 minutes/week
Sleep Duration (SD)	adults between the ages of 26 and 64 sleep range is seven to nine hours per night

8. Conceptual Framework: A Proposal

Many theories have been suggested over the years to describe human psychological functioning. They vary in the conceptions of human nature they adopt and in what they regard as the basic elements and mechanisms of human actions. As this study objective is to measure the intention-behaviour on health behaviour change, thus it will be based on Theory of Planned Behaviour (TPB). Azjen's Theory of Planned Behaviour (TPB) is undoubtedly one of the most often used theories in the social sciences to analyze various types of behaviour (Armitage & Conner, 2001). Ajzen and Fishbein (2005) acknowledged that addition variables do add some important implications in different settings, and in different contexts, but the strength of the TPB is its universal validity. As a result, a second adaptation of TPB is to investigate the belief structures that drive TPB's attitude, social norms, and perceived behavioural control components. DTPB, which investigates innovation behaviours, is an example of this technique (Taylor and Todd 1995). The researchers in this study take the second path.

It has been shown that the decomposed theory of planned behaviour has more predictive power than the Theory of Planned Behaviour (Taylor & Todd, 1995; Tao & Fan, 2017). Antecedents of intentions are attitude and further decomposed by knowledge. It is believed that employees' knowledge on health would be supported by employees' attitude that would enable health behaviour change towards environment change due to COVID-19 pandemic.

Figure 2 below shows the relationship between health behaviour elements consisting of employee's knowledge (EK), employee's attitude (EA) with eating habit (EA), physical activity (PA), and sleep duration (SD).

It is proposed that this research should be based on primary data collected through questionnaire. A structured questionnaire that consists of three sections should be constructed for the purpose of the study and collected via face-to-face interview. The first section of the questionnaire is to gauge the respondents' profile including gender, age, marital status, income per month, level of education, and number of households. The second section evaluates the respondents' attitude and the third section solicits respondents' health behaviour (eating habits, physical activity, and sleep duration). The questionnaire suggested items are as in Table 2 below. The collected data will be analysed using Partial Least Square (PLS-SEM), and there are two stages of analysis in PLS-SEM. The first stage is a measurement model that evaluates the instruments and items of the construct. The second stage is construct measurement that shows the most effective or influential factors among the significant independent variables towards dependent variables.

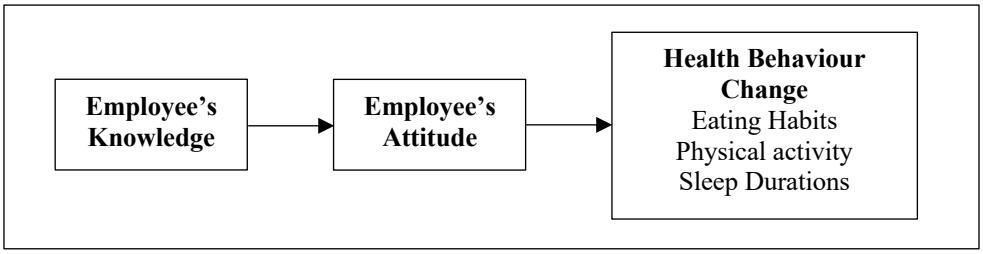


Figure 2: The Conceptual Framework for Employee Knowledge, Attitude, and Health Behaviour Change Intentions

Table 2: Questionnaire Items.

Variables	Items	Response Category
Employee's Knowledge	I have very limited knowledge about health behaviour change	5 Likert-scales (Strongly Disagree-Strongly Agree)
	I know the benefits of health behaviour change	
	I would like to know how health behaviour change is better than my current lifestyle	
	I know the effect of poor habits/health behaviour	
	I know my level of health behaviour	
Employee's Attitude	Health behaviour change is beneficial	
	Health behaviour change will be valuable	
	Health behaviour change is a good practice	
	I will enjoy health behaviour change	
	Health behaviour change would be the right thing to do	
Eating Habits	I intend to eat a variety of foods daily as guided by the Malaysian Food Pyramid	
Physical Activity	I intend to take part in some physical activity regularly (at least 3 times/per week or 30 min/day) within the next 4 weeks	
Sleep Durations	I intend to sleep between seven to nine hours per night within the next 4 weeks	

9. Conclusion

This paper proposes a conceptual framework and states valid propositions to be tested empirically by future researchers. The framework explicates the relationship between employee's knowledge (independent variables) and employee's attitude (mediating variables) with eating habits, physical activity and sleep duration (dependent variables). The proposed framework would have several significant implications for understanding, creating awareness, and promoting employee health behaviour that contributes to existing works on health behaviour. It is vital to study health behaviour pattern especially in the current scenario of the pandemic as the situation is contributed to the change in society in terms of mental state, poverty and other issues, which simultaneously affect employee's productivity (Sumner et al, 2020). Further research is recommended to test this conceptual framework and hoped to have an empirical outcome to test the proposed relationship.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Contemporary Integration of *Waqf* and Unit Trust: Recent Application in Malaysia

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Abstract

With the appropriate structure and strategy, *waqf* can support many spheres of life, including the growth of the mainstream economy. The historical evidence has demonstrated the enormous contribution of *waqf* institutions to the advancement of the Muslim community. The *waqf* concept has been integrated into a variety of financial assets, including Shariah-compliant investment vehicles like unit trusts, as Islamic finance has developed in modern times. This paper aims to highlight the recent development of *waqf*-linked unit trust funds within the Malaysian context. The current study employed a qualitative research approach, which was designed through the use of document analysis of policy documents, journal articles, books, and online resources. The paper concludes that the *waqf*-linked unit trust fund, which upholds strong governance and a robust investment framework can contribute to the sustainable development of the Islamic community's socio-economy. *Waqf* managers are urged to fully embrace the digital agenda in tandem with the Financial Sector Blueprint 2022-2026 in order to enable a digitalised ecosystem and fintech inclusion in managing *waqf* funds. This will improve the effectiveness of good governance and integrity in the *waqf* sector.

Keywords: Waqf; Shariah-compliant unit trust fund; Islamic finance; Islamic social finance

1. Introduction

Waqf is an absolute and voluntary devotion of any asset, whether mobile or immovable, to be used in accordance with Allah's commands, i.e., to uphold human welfare (Iman & Mohamad, 2017). Any property dedication within the scope of *waqf* is acknowledged by Islamic law to be for charitable or religious purposes. *Waqf* was a common practice in the time of the Prophet Muhammad (PBUH) and among his followers. Jabir bin Abdullah's statement that "None of the companions of the Prophet Muhammad (PBUH) is not practising *sadaqah (waqf)*" supported the widespread adoption of *waqf* by the Prophet's (PBUH) companions. (al-Nawawi, t.t). *Waqf* is regarded as *sadaqah jariyah*, from which reward accrues until the Day of Judgement. Any strategy that is progressive in the growth of the *waqf*'s property might further demonstrate the *waqf*'s continuous or perpetual feature. According to Hasan and Sulaiman (2016), all *waqf* assets should be adequately utilised and cared for in addition to ensuring the survival of *waqf* assets to guarantee the sustainability of the returns to the *waqf*'s beneficiaries. In the same way, the continual development of benefits from *waqf* use is itself a mechanism that helps enhance the ummah's standard of life and lessen challenges and poverty among the needy and the destitute (Kahf, 1999). *Waqf* assets should be used to finance the Sustainable Development Goals (SDGs) agenda which aims to end all forms of poverty, address environmental and healthcare problems, combat inequality, and ensure that no one is left behind (UNDP, 2017).

2. Literature Review

2.1 Waqf Initiative in the National Agenda

A study on *waqf* and Islamic capital market integration is undoubtedly a necessary call for sustainable socioeconomic development, particularly during the nation's economic recovery period from the COVID-19 pandemic shock. According to JAWHAR (2014), *waqf* assets should be independent and self-sufficient in terms of income generation within the Malaysian ecosystem. The idea of establishing a National *Waqf* Masterplan is to facilitate the mobilisation of future endowment assets as well as improve and guarantee better *waqf* administration. (National Budget. 2021. Therefore, there is always a significant demand for ongoing research to combine the *waqf* concept with modern financial mechanisms to finance the development of *waqf* assets as well as worthwhile community projects (Kahf, 1998). The Islamic capital market, in particular, has the ability to not only facilitate but also expedite the *waqf* assets on a larger scale in modern financial applications.

The venture into wealth in modern forms, such as shares and cash, diversifies *waqf* sources, which can improve *waqf* not only in terms of its flexibility but also in the public's involvement in *waqf*. Investing the *waqf* revenues in balanced, less volatile portfolios of the unit trust fund, where the assets underpinning these portfolios are predominantly stable fixed income assets classes like money market instruments and Sukuk, is one way to implement this diversification (Sulaiman et al., 2019). Fundamentally, the incorporation of investment tools like unit trusts and *waqf*s is a very desirable innovation that might be pursued as a mechanism for a sustainable investment paradigm.

2.2 Overview of the Shariah-Compliant Unit Trust Fund Sector in Malaysia

A Shariah-compliant unit trust fund or mutual fund is one sort of collective investment plan that offers investors the chance to invest in a diverse investment portfolio of shariah-compliant Sukuk, securities, money market instruments, commodities, or real estate. Shariah-compliant unit trust funds give investors the chance to diversify their holdings across several financial asset classes. Professional fund managers invest the funds raised from a wide portfolio of Shariah-compliant financial instruments, depending on the goals of the funds.. According to the Securities Commission of Malaysia (SC) (2009,) there are two ways that investors in Islamic unit trust funds might generate income: through the distribution of income and/or through capital gains.

The total net asset value (NAV) of the unit trust fund industry in Malaysia is recorded at RM486.79 billion. Out of this, 21% of the total fund is Shariah-compliant which stands at RM 106.85 billion as of 30 June 2022 (SC, 2022). Given the enormous scale of the Shariah-compliant amount, there is obviously a large potential for developing a superstructure source of *waqf* funds; as a result, the existing mechanics should allow a pathway for unit holders or unit trust investors to channel portion of their dividend or units as *waqf* or endowment.

2.3 Fatwa on the Acceptability of Waqf-Unit Trust

In its 111th meeting, the National Fatwa Committee for Islamic Religious Affairs resolves that a Shariah-compliant unit trust qualifies as a *waqf* asset and is therefore recognised by Islamic law (Jakim, 2017). Earlier, at the Majma' Fiqh's 19th meeting, held in the United Arab Emirates in 2009, it was decided that *waqf* in the form of financial instruments, such as shares, sukuk, intangible rights and unit trusts, is permissible from the Shariah perspective (International Fiqh Academy, 2009):

> "Endowing shares (which are Shariah-compliant), intangible rights, Sukuk, unit trust, and benefits are permissible because they are assets that are recognized by Shariah"
> (Resolution No. 181)

Legally, the endowment of assets in the financial form, like unit trusts and shares, is permitted by a number of State enactments in the Malaysian legal system. One of the most glaring examples is section 10 of the Enactment *Waqf* (Perak) 2015. This law demonstrates that unit trusts are allowed to be the subject of *waqf,* of which permissibility is according to the manner waqf of shares is defined which suggests the inclusion of "unit trusts". The legal provision shows that numerous State Islamic Religious Councils (SIRCs) in Malaysia have accepted the use of *waqf* in contemporary society through modern financial assets and modern application.

3. *Waqf*-Featured Fund Framework: Recent Development of in Malaysia

An effective technique for growing and empowering *waqf* appears to be its integration with the Islamic financial system. *Waqf*-featured unit trust has been identified as a practical method for enabling and speeding up the development of *waqf* assets on a larger scale (Sulaiman et al., 2019).

3.1 Guidelines of Waqf-Featured Unit Trust Fund

The updated Guidelines on Unit Trust Funds and the Guidelines for Unlisted Capital Market Products were released by the Securities Commission of Malaysia (SC) in November 2020 under the Lodge and Launch Framework (SC, 2020). The programme is designed to make it easier to offer the *waqf* feature in Islamic funds, which helps the Islamic social finance sector expand. Philanthropic investors have been drawn to this initiative because *waqf* development has been seen as a prominently promising area for wealth distribution, social development, and increased public welfare. There are currently four (4) unit trust fund managers offering *waqf*-featured unit trusts, indicating that the *Waqf*-Featured Fund Framework has encouraged the Islamic unit trust fund industry to venture into *waqf*. An Islamic fund with the *waqf* feature, as defined in Chapter 14 of the guidelines, is one that enables unit holders to reserve their rights to the units they purchased and to *waqf* all or a portion of the distribution income.

One of the primary goals of an investment fund with a *waqf* feature is not only to generate revenue but also to enable the unitholders to contribute all or a portion of that income for *waqf* as prescribed in the guidelines. The fund is only allowed to direct a portion of the distribution designated for *waqf* to the following recipients: (a) any state Islamic religious council (SIRC); or (b) any organisation or institution that the SIRC has authorised to act as a *mutawalli* (*waqf* administrator) or collection agent for *waqf*. The rule implies that the benefits can only be channelled to a designated institution and not to any individuals unless they are authorised by the SIRC.

The guidelines state that the fund must disclose in its product highlights sheet and prospectus the detailed descriptions of information related to the arrangement of the *waqf*, which must include the *waqf* initiatives and the names of the *waqf* recipients. This disclosure is required to ensure the transparency of the *waqf* distribution to the recipients. The fund must also provide investors with information about the *waqf* recipients and the status of the *waqf* activities. Aside from that, the fund manager is obligated to provide information about the *waqf*, the recipients of the *waqf*, and a link to recipients' websites.

To support effective *waqf* governance, the clause expressly recognises the value of transparency in *waqf* reporting. Transparency and accountability are essential given the trend in *waqf* management, which has shifted from land *waqf* to cash *waqf* and even to digital currency. Accountability in *waqf* is important and aims to ensure that social services are released to society in a effective manner (Kamarubahrin et al., 2019). In fact, accountability has been a pillar of prior *waqf* success stories, and the collapse of *waqf* has been attributed to the degradation of the trustee's accountability (Ayedh & Kamarubahrin, 2018).

3.2 Waqf-Featured Unit Trust Funds in Malaysia

Currently, there are four (4) *Waqf*-Featured Funds in Malaysia that philanthropic *waqf* investors may choose from. These funds are Makmur myWakaf Fund issued on 3 March 2021by BIMB Investment Management Berhad, PMB-An-Nur *Waqf* Income Fund issued on 18 March 2021 by Pelaburan Mara Berhad, Kenanga *Waqf* Al-Ihsan Fund issued on 13 April 2021 by Kenanga Investors Berhad, and Maybank Mixed Assets-I *Waqf* Fund issued on 3 May 2021 by Maybank Asset Management Sdn. Bhd.

Table 1: Monthly Asset Under Management of *Waqf*-Featured Fund in Malaysia.

Source: Data as of 31 July 2022 extracted from Refinitive Lipper for Investment Management

Fund	Launch Date	AUM (RM 'million)																
		Mar 2021	Apr 2021	May 2021	Jun 2021	Jul 2021	Aug 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	Jun 2022	Jul 2022
Maknaur myWakaf Fund	3 March 2021	0.00	11.08	11.06	11.06	11.04	11.18	11.01	11.01	11.08	1.95	10.50	9.64	9.52	9.52	9.18	8.29	8.29
PMB-An-Nur Waqf Income Fund	18 March 2021	0.00	4.13	4.71	5.28	6.34	6.47	7.00	7.20	7.26	7.68	7.52	7.52	7.86	7.63	7.60	7.77	7.88
Kenanga Waqf Al-Ihsan Fund	13 April 2021	-	0.00	3.90	7.13	7.52	7.78	7.82	7.85	7.59	7.58	7.19	7.11	6.80	6.04	5.93	5.70	5.60
Maybank Mixed Assets-I Waqf Fund	3 May 2021	-	-	0.53	0.53	0.99	1.56	1.56	1.97	2.00	1.95	1.77	1.57	1.60	1.58	1.36	1.32	0.96
BSN Dana Wakaf Al-Ikhlas	25 Mar 2022	-	-	-	-	-	-	-	-	-	-	-	-	0.00	25.55	24.88	24.31	24.53
Total AUM		0.00	15.21	20.20	24.00	25.89	26.99	27.39	28.02	27.93	19.16	26.98	25.84	25.78	50.32	48.95	47.39	47.26

As of 31 July 2022, the Asset Under Management (AUM) extracted from Refinitive Lipper for Investment Management of four *Waqf*-Featured Funds in the Malaysia IFM industry was recorded at RM47.26 million (Table 1). This amount is still relatively small which stood at only 4% of the total AUM of Shariah-compliant unit trust funds in Malaysia. Hence, lots of effort need to be concerted to increase awareness among the unit holders to endow part of the dividend as *waqf*.

4. *Waqf*-Featured Unit Trust Fund Proposed Models under the Guidelines of the Securities Commission

In a previous study, a number of conceptual models for unit trust *waqf* were proposed for future implementation (Sulaiman et al., 2019). The following is a summary of these models:

a. Either the entire unit trust or a portion of it may be endowed to *waqf*.
b. Cash *waqf* is accumulated to buy (or invest in) unit trusts.
c. *Waqf* on the entire dividend or a portion of it.
d. The fund manager may donate all or a portion of the fees earned from running the *waqf* unit trust.

As far as the SC's *Waqf*-Featured Fund Framework is concerned, the applicable model of a *waqf*-linked unit trust is based on the *waqf*-dividend structure, which means that the endowed subject matter is the return or dividend of the unit trusts. The guidelines recognise the *waqf* on the entire or a portion of the dividend. Undoubtedly, this represents significant progress in integrating *waqf* into an Islamic capital market, particularly in unit trusts and the wholesale fund, but more work may be required to support the different models, as proposed by Sulaiman et al (2019).

5. Current Application of *Waqf*-Featured Unit Trust Fund in Malaysia

5.1 Waqf-Featured Fund Objectives

Every unit trust targets a different set of general goals, such as growth, income, or a mix of the two. With reference to the *Waqf*-Featured Fund, it is distinctive that it has a philanthropic goal, with a percentage of the earned income going to areas like religion, healthcare, community empowerment, and education. Based on *waqf* principles, each *Waqf*-Featured Fund encourages investors to donate the proceeds to organisations or communities in need through the designated *waqf* administrator. The percentage of distribution to be channelled for *waqf* purposes must also be clearly spelt out in the offering documents.

5.2 Waqf Administrator and Waqf Recipients

Currently, there are three (3) institutions that have been appointed as *waqf* administrators (*mutawalli*) of the *waqf* unit trust funds. The Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) has been designated as the *waqf* administrator (*mutawalli*/*nazir khas*) for the Makmur myWakaf Fund. *Waqf* An-Nur Corporation Berhad is the *waqf* administrator for PMB-An-Nur *Waqf* Income Fund. While Yayasan Waqaf Malaysia (YWM) is the *waqf* administrator for two funds namely Kenanga *Waqf* Al-Ihsan Fund and Maybank Mixed Assets-I *Waqf* Fund.

The *waqf* administrators are also the legit recipients of the *waqf* distribution as stipulated in the Guidelines which can be summarised as follows:

a. The *waqf* administrator or *waqf* recipient must be authorised by the Federal or State Islamic religious council to act as a *waqf* administrator (*mutawalli*/*nazir khas*) or collection agent for *waqf* purposes;
b. Must have an adequate governance structure and framework;
c. Must have an audited annual financial statement; and
d. To publish the annual report on the *waqf* distribution and utilisation on its website.

If the appointed *waqf* administrator ceases to meet the criteria, the fund manager will take immediate action to remove it and replace it with another *waqf* administrator that meets the criteria, subject to the approval of the *Waqf*-Featured Fund Shariah Adviser. Additionally, the fund manager may designate more than one (1) institution to receive the *waqf* contribution. By subscribing to the *Waqf*-Featured Fund, the investors also agree to delegate the authority to select or remove the *waqf* administrators/recipients, subject to the Shariah Adviser's approval.

6. Important Features of Unit Trust Funds with *Waqf*

Essentially, this study has identified four crucial components of *waqf*-featured unit trust funds, which are illustrated in Figure 1. These components are sound corporate governance, a strong investment strategy carried out by highly qualified fund managers to ensure the *waqf* recipients' ongoing benefits, philanthropic goals, and a digitally based *waqf* system.

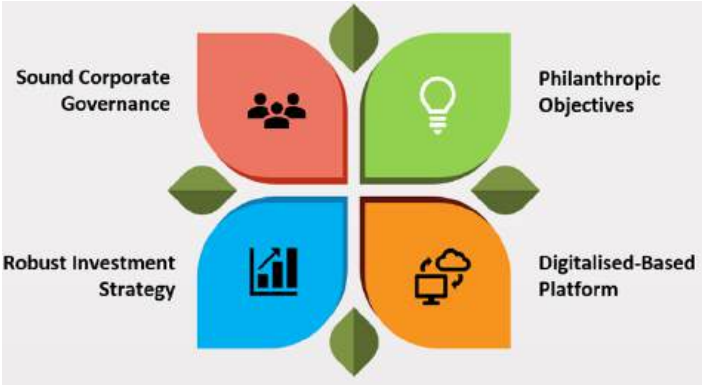


Figure. 1: Essential Aspects of *Waqf*-Featured Unit Trust
Source: Authors' Own

Waqf must be managed professionally to ensure its perpetual function, which requires a strong corporate governance framework. High transparency in the management of *waqf* and their reporting is essential to increase the confidence and trust of their stakeholders and narrow the gap between donors and administrators (Kamaruddin, 2018). *Waqf* management would be more transparent and accountable when it is handled by a professional fund manager (Ramli & Jalil, 2014), both of which are benefits that contribute to promoting prosperity.

In the meanwhile, fund managers must focus on developing a robust and sustainable investment plan. This strategy will ensure that the *waqf*-featured unit trust stays focused on its goal of satisfying the endowers' desire to provide recipients with sustainable benefits (Sulaiman et al., 2020). Additionally, the majority of the formed funds are concentrated on philanthropic objectives in order to mobilise *waqf* funds for a variety of sectors, including religious activities, education, healthcare, community empowerment, and the environment. The Malaysian *waqf* sector also should be revitalised to move toward digitalization and fintech inclusion given the recent growth of the digital economy. As highlighted by Rabbani (2020), Islamic fintech has the potential to offer a solution to a number of stumbling blocks. As a result, it may efficiently carry out the duties set forth by Shariah law and develop creative avenues for the accomplishment of some of the Muslim community's most important financial-related obligations.

7. Conclusion

The establishment of the *waqf*-linked unit trust fund in Malaysia is strongly supported by the resolute fatwa decisions coupled with a strong regulatory and thorough supervision framework, which are crucial in achieving philanthropic objectives in empowering ummah's well-being. As a result, the *waqf*-featured unit trust seeks to expand and reinvent the role of philanthropic investors in contemporary society by supporting charitable causes and connecting with the local community through the *waqf* concept. *Waqf* managers are urged to fully embrace the digital agenda in order to enable a digitised ecosystem and fintech inclusion in the management of *waqf* funds. This will work in tandem with Strategic Thrust 3 of the Financial Sector Blueprint 2022-2026 to advance the digitalisation of the financial sector to increase the effectiveness of good governance and integrity.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Determinants of Sukuk and Bonds Issuance: The Human Aspect (Extended Abstract)

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1. INTRODUCTION

Islamic financial system mobilizing fund consistent with Shariah principles. The difference is, due to the prohibition of riba' or usury (interest), Islam does not encourage the use of loan. Therefore, the system is offering sukuk as alternative for conventional bonds. These sukuk have to be asset-backed or asset-based to lessen the risk of the fund providers. The first sukuk were issued by Shell MDS in 1990 with a value of USD30 million. Consistent with the growth of the system, today sukuk are also being issued in non-Muslim country including the United Kingdom.

2. CORPORATE FINANCE DECISIONS

Studies on corporate finance decision are typically focusing on the capital structure and investment decision. Most of the studies are empirically using the secondary data from the financial statement. Three of the most popular studies done around 20 years ago related to capital structure decisions were by Bevan and Danbolt (2002), Antoniou et al. (2008) and Frank and Goyal (2009). The capital structure theories and its' determinants were discussed clearly by the authors. Due to the wide coverage of the empirical data with various determinants, these articles are considered as the key papers in capital structure area and current researchers are always referring to them.

Today, the studies on capital structure determinants are much more inclusive. Some researchers investigating differences of the determinants between groups: Shariah vs non-Shariah compliance companies (Rehan and Abdul Hadi, 2019) and between sectors (Chow, 2019). On the other hand, some studies are focusing on one particular sector: service sector (Karim et al., 2021), constructions sector (Mohammad et al., 2019), tourism sector (Dalwai and Sewpersadh, 2021) and small medium enterprises (SMEs) (Panova, 2020) and (Czerwonka and Jaworski, 2021). Various models and statistical analysis was used in previous researches. Apart of the ordinary least squares (OLS), pooled least squares (PLS) and generalized methods of moments (GMM) regression, some researchers are using partial least squares-structural equation modelling (PLS-SEM) (Ramli et al., 2019).

There are huge number of studies on capital structure determinants. However, most of the studies are generally discussing the capital structure decision (the mixture between debt and equity). Studies focusing on the detail components of debt; the mixture between loan and bonds, or the mixture between Islamic and conventional financing are very limited.

Furthermore, most of the study are using focusing on empirical (secondary) data. These data are related to characteristics of the company and the institution. Only few studies are testing the behavior of the key persons that is responsible in making the decision on the usage of debt. Using the data for Egyptian stock exchange (EGX), Abdeldayem and Sedeek (2018) test the managers' behavior on capital structure related decision. Managers demographic and characteristics of the behavior (overconfidence, optimism, and risk aversion) were collected using the survey. The result suggested that managerial behavior has significant relationship on capital structure decision. Optimistic managers are incline to use leverage and on the other hand risk averse managers

would rather not. However, there is no significant relationship between leverage decision and managerial overconfidence. This is in line with the study by Hackbarth (2008), showing that overconfident managers are more frequent to use debt.

2.1 Capital structure determinants.

The three key papers (that being discuss in the previous part) identified capital structure determinants as in Table 1. As of today, following numerous recent studies, there are many more additional capital structure determinants including growth opportunity (Chow, 2019), intellectual capital efficiency and institutional governance (Dalwai and Sewpersadh, 2021) were included in the studies.

Table 1. Capital structure determinants by three key papers.

Determinants	Bevan and Danbolt (2002)	Antoniou et al. (2008)	Frank and Goyal (2009)
Market to book ratio	/	/	/
Sales	/		
Profitability	/	/	/
Tangibility	/		/
Asset			/
Size		/	
Fixed assets		/	
Tax rate		/	
Earnings volatility		/	
Dividend		/	
Non-debt tax shield		/	
Changes in share price		/	
Inflation			/

2.2 Sukuk

The 2007-2009 financial crisis, slightly effect the Islamic financial systems. However, due to the resiliencies of the systems, investors are giving more trust. After the crisis, market showed significantly positive reactions on the Sukuk announcement which giving higher abnormal return for larger sukuk issuance as compared to conventional bonds (Khartabiel et al., 2020), (Ahmed et al., 2018). The sukuk market of the country is keep accelerating and making Malaysia as the leader in the sukuk market. In year 2021, the country contributing 45.1 percent of sukuk global market (IIFM, 2021). The outstanding growth of sukuk market in Malaysia does not overshadow the conventional bonds market. Both conventional and Islamic financial systems parallelly run together in serving the nations. In one solid system there are shariah compliance and non-shariah compliance companies as well as sukuk and conventional bonds markets.

2.3 Determinants of sukuk issuance: The human factors

Determinants of the issuance of sukuk and bonds are much similar to the determinants of capital structure as being discuss in the previous part. Most of the studies done previously were focusing on the firm characteristics base on the empirical data. However, in relations of deciding the issuance of sukuk or bonds more specific characteristics are involved. Previous study showed that in a dual financial system, firms that need longer term financing (Grassa and Miniaoui, 2018), financially unstable (Uddin et al., 2020) and smaller (Ahmed et al., 2018), would prefer to issue sukuk instead of bonds. The reason is because sukuk market is less constraint (Ahmed et al., 2018). However, due to financial instability, sukuk is facing higher risk (Hossain et al., 2021).

Study by Al Balushi et al. (2019) showed that characteristics of the firms not significantly influencing the decisions of SME owner-managers to adopt Islamic financing facilities. This is contradicted to bigger firms just like being discuss in the previous part. However, his/her personal Islamic value significantly influence the decisions. Study by Brahmana and You (2021) supported the result as it shows that the Muslim key-persons of bigger firm prefer the Islamic financing facilities. It shows that human factors (religion) are influencing the decision on deciding for Islamic financing facilities.

3. GAP OF THE STUDY

Most of the studies on capital structure decisions were focusing on the empirical data which are firm characteristics. There are possibilities that human factors such as religions, behaviors and demographic profiles are influencing the decisions. Studies on behavior and background of the key-person on capital structure decision specifically Islamic financing decision are very scare except by Abdeldayem and Sedeek (2018) and Hackbarth

(2008) which measuring the effect managers' attitude towards risk averse on capital structure decisions and Brahmana and You (2021) which measuring the effect of religion on the use of Islamic financial instruments.

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Does Gamification Work in a Serious Context? The Influence Platform Features in the Donation Based Crowdfunding Platform

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Abstract

Crowdfunding can provide financial aid to the underserved in a fast and safe manner. With the diffusion of technology, more people have relied on online crowdfunding platforms to fund their projects. However, researchers have found that contributors' willingness to support the projects on crowdfunding platforms financially has been on the decline. This study aimed to investigate the ability of crowdfunding platform features to influence the intentions of potential contributors to donate on the platform. This research proposed three variables—utilitarian features, hedonic features, and gamification features—based on economic utility theory, flow theory, and persuasive theory. Due to the nascent stage of the crowdfunding environment in Malaysia, this study managed to collect 176 valid responses through virtual snowball sampling method. SPSS 25.0 was employed to test the three hypotheses. The empirical findings reveal that utilitarian features were the most crucial factor in driving contributors' intention to participate in a crowdfunding project. Hedonic and gamification features, on the other hand, do not directly influence contributors' behavior. Theoretically, this study enriches the literature on human-computer interaction by examining the role of the crowdfunding platform to attract potential contributors. Also, enhances the understanding of the implementation of gamification in the crowdfunding platform. Finally, this research suggests that future studies should conduct research that specifically involves advanced game-like settings to investigate the real potential of gamification in crowdfunding activities

Keywords: Crowdfunding; flow theory; gamification; hedonic; persuasive theory; utilitarian

1. Introduction

The acceleration of technology in recent decades has introduced a new way of fundraising. Previously, people channeled their donations through religious centers or other traditional organizations. With the benefit of the Internet, people began to be able to raise funds and donate through crowdfunding platforms. The function of this type of platform was to create a bridge between fund seekers and contributors. It enabled individuals and organizations to reach the potential contributors by posting their projects on the platform.

A project on a crowdfunding platform is not restricted only to helping people who are in great distress; it also provides a place to seek funds for other project types, such as civic crowdfunding, where contributors can support projects related to community service (Stiver et al., 2015). As the crowdfunding platform is online-based, it has been able to reach millions of people around the world who can donate through a platform and overcome geographical barriers (Agrawal et al., 2015) and much faster than with conventional fundraising (Argo et al., 2020). Based on the nature of the crowdfunding activities, researchers have categorized crowdfunding into four types: donation, reward, equity, and lending-based crowdfunding (Adhikary et al., 2018). However, some researchers have argued that crowdfunding should be understood and categorized into two categories based on the motivation of the contributors: community-based crowdfunding and investment-based crowdfunding (Collins & Pierrakis, 2012).

Although community-based crowdfunding has achieved tremendous development in recent years, several researchers have noticed that participation by donors has been decreasing (Forbes & Schaefer, 2017; Lukkarinen et al., 2016; Mariani et al., 2017; Mollick, 2014; Zhang & Chen, 2019; Zhao et al., 2017). Further, the providers have been withdrawing after their first participation and reluctant to become consistent funds providers (Aitamurto, 2011; Burtch et al., 2013; Choy & Schlagwein, 2016; Jian & Shin, 2015; Kuppuswamy & Bayus, 2018). Thus, this research has investigated the factors that influence contributors' intentions to channel their donations using a crowdfunding platform.

Crowdfunding platforms are two-sided, with the platform as the intermediary between the fund seeker and the fund provider(Haas et al., 2014). Researchers have attempted to study the intentions of contributors, but their research concentrated on the factors that relate to the credibility of the fund seekers and the project's characteristics (Kang et al., 2016; Rodriguez-Ricardo et al., 2018; Wang & Yang, 2019) However, the role of a crowdfunding platform in influencing fund seekers' intention remained as an unexplored domain. Meanwhile, crowdfunding platforms are critical players in providing the mechanism and tools to develop social connections that create relationships in the crowdfunding community (Lacan & Desmet, 2017).

Moreover, the previous research in the crowdfunding domain concentrated on understanding the utilitarian and hedonic features of the proposed projects but fewer researches elaborate on the effect of such features embedded on the platform and the ability to attract potential contributors (Jiang et al., 2020; Zhao & Vinig, 2017). In addition, since gamification is a relatively new concept in crowdfunding activities, understanding this concept is crucial to interpret contributors' perceptions towards game-like activities in crowdfunding platforms (Behl & Dutta, 2020). Furthermore, researchers agreed that the implementation of technology in financial activities could enhance efficiency and effectiveness of the system (Kuznetsov, 2020). Thus, in the perspectives of crowdfunding, enhancing the crowdfunding platform with technological advance features such as gamification will contribute to more successful projects.

2. Literature review

The user of a platform has his or her own goals when participating in a crowdsourcing platform and is assisted by the utilitarian features of the platform (Jamshidi et al., 2018). Utilitarianism has its roots in Stigler's economic utility theory, which stated that individual preferences in achieving their utilitarian goals can be measured based on monetary or functional terms (Jamshidi et al., 2018; Kim et al., 2011). An online shopping website, for example, should include product and price comparisons, be time-saving and easy to use, and able to complete its task, which are all utilitarian features that help users to achieve their objectives (Childers et al., 2001; Ozturk et al., 2016). The utilitarian features of a website should be easily accessible and effectively help the user find information (Rakjit & Lertputtarak, 2019).

For this research, the design-related capabilities of a crowdfunding platform include the layout of the platform, which provides the information and objectives of the project (Belleflamme et al., 2015; Choy & Schlagwein, 2016; Polzin et al., 2018), and the images and videos that convince visitors to the site of the legitimacy of the project (Aprilia & Wibowo, 2017; Kim et al., 2016). By incorporating such design in a crowdfunding platform, a potential fund can provide a layout so that the fund donors can empathize with the target beneficiaries and, thereby, maximize their contributions (Althoff & Leskovec, 2015; Gleasure & Feller, 2016), as well as making them feel like active members of a like-minded donor community (Choy & Schlagwein, 2016).

H1: Utilitarian Features in crowdfunding platform has a positive influence on donation intention using the crowdfunding platform.

Then, researchers have argued that utilitarian features are insufficient to influence user-intended behavior (Bilgihan et al., 2014; Bridges & Florsheim, 2008). A website or platform that is targeted to receive a financial contribution from the users' needs to accomplish these well-defined functional goals and appeal to positive sensory feelings of the donor (Bly et al., 1998; Venkatesh & Brown, 2001). On the crowdfunding platform, utilitarian factors in the platform did influence individual participation and suggests including affective dimensions, such as perceived enjoyment and desires, which represent hedonic features (Lacan & Desmet, 2017).

The process of enjoyment is embedded in the flow theory Csikszentmihalyi (1997), in which people become highly involved in the actual activity on the website (Scholl-Grissemann & Schnurr, 2016). Hedonic features help the user make the process fun and enjoyable while performing the task (Ha & Stoel, 2009). While utilitarian applications focus on efficiency, hedonic applications employ animated images and focus on colors, sounds, and appealing visual layouts that make the user happy and involved while browsing the website. The integration of hedonic features in a website or platform can result in positive behavioral intention, such as consumer buying intention, loyalty, satisfaction, and word of mouth promotion (Vieira et al., 2018).

Nevertheless, some researchers have found that hedonic features are less critical than utilitarian features (Hazari et al., 2017). Moreover, hedonic features can be a distraction for the user when it involves a risky activity, such as performing an online transaction. The online banking community, for example, has emphasized fulfilling the utilitarian motivation and disregarding enjoyable experiences while browsing the website (Yaseen & El Qirem, 2018). Based on these findings, the issue still arises in the crowdfunding context, which website features would significantly influence users' intention to donate using a crowdfunding platform.

H2: Hedonic Features has a positive influence on donation intention using the crowdfunding platform.

Another relatively new factor in this study is gamification. Recent studies have introduced gamification as a new feature that may influence an individual to use a platform. Gamification refers to the use of game design elements in a non-game context (Deterding et al., 2011). E-learning was an early non-game activity that adopted gamification into the function (Bartel & Hagel, 2014). Recently, banking, e-commerce, and investment applications such as robo-advisory have implemented game elements into their websites, embracing persuasive theory to encourage the user to participate in the intended behavioral exercise (Bartel & Hagel, 2014; Fogg, 2009).

Scholars have described gamification as the use of game elements, mechanics, features, design, and structure in a non-game environment or context (Attali & Arieli-Attali, 2015; Bruder, 2015; Dale, 2014; Hamari et al., 2014; Hanus & Fox, 2015; Isaacs, 2015; Powers et al., 2013). Various game elements in pure game settings have been adapted to the non-game context such as leader boards, challenges, rewards systems, and others. Researchers have conceptualized the game elements into two types based on the complexity of the implementation (Liu et al., 2017). The first category of a gamification object refers to visual and non-visual features embedded on the website. For example, graphics, audio clips, avatars, virtual items, artificial characters, storylines, badges, and leader-boards. These elements are the fundamental components in gamification design, and the ones most likely to be incorporated into a website (Landers et al., 2017; Mekler et al., 2013). The second category is gamification mechanics, which is a higher level of design that requires a proper system to implement. Examples of the features are level systems, point systems, quests, competition and collaboration, in-game economy, and social networking features.

More recent research has conceptualized gamification into three categories, based on the function of the game elements (Xi & Hamari, 2020). Immersion-related features try to immerse the player in self-directed, inquisitive activity, including game mechanics such as avatars, storytelling, narrative structures, roleplay mechanics, and so forth. Achievement-related features are designed to enhance the players' sense of accomplishment and include game mechanics such as badges, challenges, missions, goals, leaderboards, progression metrics, etc. Social interaction-related features have been primarily used to enable a user's social interaction (Jang et al., 2018), and include game mechanics such as team, group, and competition (Hamari & Tuunanen, 2012; Koivisto & Hamari, 2019). The application of gamification in the crowdfunding context is still at an early stage, and most of the crowdfunding platforms have used basic game elements like a progress bar, avatar, and leader-boards to encourage fund provider participation.

Gamification has become a trend in the marketing field because it can drive customers' behavior and motivate them in task performance (Hsu et al., 2017; Koivisto & Hamari, 2019). The research into gamification in the crowdfunding context is still limited. Only one study has been identified (Kontogiannidis et al., 2017) that has confirmed the positive relationship between gamification and intention to use a crowdfunding platform. This research suggests the following hypothesis;

H3: Gamification Features has a positive influence on donation intention using the crowdfunding platform

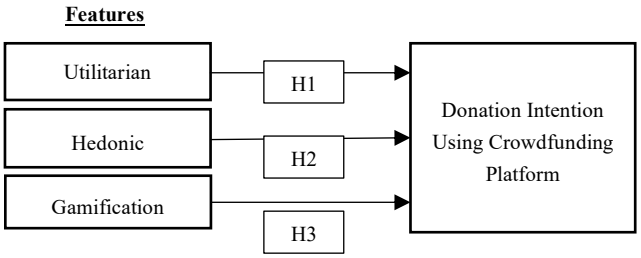


Figure 2. Proposed Research Framework

3. Method and Study Area

3.1 Design and participation

This study to collect information from individuals who had a general knowledge of crowdfunding and were aware of crowdfunding platforms. Because the crowdfunding environment in Malaysia is at an early stage, this study employed a virtual snowball sampling method to reach the respondents. To reach the respondents, the researcher browsed through pages and accounts related to crowdfunding on Facebook and Twitter. Then, the targeted respondents received a link to the survey, which they could then complete. Then, they will have the opportunity to recommend any of their acquaintances to be contacted. Using this data collection method, this study collected 176 respondents that fulfilled the requirements. More than half of the respondents are female

(58.8%), the majority age range falls between 18-25 years (68.8%) and most of the respondents are students (55.7%).

When answering the survey, the respondents needed to focus on the particular crowdfunding platform with which they were familiar, Table 1 present the crowdfunding platform chose by the respondents. The crowdfunding platforms in this study were community-based crowdfunding projects that covered donations and reward crowdfunding categories. In addition, all the crowdfunding platforms in this study had gamification elements embedded in the platform.

3.2 Measurement

The questionnaire contained three parts. The first part had filtering questions and general information to identify the respondents' current understanding of crowdfunding and their eligibility to participate in this study. The second part had the measurements of variables, including gamification features, utilitarian features, hedonic features, and intention to donate using the crowdfunding platform. The last part of the questionnaire was intended to collect the respondents' demographic information, such as age, income, employment, and others.

The questionnaire was designed using items from past research. All variables used the seven-point Likert scale from 1 = strongly agree to 7 = strongly disagree and was measured as a unidimensional construct. The predictors variables, gamification features were measured using ten items by (Cózar-Gutiérrez & Sáez-López, 2016; Kontogiannidis et al., 2017; Rodrigues et al., 2016). The measurement for utilitarian features, was adapted from the work of (Babin et al., 1994a; Bilgihan & Bujisic, 2015; Ettis & Haddad, 2019). Additionally, hedonic features was comprised of 7 items adopted from (Babin et al., 1994b; Bilgihan & Bujisic, 2015; Han et al., 2018). Donation intention included 6 items in the crowdfunding platform and was adapted from (Wu et al., 2013).

Table 7. List of Crowdfunding Platform in The Study.

Crowdfunding Platform	Type of Project	Frequency
JomDonate	Philanthropic	51
SkolaFund	Education	46
PitchIN	Innovation	23
GlobalSadaqah	Philanthropic	19
KitaFund	Medical Assistant	14
GoFundMe	Philanthropic	11
GoGetFunding	Philanthropic	6
Mystartr	Community	6

4. Results and discussion

Data were analyzed using the Statistical Package for Social Sciences (SPSS25.0). A reliability test was conducted and showed that the Cronbach alpha for all variables surpassed the acceptable range. Utilitarian features was 0.885, hedonic features was 0.931, gamification features was 0.903, and donation intention was 0.935 and all were considered as having a relatively high internal consistency (Cortina, 1993).

Standard multiple regression was used to assess the ability of utilitarian features, hedonic features, and gamification features to influence donation intention. The multiple regression analysis showed that one hypothesis was accepted, and the other two hypotheses were rejected. The ANOVA model showed that the three factors explained 44% of the variance in donation intention (R square =.44, F (3,172) =45.992, p<.05). Utilitarian features (H2) were statistically significant with donation intention (beta=.523, p<.05). Meanwhile, gamification (H1) and hedonic features (H3) were statically insignificant and did not influence donation intention. Table 2 represents the result of the analysis.

Table 8. Result of Multiple Regression Analysis.

Variable	Unstandardized Coefficient		Standardized Coefficients	t-value	p-value	Decision
	Beta	Std. Error	Beta			
Model (constant)	.894	.384		2.325	.021	
Utilitarian Features	.627	.115	.523	5.466	.000	Supported
Hedonic Features	.113	.104	.106	1.084	.280	Rejected
Gamification	.093	.073	.091	1.281	.202	Rejected

Although other research had found that users tend to seek fun and enjoyment in their web design, this research reflected a result that contradicted with the existing literature in crowdfunding domain (Behl & Dutta, 2020; Kontogiannidis et al., 2017) The game element applied in the crowdfunding platform did not contribute to influencing the donors' intention. Researchers posit that gamification might fail to influence users' behavior in a website or platform because only a single element was applied (Gallego-Durán et al., 2019). The platform should adopt a fully game-like platform to achieve the intended behavior, and a single game element is not sufficient to do so (Schell, 2008). Moreover, referring to the similar concept of crowdfunding—crowdsourcing—in which the complexity of game design involving a set of game elements like challenges, achievements, countdowns, discovery, points, reward schedules, and status has contributed to drive users' positive behavioral intentions (Kavaliova et al., 2016; Puritat, 2019). Since crowdfunding in Malaysia is still developing, most of the platforms were designed with basic gamification features.

Next, the results showed that utilitarian features do have a significant impact on the intention to donate to a crowdfunding platform. While, hedonic features demonstrated exactly the opposite — little or no impact on the intention to donate. Contributors in crowdfunding activities appreciate the utilitarian features more than the hedonic features if they wished to use the platform to donate. Features such as website aesthetic design, which emphasized color range, interactive images, and layout that provided enjoyment while using a platform had no impact when it involved financial activities. These findings corresponded to the results in serious context of financial transaction (Yaseen & El Qirem, 2018). The hedonic attributes of a platform acted as a distraction to the user who came to the website to complete their initial behavioral intention. Besides, (Hazari et al., 2017) found in their study that utilitarian features will dominate hedonic features when both factors are evaluated simultaneously. Thus, it can be concluded that the utilitarian design of a website is more important compare to hedonic and gamification features, so the primary emphasis in website design should be on the utilitarian aspects.

This study contributes to knowledge of human computer interaction literature from two perspectives. Theoretically, most of the literature in the crowdfunding context focuses on the tendency of contributors to involve in a crowdfunding project based on the project owners' credibility and characteristics (Haas et al., 2014; Kang et al., 2016; Wang & Yang, 2019). The current study has shed light on the role of the crowdfunding platform itself as one of the key players in crowdfunding activities to attract contributors and contribute to the success of the project in acquiring funds. Furthermore, this study contributes to the existing literature by explaining that users of the platform emphasized functional and practical features rather than fun and enjoyment features in serious context online activities that involve financial transactions (Hazari et al., 2017; Yaseen & El Qirem, 2018).

Since the literature on gamification in the crowdfunding domain is still scarce (Kontogiannidis et al., 2017), this study offers a meaningful contribution to the literature. The finding of this study suggests that the single element of gamification feature is inadequate. A full fledge of the game-like platform is better to attract online users to conduct behavioral intention.

On managerial perspectives, a crowdfunding platform manager should emphasize utilitarian features as donors are seeking to fulfill their primary purpose while using the platform. The layout should include the timely updates of the project section as one of the utilitarian features so that donors can ensure that their donation is not manipulated. Furthermore, all crowdfunding platforms should use the same template of information provided by the fund seeker, especially the explanation of how the fund will be used.

Furthermore, to attract and retain donors on the platform, the manager needs to consider including more gamification features, as the current features are insufficient to influence donors' behavior. Features challenges, achievements, countdowns, discovery, points, reward schedules, and status that implied the second type of gamification should be embedded on the platform.

5. Conclusion

The objective of this research has been to investigate the crowdfunding platform and its use of utilitarian features, features of gamification, and hedonic features and how they affect donor intention. The study suggested that the fund provider on the platform are not fun-seekers. They complete their task without the assistance of hedonic features. The limitations of gamification features in the crowdfunding platform, on the other hand, meant that the fund provider could not experience a real game-like situation, thus not contributing towards a fund seeker's decision.

Future studies should extend this research. First, since crowdfunding in Malaysia is still at a nascent stage, researchers should test the framework in other research settings that have an advanced crowdfunding environment. Also, academicians should work together with the crowdfunding platform managers to develop a crowdfunding platform that includes a better design of gamification. Second, this study is limited to community-based crowdfunding, and future researchers should investigate other types of crowdfunding. Community-based crowdfunding is solely based on benevolent action, which means donors have no intention to seek a monetary return. They are more concerned about completing their donation and fulfilling their primary purpose, to give

money to a charity. Meanwhile, investors in equity and lending-based crowdfunding are purposely seeking financial returns. Thus, analyzing their motivation will likely result in different findings.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022
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Isu Agihan Zakat: Satu Sorotan

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Abstrak

Covid-19 memberikan impak yang amat besar kepada seluruh dunia sehingga menyebabkan pertambahan kadar kemiskinan. Kajian ini dijalankan untuk menyorot kembali dapatan kajian lepas mengenai isu agihan zakat di Malaysia dan Indonesia yang masih menjadi polemik dalam kalangan masyarakat Muslim sama ada kajian yang telah dilaksanakan di Malaysia mahupun di luar negara. Kedua-dua negara ini telah menjadi titik perbincangan dalam kajian ini kerana ia merupakan negara yang mempunyai bilangan rakyat yang beragama Islam tertinggi di antara negara-negara Asia Tenggara. Hasil kajian ini mendapati bahawa terdapat empat perkara utama yang menjadi faktor dalam isu agihan zakat iaitu lokaliti agihan zakat, ketirisan maklumat asnaf (penerima agihan zakat), pengurusan yang tidak efisien dan rasa tidak puas hati.

Kata Kunci: Zakat; agihan zakat; ketirisan maklumat; lokaliti

1. Pendahuluan

Kemiskinan bukanlah isu asing di kebanyakan negara Islam. Kadar kemiskinan di Indonesia sangat tinggi (Dian dan Ekor Fajar, 2020, Bariyyatin Nafi'ah, 2021), Malaysia sendiri masih tinggi walaupun terdapat penambahbaikan dalam sistem pengurusan zakat. Menurut pakar, antara negeri di Malaysia yang menghadapi kemelut kemiskinan yang tinggi ialah negeri Kedah (Alhaq & Abd Wahab, 2017). Namun pada tahun 2021, kadar kemiskinan tegar di Malaysia yang telah direkodkan adalah melibatkan empat buah negeri iaitu Kelantan, Sabah, Sarawak dan Perak. Menurut Timbalan Menteri di Jabatan Perdana Menteri (Ekonomi) Malaysia, pertambahan bilangan negeri ini adalah disebabkan oleh pandemik Covid-19 yang melanda seluruh dunia (Astro Awani).

Zakat merupakan salah satu instrumen yang boleh membantu mengatasi isu kemiskinan dan telah terbukti dalam sejarah peradaban umat Islam khususnya di zaman pentadbiran Khalifah Umar al-Khattab (Nadzri et al, 2012). Namun ia perlu diurustadbir dengan efisien supaya dapat meningkatkan taraf sosioekonomi umat Islam dengan ketara (Alhaq & Abd Wahab, 2017, Mugiyati, 2021, Bariyyatin Nafi'ah, 2021) dan mengurangkan jurang pendapatan (Mohd Afandi, M.F et al, 2021). Ibadah zakat merupakan amalan serampang dua mata yang memberikan kesan secara langsung dan tidak langsung sama ada dari konteks material dan juga kerohanian (Alin, N. A, & Ab Rahman, A. 2018). Pengurusan zakat yang efisien adalah kriteria yang memberikan gambaran terhadap sesebuah institusi dan organisasi zakat yang berjaya. Melihat kepada konteks material, agihan sebahagian harta yang dikeluarkan oleh *muzakki* (individu muslim yang ditaklifkan dengan ibadah zakat) merupakan salah satu instrumen yang berpotensi membantu asnaf ataupun penerima bantuan zakat dari aspek ekonomi dan ada juga yang berupaya melanjutkan pengajian ke peringkat universiti. Dari konteks kerohanian pula, ibadah zakat yang difardukan akan menyucikan harta yang dimiliki dan juga harta yang diperolehi. Syariat Islam juga mendidik hati nurani menerusi ibadah zakat, hasilnya rasa keinsafan akan meresap ke hati muzakki bahawa dalam harta yang dimilikinya itu, terdapat hak orang miskin (Alhaq & Abd Wahab, 2017; Alin, N. A, & Ab Rahman, A. 2018; Saad dan Farouk, 2019; Mugiyati, 2021, Bariyyatin Nafi'ah, 2021).

Terdapat banyak organisasi zakat bertanggungjawab menguruskan kewajipan memungut dan mengagihkan zakat di Malaysia. Kesemua negeri mempunyai organisasi zakatnya sendiri. Sebagai contoh, Majlis Agama Islam Negeri Sembilan (MAINS) menguruskan zakat di bawah kelolaan Pusat Zakat Negeri Sembilan. Agihan zakat

yang dikendalikan oleh pertubuhan zakat telah menjadi polemik dalam kalangan masyarakat Islam kerana ada di antara rakyat Malaysia sememangnya berharap dana itu dapat membantu mereka supaya memerlukan keluar daripada kemiskinan kemudian berupaya membantu meningkatkan taraf hidup mereka. Para asnaf zakat di Malaysia mendapat pelbagai bentuk bantuan daripada pertubuhan zakat. Bantuan zakat selalunya datang dalam beberapa kategori seperti bantuan kecemasan, bantuan perubatan, bantuan pendidikan, bantuan keusahawanan, dan bantuan kecemasan (untuk makanan dan rezeki).

Kajian ini dilaksanakan dengan menggunakan pendekatan kualitatif bagi proses pengumpulan dan analisa data berkaitan dengan kajian yang telah dijalankan sebelum ini berkaitan dengan isu agihan zakat sama ada pengkaji tempatan mahupun luar negara. Analisis data pula dilaksanakan terhadap rumusan dan kesimpulan yang dikeluarkan daripada setiap literatur yang diperolehi dengan menggunakan metod deduktif melalui Pendekatan ini digunakan untuk merumuskan isu yang masih perlu diteliti dan dibahaskan.

Menurut Alhaq & Abd Wahab (2017), Lembaga Zakat Selangor (LZS), melaksanakan model Board Scorecard (BSC) secara berkesan dalam pengurusan zakat mereka sebagai sebuah badan berautonomi. Badan bukan autonomi itu kurang mencabar, justeru mereka tidak keluar dari zon selesa untuk membantu asnaf yang layak dengan zakat. Begitu juga, aktiviti pengedaran dan keusahawanan LZS autonomi telah menghasilkan beberapa keputusan yang berjaya. Sebaliknya, ia adalah satu pencapaian yang amat membanggakan apabila individu yang sebelum ini berada di pihak penerima menjadi penyumbang zakat.

Berbeza dengan kerajaan bukan autonomi, kerajaan autonomi secara berterusan menawarkan bantuan zakat kepada asnaf. Penulis berpendapat bahawa kerangka Islam harus digunakan bersama-sama dengan kebimbangan kemiskinan struktur dan tidak sengaja dalam masyarakat. Tujuan asas zakat mesti dititikberatkan. Untuk memastikan hala tuju, meningkatkan agihan zakat untuk asnaf, dan mengukuhkan pengawasan, rangka kerja Islam hendaklah dilaksanakan daripada al-Quran dan peraturan yang ditetapkan. Berdasarkan kecenderungan kecil untuk mengambil, memperkasakan zakat boleh memberi kesan yang baik kepada ekonomi masyarakat (MPC). MPC cenderung lebih besar di kawasan yang paling kurang membangun, jadi sebarang pertumbuhan akan memberi manfaat kepada ekonomi dan membantunya pulih daripada kemerosotan.

2. Konsep Zakat Menurut Syariat Islam

Kesejahteraan dan kemaslahatan hidup adalah antara intipati dalam syariat Islam. Justeru, bagi menjamin kedua-dua aspek ini dapat dicapai, umat Islam disarankan untuk saling bantu-membantu antara satu sama lain. Ibadah zakat ditaklifkan ke atas umat Islam dan sebagai rukun Islam yang keempat merupakan mekanisme pengagihan harta untuk mencapai keseimbangan sosial dari sudut ekonomi. Ibadah ini adalah berbentuk ibadah *maliyyah* (berbentuk harta) yang diwajibkan kepada daripada golongan berada. Harta yang dikeluarkan itu diserahkan kepada amil kemudian ia diagihkan kepada asnaf dengan tujuan dapat meringankan beban dan bukan sahaja dapat membantu meningkatkan taraf ekonomi mereka. Ibadah zakat juga memberikan harapan kepada golongan miskin supaya bersemangat serta memperolehi kekuatan jiwa untuk berusaha sehingga dapat keluar dari belenggu kemiskinan. Lebih dari itu, impaknya pada masa akan datang, golongan yang asalnya bergelar asnaf pula yang akan tampil sebagai *muzakki* untuk memainkan peranan dan tanggungjawab sebagai umat Islam dalam membantu asnaf zakat yang seterusnya (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006).

Ibadah zakat juga mendidik para *muzakki* dengan kekuatan akidah dan keimanan yang dimiliki untuk menyucikan harta yang diperolehi dengan mengeluarkan zakat pada kadar dan tempoh tertentu. Para *muzakki* akan mendapat ganjaran pahala kerana tidak mengabaikan golongan miskin. Allah Ta'ala menjanjikan harta yang "subur" untuk mereka kerana menunaikan ibadah zakat yang bersifat fardu. pada masa yang sama, ibadah zakat berupaya mengikis rasa bakhil dan tamak. Kesimpulannya, ibadah zakat berkaitang dengan tiga komponen iaitu hubungan manusia dengan Allah, manusia dengan manusia dan manusia dengan alam (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006; Ab. Rahim Zakaria, 2007).

Dari segi bahasa, zakat bermaksud suci, bersih, subur dan berkembang. Perkara yang perlu disuci dan dibersihkan ialah hati orang kaya daripada sifat kedekut dan tamak. Manakala yang disuburkan pada harta dengan menambahkan keberkatannya. Keberkatan akan wujud setelah hak-hak harta ditunaikan. Dalam konteks pembayar zakat pula, konsep subur pada hartanya juga turut berlaku kerana pembayar zakat akan terus berusaha mencari kekayaan supaya kadar zakat boleh ditingkatkan pada masa akan datang. Walaupun pada pandangan zahir, harta yang dizakatkan akan kelihatan berkurangan namun hakikatnya harta tersebut akan menyuburkan aktiviti ekonomi golongan asnaf. Mereka pula akan bertanggungjawab menggunakan zakat yang diterima dengan sebaik-baiknya dengan berusaha mengubah kehidupan supaya berjaya keluar dari kemelut kemiskinan (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006; Mahyuddin, 2012; Saad dan Farouk, 2019). Dari segi syarak pula zakat bermaksud mengeluarkan sebahagian harta tertentu diberikan kepada golongan tertentu pada waktu-waktu tertentu (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006; Hailani b. Muji Tahir, 2009; Mahyuddin, 2012; Saad dan Farouk, 2019).

Pensyariatan zakat jelas terkandung di dalam firman Allah Ta'ala yang berikut:

وَأَقِيمُواْ ٱلصَّلَوٰةَ وَءَاتُواْ ٱلزَّكَوٰةَ وَٱرۡكَعُواْ مَعَ ٱلرَّٰكِعِينَ (٤٣)

Al-Baqarah 2: 43

Terjemahan: Dan dirikanlah kamu akan sembahyang dan keluarkanlah zakat dan rukuklah kamu semua (berjemaah) bersama-sama orang-orang yang rukuk.

Intipati yang jelas terdapat di dalam ayat di atas adalah perintah khusus yang membawa kepada taklif ataupun kewajipan buat umat Islam iaitu menunaikan solat dan mengeluarkan zakat. Diikuti pula dengan seruan untuk menerima Islam iaitu menjadikan rukuk sebagai simbolik untuk bersama umat Islam yang rukuk ketika menunaikan solat (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006).

Pensyariatan zakat jelas terkandung di dalam firman Allah Ta'ala yang berikut:

۞ اِنَّمَا الصَّدَقٰتُ لِلْفُقَرَآءِ وَالْمَسٰكِيْنِ وَالْعَامِلِيْنَ عَلَيْهَا وَالْمُؤَلَّفَةِ قُلُوْبُهُمْ وَفِى الرِّقَابِ وَالْغَارِمِيْنَ وَفِيْ سَبِيْلِ اللّٰهِ وَابْنِ السَّبِيْلِ ۗ فَرِيْضَةً مِّنَ اللّٰهِ ۗوَاللّٰهُ عَلِيْمٌ حَكِيْمٌ. (60)

Terjemahan: Sesungguhnya zakat itu hanyalah untuk orang-orang fakir, orang miskin, amil zakat, yang dilenturkan hatinya (mualaf), untuk (memerdekakan) hamba sahaya, untuk (membebaskan) orang yang berutang, untuk jalan Allah dan untuk orang yang sedang dalam perjalanan, sebagai kewajiban dari Allah. Allah Maha Mengetahui, Maha Bijaksana.

Ayat di atas mengandungi penerangan mengenai lapan kategori asnaf zakat iaitu orang fakir, orang miskin, amil zakat, orang yang memeluk agama Islam, orang yang memerlukan, hamba yang telah dibebaskan, orang yang berhutang, orang yang berjuang di jalan Allah, dan pengembara. Walaupun terdapat lapan kategori orang ini telah dinyatakan dalam al-Quran, keutamaan dalam peruntukan dana zakat mestilah mengikut pengurangan kemiskinan. Menurut pendapat Imam Syafie, antara kesemua asnaf zakat, terdapat empat golongan penerima perlu diutamakan berbanding asnaf yang lain iaitu kategori *al-fuqara* (orang miskin), *al-masakin* (orang miskin) *al-gharimin* (yang berhutang) dan *ibnussabil* (musafir/dalam perjalanan). Oleh itu, zakat juga memainkan peranan dalam menyediakan perkhidmatan untuk kepentingan kebajikan masyarakat khususnya bagi lapan kategori asnaf (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006).

Syarat-syarat zakat pula secara terdiri daripada enam iaitu pemilik harta yang wajib dizakatkan mestilah beragama Islam, bebas, dari aspek harta pula ia mestilah dimiliki sepenuhnya, ia merupakan sumber harta yang baik untuk dizakatkan, cukup *nisab* (kuantiti atau kadar minimum harta yang wajib dizakatkan) dan cukup *haul* (tempoh pemilikan harta yang wajib dizakatkan). Namun begitu, syarat-syarat tertakluk kepada jenis harta yang wajib dizakatkan (al-Qurtubi , 1967; al-Sarakhsī (t.t); Ibn Qudamah, 1984; Yusuf al-Qardawi, 2006)

3. Kepentingan Ibadah Zakat

Zakat merupakan instrumen ekonomi Islam yang sangat signifikan sebagai alternatif untuk membasmi kemiskinan (Abdullah et al., 2015; Bariyyatin Nafi'ah, 2021). Ia adalah perintah Allah Ta'ala kepada umat Islam yang mempunyai kemampuan kewangan untuk memperuntukkan sebahagian dari harta untuk mereka yang memerlukan (Kashif dan Jamal, 2016). Zakat tidak terhad kepada aspek kerohanian tetapi juga dikaitkan dengan bidang pembangunan ekonomi dan sosial (Abdullah et al., 2015; Saad dan Farouk, 2019; Bariyyatin Nafi'ah, 2021). Pengagihan zakat yang sama rata kerana akan menggalakkan asnaf untuk menjadi produktif dari segi ekonomi dan berusaha untuk membasmi kemiskinan (Tika Widiastuti et al., 2021) dan mengatasi kadar pengangguran (Yusuf al-Qardawi, 2006).

Pengurusan zakat yang efisien memberi impak kepada perkembangan perniagaan asnaf. Beberapa kajian telah dijalankan mengenai kesan zakat yang berkesan terhadap pertumbuhan perniagaan mereka. Agihan zakat yang kepada para petani memberi kesan positif kepada pertumbuhan pendapatan mereka (Sabtu et al. 2015; Ibrahim. A. Z, 2015). Ia menyediakan dana tambahan kepada perniagaan yang dijalankan, membolehkan mereka meningkatkan produktiviti dan membantu dalam meningkatkan pendapatan serta kemakmuran hidup. Usaha ini mampu menyediakan sumber pendapatan yang baik dan mampu bertahan kepada asnaf melalui pengurusan perniagaan mikro, meningkatkan taraf hidup mereka (Anis dan Kassim, 2016). Senario sebegini tidak hanya berlaku di Malaysia bahkan juga di Tunisia kerana instrumen zakat yang berkesan berjaya mengurangkan kemiskinan dengan ketara di negara berkenaan.

Skim agihan zakat asnaf mualaf yang disediakan turut menyumbang ke arah pencapaian matlamat SDG di Negeri Sembilan. Matlamat tiada kemiskinan (SDG-1) dan sifar kelaparan (SDG-2) boleh dilihat dengan penyediaan skim seperti saguhati kemasukan Islam, bantuan kebajikan, serta bantuan Ramadhan. Manakala dalam memberikan perkhidmatan kesihatan (SDG-3) yang selari dengan ajaran Islam, bantuan berkhatan telah disediakan untuk asnaf mualaf. Selain itu, skim agihan seperti dermasiswa mualaf, kursus mualaf, pertubuhan bantuan bukan kerajaan mualaf (NGO) dan kompleks as-Saadah menunjukkan bahawa skim yang disediakan turut menitikberatkan pendidikan yang berkualiti (SDG-4). Bantuan modal dan perniagaan pula dapat memastikan

asnaf mualaf berpeluang mendapat pekerjaan dan membangunkan ekonomi dengan baik (SDG-8). Seterusnya, skim bantuan membaiki rumah dan rumah sewa yang disediakan dapat menyumbang kearah kelestariaan bandar dan komuniti (SDG-11) dengan memastikan asnaf mualaf mempunyai rumah yang sesuai dan selamat untuk didiami serta mempunyai kemudahan asas yang baik (Azman Ab Rahman et al, 2020)

4. Kaedah Kajian

Tujuan kertas kerja ini adalah untuk menyediakan tinjauan literatur sedia ada mengenai isu agihan zakat di beberapa negeri di Malaysia dan juga tinjauan secara umum di Indoensia. Sumber dokumen terdiri daripada buku fiqh, jurnal, kertas penyelidikan dan artikel akhbar. Dokumen-dokumen tersebut dikumpulkan daripada pelbagai pangkalan data seperti Google Scholar, Research gate Scopus dan pelbagai portal dalam talian. Berdasarkan input daripada pelbagai dokumen berkenaan, analisis telah dilakukan untuk memberikan perbincangan dan kesimpulan.

5. Perbincangan

Satu ketika dahulu kutipan dan agihan zakat pernah melalui zaman kegemilangan sehingga tiada asnaf yang layak menerima agihan zakat iaitu di bawah pentadbiran Khalifah Umar al-Khattab (Nadzri et al., 2102). Namun setelah ia ditadbir dengan menggunakan sistem kolonial, kegemilangan urustadbir ini kian merosot. Terdapat kesukaran mengagihkan zakat secara berkesan atas faktor kelemahan dalam mentakrifkan sistem agihan dan keberkesanan agihan zakat (Alhaq & Abd Wahab (2017). Oleh itu, pengkaji membahagikan isu agihan zakat kepada beberapa kategori seperti berikut:

5.1 Lokaliti Agihan

Agihan zakat menjadi isu disebakan ketiadaan lokaliti yang sesuai. Pengurusan agihan zakat di masjid misalnya menghadapi kekangan kerana tiada kemudahan pejabat seperti kaunter agihan dan ketiadaan petugas khas ataupun amil yang mengendalikan agihan sepanjang masa. Jawatan amil pada hari ini merupakan salah satu jawatan yang perlu diwujudkan secara profesional. Oleh yang demikian, satu rangka peruntukan diperlukan sesuai dengan portfolionya seperti bergaji tetap dan bertugas di lokaliti yang ditetapkan sepanjang tahun. Individu yang mempunyai kelayakan akademik yang tinggi dan berpengetahuan luas dalam bidang agama diperlukan untuk menjawat jawatan amil supaya kualiti profesionalisme sentiasa dipertingkatkan (Azman Ab Rahman & Mursyid Junaidi, 2019). Amil juga perlu meningkatkan keupayaan mereka dalam pengurusan zakat berasaskan teknologi. Oleh yang demikian, institusi zakat perlu bersedia untuk memacu ledakan transformasi pengurusan ke arah teknologi zakat yang muncul sebagai salah satu keutamaan dalam mengoptimumkan tadbir urus zakat (Tika et al., 2021).

Menurut Nor Muhamad, Mohd Sahid, Kamarudin, & Kamaliah, prestasi pengajian pelajar sangat berkaitan rapat dengan masalah kewangan yang mereka hadapi dan memberi impak yang negatif. Tinjauan telah dijalankan di kalangan enam puluh pelajar Universiti Teknologi Malaysia, UTM, mendapati bahawa kupon makan merupakan salah satu cara agihan zakat yang berkesan oleh unit zakat universiti membantu dan menjamin memenuhi keperluan asas pelajar. Selain itu, pengkaji juga mendapati dua jenis kaedah agihan zakat iaitu bantuan kewangan untuk program pelajar dan bantuan individu berjaya menyalurkan bantuan kewangan kepada pelajar. Namun, disebabkan ramai pelajar yang tidak mengetahui hak mereka terhadap agihan zakat, isu ini masih juga berterusan di peringkat pelajar. Pengkaji juga mendapati bahawa pihak universiti perlu memberikan perhatian terhadap usaha meningkatkan pengagihan zakat di UTM kerana beberapa isu. Antaranya ialah kerjasama yang kurang harmoni antara jabatan kewangan universiti dan unit zakat di kampus, masalah pemotongan gaji secara terus kepada dana zakat dan asnaf fi sabilillahdi kampus ini tidak menyedari hak mereka terhadap bantuan zakat.

Pada hari ini, teknologi pembayaran bil, hutang termasuklah zakat secara atas talian berlaku sepanjang masa kerana ia memudahkan urusan seharian manusia. Umat Islam tidak lagi perlu ke kaunter secara bersemuka dengan petugas tetapi pembayaran boleh dilakukan secara terus dengan menggunakan komputer ataupun telefon pintar. Namun begitu timbul keraguan kepada pembayar- pembayar mengenai status sah atau tidak sah sekiranya zakat dibayar secara atas talian. Pada dasarnya, pembayaran zakat tidak disyaratkan akad ijab dan kabul. Syarat sah pemberian zakat adalah muzakki mesti berniat, merupakan pemilik harta yang sah untuk menyerahkan dan menerima barang (Noraini Saro, Azri Bhari, Afandi Mat Rani, 2022)

5.2 Ketirisan Maklumat Asnaf yang Berkelayakan

Jika maklumat mengenai asnaf tidak diperolehi dengan tepat, institusi zakat tidak akan berjaya melaksanakan tanggungjawabnya dalam mengagihkan zakat kepada asnaf. Jika terdapat pengabaian asnaf, masyarakat akan mengambil inisiatif sendiri untuk membuat pembayaran secara terus kepada asnaf yang ada di dalam kalangan mereka ataupun asnaf fakir dan miskin yang mereka kenali. Situasi ini akan membawa kepada senario agihan

zakat yang tidak seimbang kerana zakat tidak diagihkan di peringkat nasional. Ia juga akan menyebabkan enam jenis asnaf lain diabaikan (Azman Ab Rahman & Mursyid Junaidi, 2019).

Satu sistem yang dibangunkan di Indonesia yang betujuan untuk menyimpan data dan maklumat oleh Badan Amil Zakat Nasional (BAZNAS) atau SIMBA. Ia adalah sistem berpusat yang menghubungkan semua agensi atau institusi zakat di seluruh negara. SIMBA digunakan dalam semua peringkat BAZNAS untuk memudahkan laporan data tentang pengumpulan, pengedaran dan pemerkasaan zakat, infaq dan sedekah. Sosialisasi SIMBA bermula pada tahun 2014. Dengan teknologi ini, maklumat laporan tadbir urus institusi zakat boleh diterbitkan dengan tepat dan cepat melalui platform digital seperti laman web (Mubtadi & Susilowati, 2018 dan Tika et al., 2021)

5.3 Kecekapan Agihan

Segala urusan jual beli dengan mengguna apa jua kaedah selagi tidak berkait dengan perkara-perkara yang diharamkan seperti adanya unsur gharar, riba dan judi tidak dilarang dalam Islam. Ledakan teknologi maklumat serta perkembangan sistem perbankan Islam di Malaysia pada hari ini, kaedah pembayaran zakat tidak lagi tertumpu kepada kaedah konvensional dengan tampil ke kaunter zakat, sebaliknya ia boleh dilakukan menerusi pelbagai kaedah bayaran zakat disediakan oleh institusi zakat negeri dengan kerjasama pelbagai pihak termasuk institusi perbankan Islam (Asni, F. 2021; Noraini, Azri dan Afandi, 2022).

Teknologi yang sedang berkembang di dunia ini adalah sebenarnya bertujuan untuk membantu dan memudahkan urusan manusia jika ianya dapat dimanfaatkan dengan baik. Pada hari ini perkembangan teknologi membawa perubahan kepada institusi zakat berinovasi khususnya supaya sistem pengurusan zakat menjadi lebih telus. Banyak perubahan yang telah dilaksanakan oleh pihak institusi zakat sebagai langkah untuk menjamin kecekapan institusi zakat. Perubahan-perubahan yang dilaksanakan dalam institusi zakat ialah kaedah penyebaran maklumat, kaedah kutipan dan agihan zakat, kaedah menjejak asnaf dan sebagainya. Kini terdapat pelbagai perkhidmatan atas talian pembayaran zakat yang disediakan seperti perbankan internet, kaunter pos, kaunter bank, perbankan telefon, khidmat pesanan ringkas serta kaunter pusat zakat yang diwujudkan di pelbagai lokaliti yang menjadi tempat tumpuan awam. Langkah ini diambil bertujuan bukan hanya untuk membantu umat Islam berzakat dengan lebih mudah dan sekaligus berupaya meningkatkan lagi kutipan zakat (Asni, F. 2021; Noraini, Azri dan Afandi, 2022).

Bertepatan dengan keutamaan zakat sebagai salah satu sumber ekonomi Islam, institusi zakat dilihat perlu untuk mengorak langkah kehadapan supaya kualiti dan mutu perkhidmatan kutipan dan agihan zakat dapat perbaiki. Kini terdapat pelbagai kaedah baharu yang dilaksanakan dalam melaksanakan kutipan serta agihan zakat, dan ia masih berada dalam kerangka syarak. Institusi zakat mendapatri bahawa perkhidmatan yang menggunakan kaedah digitalisasi, dapat memberi kemudahan kepada umat Islam. Oleh yang demikian, institusi zakat juga perlu memacu perubahan agar dapat menawarkan perkhidmatan dalam pengurusan kutipan dan agihan zakat kepada umat Islam dengan penuh kecekapan, integriti dan profesional (Asni, F. 2021; Noraini, Azri dan Afandi, 2022). Berdasarkan sorotan literatur yang telah diteliti, agihan zakat dalam bentuk aset produktif (faedah yang tidak boleh dinikmati dengan serta-merta) masih kekal menjadi isu yang paling banyak dibincangkan dalam kalangan pengkaji. Pengagihan zakat secara konsumtif faedah yang boleh dinikmati dengan serta-merta) sudah pasti merupakan jenis agihan yang paling biasa dilakukan oleh semua pengurusan zakat kerana ia dapat memenuhi keperluan segera dan penting buat asnaf. Namun begitu, zakat aset yang bersifat produktif seperti rumah yang dijadikan pusat perlindungan atau pusat latihan, kenderaan seperti motorsikal ataupun bot dan peralatan seperti mesin memproses mee dilihat sebagai bantuan yang boleh menjana pendapatan kepada asnaf. Agihan jenis ini telah terbukti dapat meningkatkan seseorang asnaf daripada kekal sebagai penerima untuk diperkasakan sebagai usahawan mikro dan akhirnya akan berupaya untuk menjadi seorang *muzakki*. (Bahri dan Oktaviani, 2018; Akmal, Fuad dan Sofyan, 2021).

Dari aspek tadbir urus, tahap profesionalisme khususnya dari peringkat pendidikan seorang amil atau pemungut zakat memberi kesan positif terhadap pengurusan dana zakat. Tahap pendidikan mempunyai kesan yang mendalam terhadap keberkesanan institusi zakat kerana golongan profesional ini cenderung mempunyai kapasiti yang lebih baik dalam membuat keputusan, dan oleh itu proses membuat keputusan menjadi lebih pantas. Proses pengedaran yang lebih cekap juga bermakna peningkatan dalam kecekapan kos. Mempunyai lebih ramai profesional dalam institusi zakat juga akan memberi kesan positif kepada pengagihan zakat kerana keputusan yang lebih baik boleh dibuat dalam tempoh yang lebih singkat, sekali gus membolehkan penggunaan masa dan sumber lain yang lebih cekap (Mubtadi & Susilowati, 2018).

Kajian kuantitatif yang dijalankan oleh Ridwan, Pimada, & Asnawi (2019), mendapati bahawa zakat sememangnya memberikan kesan yang besar kepada pertumbuhan ekonomi melalui impak positif agihan zakat kepada golongan asnaf. Walaupun impak produktiviti agihan zakat menghasilkan impak positif tetapi kecil kepada konteks pengeluaran, agihan juga dibuat dalam bentuk bantuan konsumtif dan bukannya agihan produktif. Pengagihan zakat kepenggunaan (dalam bentuk wang tunai) meningkatkan kuasa beli masyarakat dan kenaikan harga barang. Di samping itu, agihan zakat secara konsumtif (agihan berbentuk wang yang boleh dibelanjakan

tanpa sebarang prasyarat dan panduan) juga menambah kepada tahap inflasi kerana ketidakupayaan pengeluar untuk memenuhi permintaan.

E-wallet merupakan antara teknologi semasa yang perlu dimanfaatkan oleh masyarakat muslim. Penggunaan e-wallet sememangnya membantu memudahkan urusan di dalam kontrak jual beli, pembayaran bil utiliti dan sebagainya tanpa perlu ke mana-mana dan hanya boleh dilakukan dengan teknologi "hujung jari". Oleh itu, teknologi ini perlu dimanfaatkan sebaiknya oleh umat Islam terutama di dalam sektor wakaf dan zakat kerana ia mampu memudahkan urusan dan meningkatkan kecekapan di dalam sektor tersebut (Noraini, Azri dan Afandi, 2022).

Umat Islam di seluruh dunia berpeluang untuk meneroka bidang teknologi kewangan sosial Islam khususnya zakat dan Fintech (kewangan digital) yang bertepatan dengan Islam terutamanya bidang berkaitan penggunaan Blockchain. ((AZKA), 2021) Perkembangan teknologi pada masa kini sangat signifikan dalam meningkatkan ekonomi seperti ekonomi Islam terutamanya zakat. Hasil kutipan dan agihan zakat memberi impak yang besar terhadap ekonomi Islam seperti yang telah dinyatakan sebelum ini. Sarinah Mat Kassim (2019) berpendapat pembayaran zakat secara digital di negeri ini menunjukkan peningkatan yang memberangsangkan, sekali gus memberi impak positif terhadap kenaikan kutipan zakat di seluruh Malaysia.

Secara umumnya, senario pendigitalan dalam istitusi zakat pada hari ini masih lagi diperingkat permulaan dan belum digunakan secara meluas. Tidak semua institusi zakat dapat membangunkan aplikasi mudah alih di institusi zakat masing-masing dan hanya terdapat beberapa negeri sahaja yang telah memulakan kaedah kearah pendigitalan ini. Namun begitu, kewangan Islam seperti zakat juga tidak terlepas menggunakan aplikasi teknologi bagi menambah baik mutu perkhidmatan mereka. Oleh yang demikian, ia masih lagi berada pada peringkat awal dan belum diteroka sepenuhnya di Malaysia (Noraini, Azri dan Afandi, 2022).

5.4 Rasa Tidak Puas Hati

Segelintir umat Islam pada hari ini tidak membayar zakat kepada institusi zakat, kerana pembayar zakat lebih suka membayar zakat terus kepada asnaf yang mereka tentukan sendiri sama ada yang mereka kenali secara langsung atau sebaliknya. Keadaan sebegini menjejaskan jumlah kutipan oleh institusi zakat dan sudah tentu jumlah agihan kepada asnaf turut menurun. Akibatnya, golongan asnaf tidak dapat dibantu sepenuhnya dan pelbagai bentuk bantuan yang sewajarnya mereka terima tidak dapat diberikan (Hairunizam, Sanep dan Radiah, 2008; Nadzri et al, 2012; Mohd Farihal Osman et al, 2022).

Menurut Alhaq dan Abd Wahab (2017) menyatakan bahawa sikap amanah dan akauntabiliti adalah sangat penting untuk menentukan sama ada pemberi zakat berpuas hati dengan jumlah zakat yang diterima dan begitu juga sebaliknya. Ini membawa kepada proses zakat. Rahisam Ramli (2021) juga bersetuju dengan isu ini kerana mendapati ia menjadi salah satu polemik dalam kalangan masyarakat menerusi pelbagai media sosial di Malaysia. Ketidakpuasan masyarakat merangkumi tahap kepuasan proses agihan, kualiti perkhidmatan, sikap pengurusan dan kepercayaan terhadap institusi zakat. Isu kepercayaan masyarakat terhadap kutipan dan juga agihan zakat oleh pihak institusi zakat sering kali timbul dan ia berterusan hingga sekarang. Isu ini perlu diambil perhatian oleh pihak Institusi Zakat kerana ia merupakan isu yang sangat penting supaya dapat merubah institusi zakat supaya lebih berdaya dalam meningkatkan seterusnya membantu ekonomi masyarakat Islam di Malaysia (Noraini, Azri dan Afandi, 2022).

Menurut Norayuni et al., (2018) satu kajian telah dijalankan oleh ke atas penduduk miskin Bandar Kota Baharu, Kelantan. Kajian ini mendapati bahawa asnaf zakat berpendapat jumlah bantuan yang mereka terima adalah kurang mencukupi untuk menampung perbelanjaan mereka setiap bulan. Namun, sebenarnya agihan wang zakat sememangnya berpotensii membantu mengurangkan bebanan hidup yang ditanggung oleh para asnaf. Agihan itu sememangnya tidak akan merubah kehidupan para sanaf untuk menjadi kaya raya. Ia memadai untuk membantu menampung kos sara hidup mereka seharian pada kadar yang asas. Ibadah zakat adalah pemangkin untuk meningkatkan kualiti diri dan bukan bertujuan untuk menjadi tempat pergantungan untuk selamanya kepada zakat. Berbeza dengan golongan asnaf yang daif serta uzur kerana dengan adanya kekangan seperti usia yang telah lanjut atau asnaf menghidap penyakit yang sukar untuk sembuh. (Hjh Mas Nooraini, Mas Nooraini dan Nurzakiah, 2021).

6. Penutup

Persepsi yang baik terhadap pengurusan zakat dalam kalangan masyarakat Islam di Malaysia khususnya akan memberikan impak yang baik kepada peningkatan jumlah pembayar zakat. Kondisi ini akan menggalakkan masyarakat supaya turut serta mengeluarkan zakat dan dana ini boleh disalurkan kepada golongan asnaf tanpa sebarang isu yang berbaur keraguan dan boleh menjejaskan nama baik MAIN dan pihak yang menguruskan agihan zakat.

Setiap skim agihan yang disediakan kepada golongan asnaf zakat memainkan peranan penting dalam memastikan setiap keperluan mereka dipenuhi dan tidak bertentangan dengan syariat Islam (Azman & Hasanah,

2015). Oleh yang demikian, untuk menjamin setiap skim agihan zakat yang disediakan mencapai matlamat kewajipan dan hikmah berzakat, prosedur agihan zakat hendaklah dijalankan mengikut acuan yang bertepatan dengan maqasid syariah. Ia memberikan fokus kepada lima aspek iaitu agama, nyawa, akal, keturunan dan harta. Matlamat Pembangunan Lestari (SDG) pula telah diperkenalkan supaya kepentingan hak asasi manusia meliputi aspek sosial, ekonomi, dan alam sekitar dapat dipelihara. Skim agihan zakat yang bertepatan dengan matlamat yang digariskan oleh SDG bukan sahaja dapat menjamin maslahah dan kepentingan penerima zakat, malah dapat menjadikan institusi zakat di Malaysia lebih unggul dan bertaraf dunia.

Penentuan penempatan ataupun lokaliti kaunter agihan zakat dan pengurusan agihan zakat oleh pihak berkuasa zakat bukan autonomi adalah antara faktor lain yang boleh membantu meningkatkan agihan zakat. Langkah ini akan mengurangkan birokrasi dalam proses mengurus dan mangagihkan dana zakat. Isu lain seperti penggunaan teknologi, implikasi perakaunan, aspek manusia dan psikologi adalah beberapa topik unik yang dibincangkan mengenai pengagihan zakat. Walaupun begitu, lebih banyak kajian mengenai pengagihan zakat perlu dilakukan supaya maklumat berkenaan isu agihan zakat semasa serta penyelesaiannya dapat dibincangkan. MAIN juga digalakkan untuk menawarkan kerjasama dengan penyelidik dan institusi kewangan lain untuk meningkatkan pengagihan zakat dengan lebih efisien dinamik.

Walaupun terdapat banyak kajian berkenaan zakat yang dilakukan oleh pengkaji-pengkaji tempatan dan luar mengenai pengurusan zakat akan tetapi kajian mengenai perspektif dan sikap penerima agak terbatas. Tambahan lagi dengan tajuk yang berkaitan amat sukar untuk diperoleh dalam bentuk penulisan artikel atau buku. Justeru, kajian ini adalah perlu dalam usaha sama memperkasa institusi zakat dalam masa yang sama memberi impak yang positif kepada golongan asnaf (Hjh Mas Nooraini, Mas Nooraini dan Nurzakiah, 2021).

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Financial Markets and Banking

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Exploring the Consumers' Critical Factors in Developing Islamic Financial Product of SME Bank

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Abstract

The banking and financial services industry is extremely competitive, and customers may simply discard any inferior products that are less attractive to them. To protect and enhance the reputations of those institutions that associate their name with it, the product offered must be sound in all respects. In addition, new generations of well-informed customers are demanding distinct and sophisticated products. In view of the facts, in order to ensure a continued presence in the market, banks and financial institutions should focus their resources and talents on serving the customer. Product development is therefore an integral part of the quest to serve the client, thus requiring a further study of consumer behavior (Gainor, 2000). By doing this, it will inform the financial institutions about customers' satisfaction and their expectations to new products developed. With respect to this argument, the study utilizes a framework that comprises six constructs underpinned by the Technology Acceptance Model, dedicated to analyzing the customer's attitudes towards the current Islamic financial product development of the SME bank in Malaysia. The quantitative results of the study revealed that six factors Knowledge, Awareness, Perceived ease of Use, Service Quality, Utilities, and Acceptance are significant to impact the Consumer's Attitude.

Keywords: Consumers behavior; Product Development; SME Bank

1. Introduction

In the rapidly evolving financial climate in which Islamic banks operate, it is essential that any player in this sector seeks to ensure both its competitive short-term presence and its strategic long-term presence. Islamic banking institutions and Islamic banking consultants need to be creative on an ongoing basis and develop new concepts and new products. Procedures for the creation of financial products and services are the most important tool to resolve their growing concern about liquidity and risk management in order to ensure the value of their generated assets as well as sustainable growth and profitability for the company (Mounira & Anas, 2008).

Product development is a significant field where the resources of Islamic banking and financial institutions should be concentrated. There is already a pool of Islamic banking institutions and consultants in the Malaysian market, but there is still no research on how the institutions carry out their method of product growth. Hence, this is a preliminary review dedicated to analyzing the customer's attitudes toward Islamic financial product development based on SME Banks.

Malaysia has opted to have a dual financial system consisting of financial systems that are Islamic and conventional. As more competitive and sophisticated Islamic financial products have been introduced into the Islamic banking industry and gained popularity and even choice among clients, the dual financial system has proved to be viable. In other words, in a dual financial system, Islamic banking products tend to be broader, larger in number, and more advanced compared to their counterparts in a single Islamic system (Bakar, 2005). Most Islamic products are introduced to the market by adapting and re-engineering conventional products, following the success of conventional products (Gainor, 2000). This is a significant innovation and added value put forward by the Islamic financial institutions, but if this reengineering process is substantially practiced, it may generate scepticism about the substance of the products and criticism of the institutions and system. This is the case in Pakistan, Sudan, and Iran. In order to ensure steady growth and competitiveness of Islamic banking and financial products, Islamic banking and financial institutions should be able to anticipate market needs and deploy Islamic financial prefects and services in advance of conventional products. However, "Islamic banking products and services tended to duplicate the conventional ones, resulting in these products losing value and causing some confusion in their interpretation" (Business., 2005). Therefore, going beyond the adaptation of traditional goods

and stimulating new ideas that will help feed the Islamic banking and financial industries is crucial for Islamic banks.

The key concern for bankers was to meet the needs of their clients in a satisfactory manner. The critical mission of bankers is therefore focused on the customer-product/service dimension. Via the increasing concern and demand around the globe for Islamic banking instruments and services, customers' Islamic bank product and service demands are becoming increasingly visible. The option will be affected by both the specificities of Islamic banks and the desire of customers themselves. Thambiah (2011) argued that Islamic banking schemes needed to develop and offer suitable products and services that satisfy customers' needs in order to remain competitive in the profitable banking industry. The Islamic banking system in Malaysia has emerged as a competitive element connected to the overall financial system, which has been established to compete with the conventional banking system in order to better fulfil customers' banking desires (Jamshidi, 2013). In line with this, Islamic bank's products must provide services that are reasonably comparable to or even better than conventional products (Shahid et al. 2022).

Since it is crucial to understand consumer behaviour prior to developing any financial products, therefore, the goal of this research is to determine factors that could influence customer's attitude towards Islamic Financial Product Development by SME Bank in Malaysia.

2. Literature review

The study focuses on SME Bank Malaysia. Founded in 2005, SME Bank is now one of the leading national Development Financial Institutions (DFIs) wholly owned by the Ministry of Finance and controlled by Negara Malaysia Bank (BNM). SME Bank is completely committed to driving the country's economic growth by providing small and medium-sized enterprises with not only financing assistance, but also development expertise, enabling them to prosper and expand.

The Bank plays an important role in promoting the economic and development initiatives of the Malaysian government, such as the NKEAs[6] and the Blueprint for the Financial Sector. Through its strategic Five-Year Transformation Plan, which among other things saw the bank becoming an Islamic Theory-Focused DFI in 2015, the Bank has made considerable progress in its operations and also in human resource developments over the last decade. The Bank aims to improve its position as the preferred financial partner for SMEs in the future.

Due to a lack of knowledge, small and medium-sized enterprises (SMEs) do not completely use the different solutions offered by Islamic banks, but this is an issue that can be tackled. ED Ratna Sha'erah Kamaludin, working for the Association of Islamic Banking and Financial Institutions of Malaysia (AIBIM), said that, despite the availability of credit, local SMEs do not completely utilize the different solutions offered by Islamic banks. In September 2019, during the National Week of Entrepreneurship, Islamic banks given access to RM20 billion worth of funding. Therefore, small and medium-sized businesses are welcome to come to Islamic banks and try to get accredited for this financing. Ratna Sha'erah said about 10,000 SMEs have earned more than RM10 billion in support, based on a survey of its members in Kuala Lumpur and Selangor. This was a testament to the fact that certain small and medium-sized businesses knew about the financing provided by Islamic banks. The data was gathered from 21 of AIBIM's 26 member banks and covered the period up to the third quarter of 2019. AIBIM has 26 members, consisting of 11 domestic banks, 5 development finance institutions, and 10 international banks incorporated locally.

The biggest challenge facing the industry is sustaining its excellence in the provision of services, extending the reach of its financial operations, and taking advantage of changes in the financial markets in a beneficial way (Hoq et al. 2010). Islamic financial institutions can achieve a competitive advantage through a phase of strategic innovation, which needs at least some new expertise and skills to be developed, among other factors, and has a high potential for revenue growth. To build commercial value, new innovations must be introduced and distributed to consumers. Several trends resulting from globalization, openness, and capital flows have been stated to have a significant effect on and present major challenges to the Islamic financial services industry. For instance, digital banking become a new option and is being accepted globally (Santoso, 2020). Besides that, another concern is developing banking products in line with Sharia is a big challenge (Al-Salem, 2009). Since Islamic finance is a modern practice, the production of goods and services on an ongoing basis is imperative (Noman, 2002). This focuses on the quality and diversity of the goods and services offered by Islamic financial institutions, as well as the major challenges they face in this respect.

A significant component of the production cycle is the generation and acceptance process of ideas, as it defines the new products that a bank can launch. Reid et al., (2004) demonstrate that a strong measure of effective products is the level of execution of pre-development activities. Kelly (2000) identifies different screening requirements for the definition used by the service sector to identify the goods that can be produced potentially. The top-ranked category is the financial effects of the new product, which includes an analysis of costs, future turnover, revenue

[6] National Main Economic Areas

effect, possible profit, and cost-benefit analysis. Reinertsen (1997) maintains that when the product fails to meet consumer requirements, market risks emerge. This risk can result from not being able to properly assess the customers' needs and the demand for a specific product. Studies show that most goods fail because of consumer miscalculation, and just a quarter because of technological reasons (Smith, 1998). Thus, by providing a better assessment of the needs of the consumers, business uncertainties can be minimized. Along with business studies, Edgett (1994) identify market synergy as a significant factor in the prediction of effective products generated by financial organizations. De Brentani (1991) shows that it is more likely that products closely linked to existing ones would be popular. This is because brand new products carry more risks since clients are unfamiliar with them. Given the peculiar nature of contracts used in Islamic finance, consumers may not be aware of the product's risk-return characteristics and are unable to use those that are somewhat different from those they are familiar with.

The industry is becoming a significant contributor to Asian economies, apart from the SME scenario in Malaysia. According to an estimate, the SME industry accounted for approximately 98 percent of all companies that funded almost 66 percent of the overall national labour force on average from 2007 to 2012 (Yoshino, 2016). A number of associations, including the ASEAN SME Agencies Working Group (SMEWG) and SME Development, have been set up by the Association of Southeast Asian Nations (ASEAN) to establish and disseminate the practice of SMEs. These alliances are expected to play a significant role in rapidly transforming the region's SMEs by 2025. The objective can be accomplished through the implementation of an effective policy and regulatory framework, the provision of financial support, the promotion of new technology innovation and adoption, access to local and foreign markets, and the promotion of programs for the development of entrepreneurial skills and human capital (SME Annual Report, 2017).

Since among the major challenges of SME Bank is to attract and subsequently convince the customer about their continuous initiatives to develop new products to meet the demand within the SME market players, therefore the aim of this study is to provide a solution to a problem of marketing SME bank products developed, by measuring what is among the determinants that could improve consumer attitude in accepting the products. Hence the research framework is developed to achieve this aim.

2.1 The Research Framework

The study employs Technology Acceptance Model (TAM) as a theory that underpinned the research framework. Some modifications are made to satisfy the need for the analysis. The dependent variable for this research is the customers' attitudes towards Islamic Financial Product Development initiated by SME Bank. The demographic factors included in this study, which are also considered control variables are gender, age, status, profession, and residential area of the respondents. The independent variables for this study are the factors that the researchers perceived as important in influencing attitudes toward Islamic financial product development initiated by SME Bank. Thus, this study includes six independent variables which are Knowledge, Awareness, Perceived ease of use, Service quality, Utilities features, and Acceptances. In this research, the effort is made to see the effect and how influential these factors are on the attitude of customers toward Islamic financial product development initiated by SME Bank. The theoretical framework for this research is shown in Figure 1.

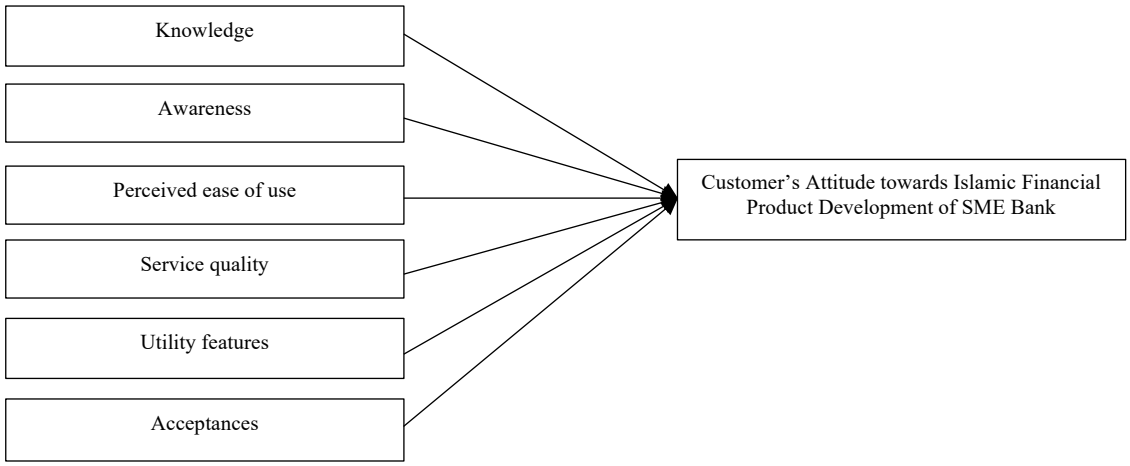


Figure 1. Theoretical Framework of the Study

TAM is one of the most utilized models for studying the acceptance of new technology (Al-Gahtani, 2001). The model suggests that when users are presented with new technology, a number of factors influence their

decision about how and when they will use it. TAM involves two primary predictors as the main determinants of the attitudes toward new technology. These are perceived ease of use, which is defined by Davis (1989) which includes Perceived Usefulness, Perceived Ease of Use, and User Acceptance of Information, as the degree to which an individual believes that certain benefits can be provided by using a specific method. It is also defined as the degree to which an individual believes that it would be effort-free to use a specific method. In addition to the current variable in the TAM model, other variables such as knowledge, awareness, service quality, utility features, and acceptance information were integrated into the current research. Hence, the following hypotheses are formulated:

H1 Customers' knowledge of Islamic financial product development is positively significant to influence their attitude toward Islamic financial product development by SME Bank.
H2 Customers' awareness is positively significant to effect on attitude toward Islamic financial product development by SME Bank.
H3 Customers' perceived ease of use is positively significant to influence their attitude toward Islamic financial product development by SME Bank.
H4 Service quality is positively significant to influence customers' attitudes toward Islamic financial product development by SME Bank.
H5 The Utility features are positively significant to affect customers' attitudes toward Islamic financial product development by SME Bank.
H6 Customer acceptance is positively significant to influence their attitude toward Islamic financial product development by SME Bank.

3. Methodology

Precisely, the research employs a quantitative method. It was conducted with a suitably structured questionnaire for targeted respondents. The purpose of this study is to generate knowledge and a deep understanding of the consumers' attitudes toward Islamic financial product development by focusing on SME Bank's products. This research is mainly focused on determining the impact of the independent variables of knowledge, awareness, perceived ease of use, service quality, utilities, and acceptance and their effect on the dependent variable which is attitude. This study utilized a cross-sectional research design approach which is research relies on accumulated data analysis that provides important insights to answering the research questionnaires in one period of time.

3.1 Research Design and Sample Selection

The primary data taken for this research was collected from the accumulated respondent of 210 people through an online platform which is Google form. The questionnaires are thoroughly checked and modified by experts in the field of consumer behavior research. The data collection of this research was conducted throughout Malaysia mainly focused on Islamic bank consumers. By distributing questionnaires to 210 respondents, which were selected by a structured random online approach, only 200 respondents are valid and appropriate to the sample size.

There are nine sections of the questionnaires for this study. These are as follows:

- Demographic section
- Knowledge section
- Awareness section
- Perceived ease of used section
- Service quality section
- Utilities features section
- Perception and attitudes section
- Acceptances section
- Attitude section

Each construct is represented by five items. Questions were designed based on five-point Likert scales ranging from strongly disagree to strongly agree with -2 and 2 representing the ends of the scale. The highest positive score indicates the highest level of agreement with the statement. Once data is collected, it is analyzed thoroughly and summarized in an easily interpretable output. The results are in form of descriptive analysis and regression analysis.

3.2 Analysis tools

The analysis tools used for the interpretation and analysis of this research are descriptive analysis using Excel spreadsheet, whilst regression analysis was done using SPSS 17 software. The descriptive analysis was employed by using three functions which are frequency, percentage, and cumulative. Frequency is accumulated by the function of count in the pivot table function. This indicates summing up the number of respondents according to their options chosen. Percentage and cumulative are calculated using data analysis and histogram tool. Identifying the bin and input range, it resulted in a cumulative percentage. Also, by using measures of spread that is to summarize how spread out these scores are. In addition to this spread, a number of statistics are calculated including the range, quartiles, absolute deviation, variance, and standard deviation. The regression analysis started by determining the mean value of each of the variables. It should be able to differentiate between the dependent variables and independent variables so that the output will result in perfect regression analysis.

Nonetheless, the regression analysis used to measure the relationships among these variables between a dependent variable and independent variables could be obtained to further explain the importance of the element applied in the financial product. The significant values must be 0.05 or below to determine the impact exits. If the significant value is above 0.05, the indication is there is no impact among independent variables on the dependent variables.

4. Findings

Analysis of results is divided into two categories, i.e. descriptive and regression analysis.

4.1 Descriptive analysis

Table 1 presents the descriptive analysis, which is the frequency, percentage, and cumulative of the respondents. As illustrated in Table 1, 57% of the respondents were female while 43% were male. The information on the age of respondents demonstrated that more than half (57%) were in their 20s up to 40s, followed by respondents in their 40s up to 60s (38%) and respondents more than 60 years (5%). With regards to respondents' status, 55% of respondents are single. 36% of respondents are married, and 9% are divorced. Regarding the respondents' occupations, the largest group comprised self-employed (43%), and students (38%), followed by private sector employees (12%) and public sectors employees (7%). In terms of the respondents' residential, not more than half (41%) live in the city. Other 32% live in suburban, and the rest of them (27%) live in villages. Table 1 below is a summary of descriptive analysis based on the demographic of respondents.

Table 1. Demographic profile of respondents.

Demographic variable	Category	Frequency	Percentage	Cumulative %
Gender	Male	86	43	43
	Female	114	57	100
Age	20 up to 40 Years	114	57	57
	40 up to 60 Years	76	38	95
	More than 60 Years	10	5	100
Status	Divorced	18	9	9
	Married	72	36	45
	Single	110	55	100
Profession	Private sector employees	24	12	12
	Public sectors employee	14	7	19
	Self-employed	86	43	62
	Student	76	38	100
Residential	Village	54	27	27
	City	82	41	68
	Sub urban	64	32	100

Using correlation and regression analysis, the information obtained in this study was analyzed. The correlation was used to assess the relationship between the variables and classify them. The regression analysis was used to determine the relative impact of independent variables on the dependent variable of the sample as another tool for evaluating the relationship between a dependent and independent variable.

The analysis of the study conducted on consumers' attitudes towards the development of Islamic financial products by Small Medium Enterprise Development Bank Malaysia Berhad, commonly known as SME Bank has produced results where each factor studied has good significant value. These factors are important reasons for the existence of acceptance, perception, and positive attitude from customers towards the services provided by SME Bank.

The questionnaire indicates the number of respondents and percentage according to gender. From the results, it is found that there are 94 female respondents (47%) and 106 male respondents (53%), hence a total of 200 respondents (100%).

Firstly, in terms of knowledge, a total of 122 respondents (61%) strongly agreed that they know and understand the difference between development banks and commercial banks. Information on the function of each bank is important so that the community can manage personal, family, company and more financially well and orderly compared to only 1 respondent (1%) who strongly disagree due to a lack of knowledge on the differences between development banks and commercial banks.

In terms of awareness, the majority of respondents, 128 people (64%) strongly agree that they are aware of the performance of development banks and development financial institutions cannot be evaluated only through a good percentage of profit or return, compared to only 4 respondents (2%) who do not agree because the percentage of profit or good return is a matter that is emphasized by the community when they want to choose to conduct a transaction.

However, in terms of the perceived ease of use, a total of 136 respondents (68%) strongly agreed that the Development Bank and Development financial institutions use modern technology in conducting banking transactions because, in today's sophisticated age, many Development Banks and Development financial institutions use platforms online to facilitate their customers to do any transaction and to ask relevant questions anywhere and at any time. Then, a total of 2 respondents (2%) disagreed that the Development Bank and Development financial institutions use modern technology in conducting banking transactions.

Also, with respect to service quality, it shows that more than half of the respondents, which is 162 people (81%) have never (No) had a problem with SME Bank because most SME Bank employees are very courteous and polite while servicing the customers. However, there are 18 respondents (9%) who might (Maybe) have experienced problems with SME Bank.

In addition, in terms of acceptance, a total of 140 respondents (70%) strongly agreed that the provision by Islamic banks of interest-free loans is regarded as a commitment from the bank to support society equally and effectively. Only 2 respondents (1%) disagreed that the provision by Islamic banks of interest-free loans is regarded as a bank contribution to assist the community.

Finally, in terms of utility features, the majority of respondents, namely, 116 people (58%) strongly agree that the Development Bank and Commercial Bank must adopt the principle of maximizing profits to survive in an increasingly competitive business environment compared to only 36 respondents (18%) only those who choose natural where they are happy with the principle of maximizing the profits currently underway by the Development Bank and the Commercial Bank. In conclusion, society tends to have a positive consumer perception and attitude towards the development of Islamic financial products by Small Medium Enterprise Development Bank Malaysia Berhad, commonly known as SME Bank which is a small and medium enterprise (SME) banking Malaysia.

4.2 Results

The multiple regression analysis defines the relative impact on the attitude towards the Islamic financial products development, as shown below, of the knowledge, awareness, perceived ease of use, service quality, utilities features, and acceptance.

The regression result displayed above shows that the model explained 91.6 percent of the variance of perception and attitude toward Islamic financial product development. This is based on the R squared value in Table 2 below. However, the predictive power of each individual variable is explained by its beta. To get the idea of which independent variable influences the dependent variable the most, its beta gives the answer. With regard to understanding the level of influence among constructs towards the dependent variable, based on Table 3, all predictive variables were found to have a significant and unique influence on the attitude toward Islamic financial product development of SME Bank. These variables are in the order of their influence as follows: Knowledge with (Beta=.811, p-value=.0001), Awareness with (Beta=.882, p-value=.001), Perceived ease of used (Beta=-.938, p-value=.001), Service quality with (Beta=.804, p-value=.001), Utilities with (Beta=.886, p-value=.001) and Acceptance with (Beta=.847, p-value=.001) the prediction levels of these variables proven as statistically significant association with the dependent variable.

Table 2. Model summary.

Model	R	R Square	Adjusted R Square	Std error of the estimate
1	.957a	.916	.911	.21677

a. Predictors: (Constant), Mean_Acceptance, Mean_Knowledge, Mean_Service_Quality, Mean_Awareness, Mean_Perceived_Of_Used, Mean_Utilities_Features

Table 3. Coefficients.

Model	Unstandardized coefficients		Standardized coefficients	t	Sig
	B	Std error	Beta		
(Constant)	-.242	.173		-1.402	.164
Mean Knowledge	.722	.053	.811	13.720	<.001
Mean Awareness	.876	.047	.882	18.538	<.001
Mean Perceived Ease of Use	.914	.034	.938	26.708	<.001
Mean Service Quality	1.256	.094	.804	13.400	<.001
Mean Utilities Features	.653	.034	.886	8.930	<.001
Mean Acceptance	.974	.062	.847	15.788	<.001

a. Dependent variable: Mean Attitude

Furthermore, perceived ease of use among the predictors produced the highest level (Beta=.938, p-value=.0001) which signifies that the level of perceived ease of use is the most influential factor in attitude towards Islamic financial product development. This indicates that 93.8% of the variation in the attitude towards Islamic financial product development is explained by perceived ease of use. The other factors in the order of their importance are utilities, with a standardized level (Beta=.886, p-value=.001), then an awareness with a standardized level (Beta=.882, p-value=.001), and followed by acceptance with (Beta=.847, p-value=.001), knowledge with (Beta=.811, p-value=.0001), and lastly is service quality with standardized level (Beta=.804, p-value=.001). This indicates that all independent variables have a significant influence. Therefore, this indicates that all the hypotheses formulated are supported because they reach a significant value which is below 0.05.

To evaluate the most contributory factor that best predicts the attitude towards Islamic financial product development, multiple regression analysis is performed. The results of the regression show that perceived ease of use with the 87.9 percent description on the variance was the most predictive predictor of the attitude toward Islamic financial product development. The variance of attitude towards Islamic financial product development was jointly explained by all independent variables of knowledge, awareness, perceived ease of use, service quality, utility features, and acceptance. Furthermore, the outcome shows that all the explanatory variables have a positive relationship with the variable explained.

5. Discussion

Based on this study, it is proven that all these factors are important to influence consumers to use the products developed by the bank by integrating all these elements in product marketing activities. First and foremost is in terms of pricing that is appropriate for the product or service offered. From a demographic point of view, it is very helpful where once a bank has customer information, the person in charge of recommending the product needs to promote what product is following the purpose, conditions, and affordability of the customer. This will make customers feel happy and open-minded to choose the products offered because it meets their needs and wants.

Next is to ensure that the products and services offered should attract customers and potential customers to be aware of their existence in the market. In terms of awareness, banks need to promote their products on the right platform so that their marketing expenditure is utilized optimally. For example, to promote products related to small and medium businesses, the bank should advertise advertisements about those products in the right channels as in business-related newspapers. Not to forget, the purpose of the product created is very important, and use logos that can attract customers who want to start their business based on the conditions that have been set.

Besides, other methods to market a product by conducting promotions are defined as activities to increase customer awareness of a product or brand, generate sales, and also build loyalty to a brand. Advertising is a promotional strategy, a one-way communication method to tell customers information about a product or service and how to get it. Also, the bank should come out with more structured loans as well as the provision of interest-free loans because it can help the community fairly, and efficiently able to encourage the customers' acceptance.

Also, the bank needs to identify the location and methods to sell products or services in order to reach the right end-users at the right time. Using the right place will allow a company to penetrate a larger market, increase sales and maximize profits. Alternative methods such as online marketing can also be used to sell products or services directly to targeted customers. Indirectly, this can increase the knowledge of customers, especially the rural community about a product offered by the bank.

Apart from that, the bank needs to identify the most suitable individual to deal with the customer. "The first impression will last." This is in terms of providing good quality of service to attract customers, all employees must play a role in gaining trust, confidence, and assurance that customers buy the product or service offered. A good combination of employees and satisfied customers will help the bank to grow its business and generate profits. Knowledgeable and highly skilled employees are needed so that employees understand the objectives of the company, products, and services provided. Knowledgeable employees can help to better promote a product or service to potential customers. Customers who have used the product or service will not only be loyal customers, but they will also pass on that information to their friends and acquaintances.

In addition, the bank needs to identify the best method to deliver the product or service offered that is in the process part. This is an internal element to put an effective and appropriate system in the process of handling products and services to customers. A good business will use Standard Operating Procedures (SOPs) in carrying out certain tasks. SOP is a step-by-step instruction or manual as a guide to managing the products and services offered. The results obtained will increase sales and productivity. This system includes the production process up to the customer inquiries and feedback and this shows the perceived use for the customers.

Finally, in terms of utility features the physical environment such as the location of the transaction will have an impact to get the attention of customers. The internal layout of a bank branch such as having a spacious space will give comfort to customers to wait their turn. The calming atmosphere will bring comfort to customers to conduct transactions with the bank smoothly.

6. Conclusion

This research analyses the relationship between constructs of knowledge, awareness, perceived ease of use, service quality, utilities features, acceptance, and its impact on attitude towards Islamic financial product development. Fortunately, it was spread limitlessly by using an online platform. This makes it more convenient to generalize and summarize the findings even though there are also invalid responses. Nonetheless, it is recommended that further research test other relevant factors that could influence consumers' attitudes toward the development of Islamic financial products. This could be employed by conducting research in a wider targeted participant and environment. By doing these, would be helpful in improving the research.

Finally, it can be concluded that the most dominant factor that influences customers' attitude toward Islamic financial products development of SME Bank is the perceived ease of use since it has the highest Beta value which is 0.938. Thus, the SME bank should review its product development elements to give priority to this factor. The integration of perceived ease of use in all SME Bank products is essential as it has a vital role to improve the consumers' attitude towards the acceptance of products developed. Besides, there are also significant pieces of evidence between all other independent variables, and the dependent variable in this study which signals that lots of efforts are still needed to improve SME Bank products by integrating and consequently applying these factors into financial products prior to promoting them in the market.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

A Conceptual Model of Behaviour Related Antecedents of Family Takaful Demand in Malaysia (Extended Abstract)

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1. INTRODUCTION

Takaful is a concept of mutual cooperation (ta'awun) and donation (tabarru') where the risk is shared collectively and voluntarily by a group of participants to guarantee mutual protection of the members (Dusuki, 2011; Redzuan et al., 2009). Conventional insurance, on the other hand, is a system of financial protection that serves as a risk management strategy to reduce risk uncertainty and provides planned financing techniques that distribute losses. In addition to the existence of prohibited elements in the contract, takaful and conventional insurance contracts are quite different because the former is based on risk sharing, while the latter is based on the exchange of risk.

Islamic finance has been one of the fastest growing industries over the past decades with an average annual double-digit growth rate. Global Islamic finance industry consists of four main markets, which are banking, sukuk, takaful and Islamic funds. Banking and sukuk are the two main markets that provide significant growth to the Islamic finance industry. Islamic banking sector dominated the Islamic finance industry and is expected to become the major banking alternative by 2025. An important aspect of Islamic finance is the insurance, for which takaful as an Islamic alternative has been functioning in civil society on the peripheries of the Muslim world for a long time.

Although takaful market is still small in comparison to other markets, the industry showed a remarkable growth. Improvement in regulatory requirements, enhancement in distribution channel and increasing number of industry players are among the contributing factors towards this growth. Thomson Reuters projected the industry to grow to more than US$ 3.8 trillion in assets by 2023. The takaful industry has shown a robust growth in recent years, with the Gulf Corporation Council (GCC) region being the largest market, representing more than 50 percent of global takaful market. Malaysia on the other hand, recorded the largest market in the Southeast Asia region.

Malaysian takaful industry was established in 1985 with the main objective to fulfil the need of the Muslim community to be protected based on the Shariah. Almost 40 years in the market, it has proven to be a viable alternative in providing insurance coverage to the Muslim community. Starting with one takaful operator, providing only general takaful products, the industry now has 15 operators, originating both from Malaysia and foreign countries. Table 1 indicates the takaful operators in Malaysia as of 2020.

Table 1. Takaful Operators in Malaysia

Takaful Operators	Ownership
AIA PUBLIC Takaful Bhd	Foreign
AMMet And another entry	Local
Etiqa family Takaful Berhad	Local
Etiqa General Takaful Berhad	Local
FWD Takaful Berhad	Local
Great Eastern Takaful Berhad	Foreign
Hong Leong MSIG Takaful Berhad	Local
Prudential BSN Takaful Berhad	Local
Sun Life Malaysia Takaful Berhad	Local
Syarikat Takaful Malaysia Am Berhad	Local
Syarikat Takaful Malaysia Keluarga Berhad	Local
Takaful Ikhlas Family Berhad	Local

Takaful Ikhlas General Berhad	Local
Zurich General Takaful Malaysia Berhad	Foreign
Zurich Takaful Malaysia Berhad	Foreign

Source: Bank Negara Malaysia (2020)

Basically, the takaful business offers two main products, namely general takaful and family takaful with the former is equivalent to conventional general insurance and the latter to conventional life insurance. Overall, the family takaful business is the major income generator for the industry in most markets, including Malaysia. Based on the annual Takaful statistics, the contribution from family business generated more than 70 percent of net contribution income in the Malaysia's takaful industry for more than 10 years since 2000 (BNM, 2020). In terms of asset, family takaful contributes more than 90 percent of the industry's total fund asset. Due to its significant contribution to the industry, this research will focus on the family takaful business. Refer Table 2 for Malaysian takaful industry yearly fund asset and net contribution income.

Despite the commendable growth, Malaysian takaful industry experience a lower market share compared to their conventional counterparts, indicating that the local takaful industries are grossly under-tapped. For the year 2020, the combined market penetration for conventional insurance and takaful is 56.1 percent, of which takaful secured only 16.9 percent. In terms of asset contribution, takaful's total combined asset was RM31,374 billion, which constitutes only 10.5 percent of the asset in the insurance and takaful industry. (BNM, 2020)

Against this perspective, this paper focuses on two main objectives. First, to identify critical factors that determine the family takaful demand. Second, to develop a conceptual model for determinants of family takaful demand in the context of Malaysian study.

Table 2. Takaful Fund Asset and Net Contribution Income.

	2015	2016	2017	2018	2019
Takaful Fund Asset	**24,711**	**26,781.7**	**29,283.3**	**31,323.31**	**36,522.3**
Family	21,389.1	23,189.1	25,638.7	27,594.8	32,284.5
General	3.321.9	3,592.5	3,644.6	3,728.3	4,237.8
% of insurance & takaful industry	9.7	10	10.1	10.5	11.2
Net Contribution Income	**6,815.6**	**7,534.6**	**8,250.9**	**4,770.9**	**5,542.4**
Family	5,104.3	5,743.9	6,351.0	3,644.0	4,150.9
General	1,711.3	1,790.7	1,899.8	1,126.9	1,391.4
% of insurance & takaful industry	13.8	14.6	15.2	16.4	17.6

Source: Bank Negara Malaysia (2020)

2. PROBLEM STATEMENT

Theoretically, Malaysian Muslims should pursue takaful schemes for their insurance needs, as it does not contradict the teachings of Islam. However, like many anomalies, this may not necessarily adhere to follow due to various reasons. Despite the increasing number of operators, takaful industry's rate of market penetration level is still relatively low compared to its conventional counterparts. For the year 2020, the combined market penetration for conventional insurance and takaful is 56.1 percent, of which takaful operators only secure only 16.9 percent. In terms of asset contribution, takaful's total combined asset was RM31,374 billion, which constitutes only 10.5 percent of the asset in the insurance and takaful industry (BNM, 2018).

Based on the penetration rate, it can be concluded that the family takaful business performs lower than its conventional counterpart despite the many incentives provided by the Malaysian government. Therefore, it is important to understand the determinant factors that influence family takaful ownership.

Table 3. Takaful Market Penetration Rate.

	2020	2019	2018	2017
Insurance	56.1	54	54	54
Takaful	16.9	15.9	15.2	14.8

Source: Bank Negara Malaysia and MTA (2020)

3. LITERATURE REVIEW

In tandem with its increasing growth globally, there is an increasing interest in takaful among practitioners and academicians to understand its performance, sharia-compliant functions and alternative features in comparison to conventional insurance (Nasir et al., 2021). Various research conducted have been published encompassing all aspects of takaful literature. However, not many empirical studies on the determinants of family takaful demand have been conducted. A study by Nasir et al., (2021) using bibliometric review outlined four research streams in takaful, namely:

1. Comparison of takaful with conventional insurance
2. Takaful business model and shariah compliant issues

3. Marketing concepts and customer behaviours (loyalty, satisfaction/awareness)
4. Risk management, investment, and corporate governance issues.

The study also identified an emerging theme within the scope of takaful demand study, which is the 'behavioural factors' that focuses on the customer side. Among the factors are perception, awareness, attitude, brand loyalty, satisfaction and intentions are studied within this theme. This current paper, however, aims to propose a simple conceptual model by identifying behaviour related antecedents of family takaful demand in Malaysia. Two critical factors, namely saving motives and risk aversion level are found to be the main behaviour related determinants for family takaful demand in Malaysia.

3.1 Saving Motives

There are various aspects of saving motives. However, this study will adopt four established aspects of saving motives, which is more suitable for the study of family takaful demand. There are precautionary motives (Hubbard et al., 1995), bequest motives (Bernheim et al., 1985), life cycle events (Modigliani and Brumberg, 1954; Liebenberg et al, 2012) and wealth accumulation or profit motives (Canova et al., 2005).

3.1.1 Precautionary Motives

It refers to the efforts undertaken by individual to reduce the uncertainties in life. Abel (1985) asserted that precautionary demand for savings arises because an individual consumer does not know in advance the date at which he will die, and he avoids low level of consumption in the event that he lives longer than expected and will choose to purchase life insurance as a precaution for the use of future consumption.

3.1.2 Bequest Motives

Bequest motive refers to intentions of leaving an inheritance to the next of kin or dependents (Bernheim et al., 1985). Li et al. (2007) suggested that bequest motives influence the demand for life insurance. Bernheim (1991), demonstrate that a strong motive for saving amongst U.S. households with bequest motive.

3.1.3 Life Cycle Events

This is based on the notion by Modigliani and Brumberg (1954) which asserts that individuals tend to smooth out their consumption and save money to prepare for major life cycle events and expenses that may occur later in life. Lienberg et al. (2010) asserted that life insurance purchase is likely to follow various 'life events', such as marriage, the birth of a child, purchasing a home and a new job. Similarly, termination of life insurance is likely to follow other life events such as divorce, death of a spouse, unemployment and retirement.

3.1.4 Profit Motives

According to Diacon and Mahdzan (2008), changes in wealth accumulation is in relation to changes in risk, where households will want to conserve more wealth when they are faced with greater uncertainty – such as the potential fluctuations in future income and sudden out-of-pocket medical expenses, thus increasing the demand for life insurance.

3.2 Socio Demographic Factors

3.2.1 Age Factor

To test for the existence of the life-cycle effect, householders' current age were obtained. Age is found to be positively significant in three studies (Berekson,1972; Showers and Shotick, 1994; Truett and Truett, 1990). There are four studies that have found the age factor to be negatively significant (Ferber and Lee, 1980; Auerbach and Kotlikoff, 1989; Bernheim, 1991; Chen et al., 2001).

3.2.2 Marital Status

Result on the effect of marital status on insurance demand is also found to be positively related to life insurance demand, negatively related to life insurance demand and not significant. Dorfman and Adelman (2002) suggested that from a psychological point of view, the act of purchasing life insurance by married individuals as a sense of safety in which a surviving spouse would be financially secured should the other lose income ability.

3.2.3 Education

The level of education is positively related to the life insurance demand in two respects. Truett and Truett (1990) suggest that more educated people will have stronger desire and awareness to protect dependents and safeguard their standard of living. Browne and Kim (1993) explained that higher level of education results in greater awareness of life's uncertainties, hence, leading to higher life insurance coverage.

3.2.4 Income

Current income is the most important determinant of life insurance consumption from 13 empirical studies and each of the study find a positive and significant relationship with life insurance demand. Study by Redzuan et al. (2009). indicate that income per capita is a robust predictor of family takaful demand in Malaysia.

3.2.5 Dependents

Studies have found individuals with children have a stronger propensity to leave bequeathable wealth in the form of life insurance.

3.3 Risk Aversion Level

Due to the very limited literature and empirical evidence on the relation between risk aversion level and the demand for family takaful, this paper will give attention to various literatures on the demand of life insurance. Past studies identified that a person with a high-risk aversion level tends to avoid risk. It is determined to have a positive influence on consumer's life insurance policy to cover the uncertainty of the financial risk in the event of premature death (Chang, 2004; Chen et al., 2006; Han & Hung, 2017; Pliska & Ye, 2007; Wang, 2019; Zhu, 2007). Moreover, the consumer's willingness to take the risk (with low-risk aversion level) has a negative influence on life insurance ownership (Song et al., 2019; Zeng et al., 2015).

4. PROPOSED CONCEPTUAL FRAMEWORK

Based on the reviewed of relevant literature available, a conceptual model for determinants of family takaful demand is developed. This study suggests that several factors such as the Socio-Demographic Factors, Saving Motives and Risk Aversion Level are considered important factors that determine family takaful demand. The proposed model for this study is presented in Figure1 as follows:

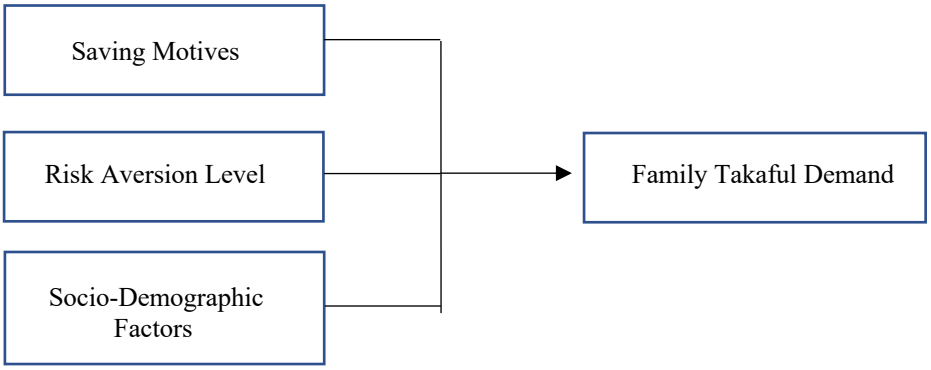


Figure 1: A proposed conceptual model for determinants of family takaful demand

5. CONCLUSION

The paper seeks to come up with a conceptual model by identifying a set of determining factors that contribute to the demand for family takaful. From the extensive review of relevant literature, there are three factors that could possibly influence the demand of family takaful. Further empirical study is therefore needed to examine whether all of these factors contribute significantly to the family takaful demand. It is expected that saving motives would have a positive relationship with family takaful demand. Risk aversion, on the other hand, would have a negative relationship.

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Strategies for Presenting and Marketing Islamic Branded Products to Non-Muslim Consumers

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Abstract

Buying behavior of consumers and decision-making process and criteria of Muslim and non-Muslim consumers are fundamental in spreading the brand of Islamic ethical marketing. Many factors including environment, globalization, purchasing power, consumer population, religious and ethical considerations are essential in increasing the worldwide acceptance of Islamic marketing to all races regardless of religious belief. Hence, the paper attempts to identify the appropriate strategies for presenting these Islamic brands and logos to non-Muslim consumers across the global- space. The paper shall provide insight into how Islamic distribution strategies are displayed to every consumer regardless of their faith or cultural practices. The paper likewise builds upon previous scholarly efforts and research outcomes focusing on management approaches and business strategies suitable for increasing the chances of accepting Islamic brands and logos in Muslim and non-Muslim countries. Previous studies helped in understanding the concepts, current business practices, managerial and theoretical perspectives of Islamic branding. The findings indicate that the usage of Islamic brands played a mediating role in strengthening Islamic branded products across non-Muslim countries. Islamic brand was found to create positive impressions about Islam for non-Muslim consumers. It was also discovered that Islamic brands uniquely secured consumers and customers for Islamic products more than non-Islamic products. The study recommends that Islamic marketing designers should build a monitoring logistic to track the level of Islamic product acceptance across the Muslim and non-Muslim world.

Keywords: Ethical consideration; Islamic brand; management approaches; monitoring logistics

1. Introduction

According to Islamic Financial Service (IFS), a service brand is based on values including religious conviction, ethical observance, pricing-interest rates, economic rationality, service quality, product attributes, image and reputation. Religion may be a barrier to Islamic branding, marketing and business, however, consumers need to look beyond religion and focus on the opportunities. In the service context, Islamic branding managers need to build and engage customers with long-term service brands. Engaging customers and consumers with sustainable, long-term and reliable service brands will enable Islamic branding to stand out from another religious branding[1]. The Packaging of Islamic products should be protected from any damage that can reduce the quality of the goods. It is less important and unnecessary for Islamic branding to be issued, monitored and produced specifically by a Muslim individual in as much as Islamic regulations and guidance are respected and protected throughout the process[2]. To avoid doubts about the branding of Islamic products, developing government official websites and mobile apps are essential for identifying the used ingredients[3].

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It is fundamental for Islamic branding to consider the targeted audience and the country of origin[4]. Islamic branding would serve as a convincing factor to gain momentum and retain potential and existing customers. In a Muslim-majority country, Muslims use Islamic branding and logo as underlying criteria for selection[5]. Absolute compliance with Islamic rules may be one of the reasons for consumers' interest in Islamic branding. Aside from that, the certainty of the country of manufacturing being an Islamic nation may likewise be an additional motivating factor for choosing Islamic branding products. Therefore, this paper seeks to fill the research gaps by ensuring that Islamic branding products are not perceived religiously but beneficially. To broaden the chances of business success, non-Muslim consumers must be considered in presenting and marketing Islamic branding products.

2. Islamic Brands and Marketing Strategies

Islamic branding and marketing could simply be understood as practices and offerings that are in line with Islamic teachings and guidelines. The emergence of certifying, evaluating, atomizing, and labelling activities legally and formally give rise to modern cultural phenomena across Muslim and non-Muslim communities. Control factors such as technologies, globalization and consumers have extensively expanded businesses and brands beyond being monitored and regulated by mere religious clergy.

Islamic branding and marketing require dynamic strategic approaches for successful delivery. Following the market opportunities in India and China on one hand, and the massive interest that was shown by their citizens on the other hand it is safe to presume that a bright and productive future is assured for Islamic branding and marketing[6]. Islam-centric business considers economic, consumer and geopolitical imperative for operationalization. Under the economic consideration, geographies, financial value and future sustainability are subjected to scrutiny. As for the consumer base perspective, market size, market value and consumers' religions are vital. Concerning the geopolitical imperative, political stability, collaborative and co-dependent national brand equities must be weighed and considered[7].

A brand requires blending rituals, meanings, symbolism, mythology and religious language to deepen its significance and raise its competitive advantage. A brand needs polishing the marketing communications messages because there are some worshippers that extremely believe in a particular faith to the extent that they broadly and extensively interpret the word "God" as a non-religion concept[8].

Islamic brand is wider in scope than halal because the former focuses on the branding, name, logo and design, while the latter concentrates on mere the product processes and ingredients[9]. An overall evaluation shows that in some cases, products may be Islamic in ingredients while non-Islamic in brand, logo and designs. In recent times, Islamic branding appears to be the most profitable brand among all brands[710]. Several industries including banking, garments, hospitality, pharmaceutical and food industries use Islamic brands for their products in industrial markets[11]. Convincingly, some consumers assume that all products possessing an Islamic logo or branding fulfil Shariah requirements and are Shariah compliant. As a matter of reality, illiteracy and low level of awareness are largely responsible for how many Muslims became a victim of haram consumption[12].

2.1 Factors That Determine Brand Acceptance

Different perceptions of the brand include culture, identity, relation, personality, community, economic and consumer-based perceptive. These perceptions determine the various level of brand acceptance. Hence, the following factors are crucial for brand acceptance:

Social media presentation: social media is an interactive platform that promotes the contents, information and effectiveness of a particular product. Behaviour is a vital element that advertises, limits and justifies the role,

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essentiality and importance of the proposed product[13]. Across social media platforms, several motives are used to capture and interact with both visible and accessible users[14]. The relationship, manners and active cooperation established by the user through contents are stepwise attempts to measure acceptance.

Social media communication: communication activities on social media platforms influence purchaser's choices and motivate consumers'choices. It is the contents of the communication and information composed for consumers that determine their decision for the products. This tells about the increasing importance of social communication on consumers' attitudes, behaviour, usage satisfaction, purchases and buying intentions and decisions.

Halal certification: may motivate Muslim consumers to purchase a particular product, most especially, if the product ingredients are in line with Shariah principles. A deeper understanding of the process, materials, operations, distribution, manufacturing and all the supply chain procedure of the product is necessary for Muslim consumers[15]. Halal certification retains the products and brand on one edge and protects the company that produces such products on the other edge for Muslim consumers because customers would indeed have belief and trust in that company and their products at all times[16].

Packaging: Packaging is an additional instrument to the relevancy of Islamic branding as it attracts consumers to purchase the products. Packaging conveys values and product- characteristics to consumers[17]. Pospisil et al. (2020) confirmed that packaging broadly promotes products[18]. Packaging can appear in different forms, it may be visual or non-visual. Waheed et al. (2018) see colours and fonts as attractive packaging strategy for winning the heart of consumers[19]. Yulianingsih, Syah and Anindita (2019) argued that product packaging goes beyond display design[20]. Product packaging influences consumers' mindset towards the value of a product. According to Sweeney & Soutar (2001), products are valued by consumers through emotion, quality and social price[21]. Consumers access a product's usefulness based on customers' perception of that product[22]. Bigoin-Gagnan & Lacoste-Badie (2018) upheld that some customers prefer appealing and attractive packaging. Some consumers may also value emotional and visually attractive packaging. Consumers' feelings and satisfaction with packaging generate interest and intention for purchasing[23].

Attitude is indeed a significant factor that could be affected through packaging. Lee et al. (2019) contented that attitude plays an important role in the context of purchasing products[24]. Clark et al.'s (2021) inferred that attitude and emotions convey informational messages for purchasing products[25]. As argued by Saptasari and Aji (2020), value, social and quality affect the attitude to purchase a product. It has been established that emotional value has a connection with purchasing attitude and intention[26]. A positive attitude toward purchasing a product will definitely be developed by a Muslim consumer in the presence of Islamic-branded visual packaging.

Through visual packaging, the consumer's intention is developed and sealed. While Benachenhou et al. (2018) contended that visual packaging influences purchase intention[27], Waheed et al.'s (2018) found that packaging colour, and packaging attributes including font style attract customers[28]. Toward convincing the

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purchaser's intention, the researchers concluded that complete product information, packaging attributes and packaging visuals are essential. Akbari et al. (2018) discovered that Islamic symbols on product packaging enhance the chances of winning the purchaser's intention to purchase a product[29]. Although, Bakar et al. (2013) submitted that symbols and packaging like swords, rosaries and mosques convince consumers' intention toward purchasing a product[30].

2.2 Ways to Convince Non-Muslims with Islamic Branded Products

There is a need to increase the design, packaging and presentation of Islamic branding in such a way that suits Muslim and non-Muslim consumers. The managers of Islamic branding must consider developing visually attractive products; emotionally valuable products and graphically designed logos. Islamic branding shall continuously remain relevant if its designs and packaging are accompanied by modern ideas and creativities. The frequency and consistency of a particular Islamic brand guarantee competitive advantage and consumer acceptance of the product. This is possible when consumers are satisfied with the quality, features and characteristics of the product.

Islamic branding is a promising strategy for customer retention rather than customer acquisition. Gaining a consumer's minds with brand design is an additional advantage and influential factor for promoting Islamic branding to non-Muslims. One of the effects of perfecting the logo and design of Islamic branding is that it enhances the market share of the organization and brings higher revenue to the manufacturer. A brand could be a unique assurance for the long-term existence of the company that owns the Islamic branding design.

Islamic branding can also be enhanced by observing religious restrictions, improving product packaging and developing products with uncommon characteristics. Customers' knowledge and awareness about products produced by the company provide a huge opportunities for their brands in the marketplace. Positive details and a good reputation of a company producing a particular product or brand retain customers for the company for a long-term period. In essence, the brand facilitates countless benefits for the organization and strengthens the good relationship between the organization and the customers.

Product pricing and the pricing strategy used for a product brand are a systematic ways of either managing or losing customers. Islamic brands may be less-attractive to the targeted customers alongside the wrong selection of suitable prices to market the product. Additionally, product promotional offers have far-reaching benefits toward engaging and attracting a large number of customers. This is another strategy for motivating customers to any products produced by the company.

Any company producing halal products and services is indeed expected to keep Muslim consumers for quite a long, thus significantly increasing people's attention to Islamic branding and religion. Acquiring customers' trust might likewise be an important attribute to developing Islamic branding as customers' commitment to that brand become stronger when they believe that the company will never manufacture any product other than fully Islamic-compliance products.

3. Methodology of the Study

The researcher obtained and gathered the data through observational and literature review approaches. The observations were viewed from the attitude, intention and behaviour of non-Muslim consumers toward Halal and Islamic branding products, most especially, across non-Muslim societies. The population of the observational study comprises both Muslim and non-Muslim consumers of Islamic branding products.

4. Findings and Conclusion

Following to the high market pressure, business environment challenges and the increasing number of antagonisms against the emergence of halal and Islamic branding products, there is a need for ensuring that Islamic branding is introduced and presented in such a way that merits and increase the attention of non-Muslim consumers because ignorant to that direction may lead to losing profits and consumers. The ultimate objective of the managers of the Islamic brands is to focus on achieving dynamic customers, not mere Islamic-faith consumers. Since loyalty to Islamic brands has a significant impact on retaining Muslim consumers, it is however necessary to enhance the marketing strategies of Islamic branding so that it can also be attractive to non-Muslim consumers.

The relationship between Islamic brand products, customer retention and consumer increment was found positive. By improving the quality, characteristics and uniqueness of Islamic brands; perfecting the price; and colouring the promotional tactics, companies retain long-term customers. More emphasis on Islamic brand characteristics will attain sustainable and competitive advantage for the company.

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An important focus of any company or organization is to identify the factors that increase profits and sustain customers. The outcome of this study points to the fact that the managers of Islamic brands should concentrate more on the packaging, design, logo and characteristics of Islamic branding products. The concept of Islamic branding is increasingly gaining momentum worldwide, thus may be a meaningful strategy for winning the minds of non-Muslim consumers.

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Good Corporate Governance, Firm Size on Firm Performance: Evidence from Indonesian Banks

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Abstract

The practice of corporate governance is strongly influenced by the parties involved in the management system of a company, especially a bank. Good corporate governance is expected to increase firm performance. Generally, this empirical study presented in this paper shows the effect of Corporate Governance and Firm Size on Firm Performance in Indonesia from 2019 to 2021. Corporate Governance is measured by Board Size and Audit Committee, the Firm Performance is measured by Return on Equity. In this research, we use 138 Indonesian banks from 2019 to 2021 as a sample. Consistent with the finding from previous research, the result of this study indicates a positive relationship between board size and firm performance, audit committee meetings positively influence firm performance and firm size meetings positively influence firm performance. The empirical findings support the model. When the bank has good corporate governance and its firm size is big, the firm performance will be maximized.

Keywords: Good Corporate Governance; Firm Size; Firm Performance

1. Introduction

The main goal of every company is to earn profit and be able to survive then the companies have sustainability (Ali et al., 2021). The company's ability to achieve what the company was founded on is indicated by companies performance. Companies measured their performance using financial performance such as Return on Assets (ROA), Return on Equity (ROE), and other profitability (Sakti, 2019).

Efforts to improve company performance are influenced by internal and external factors. Good corporate governance is the company's internal factor, while the environment, regulations, and economic conditions are external factors that can affect the company's performance. Good Corporate Governance plays an important role in creating a corporate culture of awareness, transparency, and openness (Al-ahdal et al., 2020).

The issue of Good Corporate Governance emerged in the experience of the Indonesian economic crisis in 1997-1998 where many banks and companies suffered losses and bankruptcy (Karuniajaya, 2015). The phenomenon occurs according to research by (Basyith, 2016) and (Detthamrong et al., 2017) as a result of poor corporate governance. Then the implementation of GCG is a must for every company to achieve good performance (Karuniajaya, 2015).

Good Corporate Governance (GCG) is a form of management of a good company, which includes a form of protection against the interests of shareholders as owners and creditors as external funders. GCG system will provide effective protection for shareholders and creditors to obtain a return on investment as fairly, accurately,

and efficiently as possible, and ensure that management is acting as best it can in the best interests of the company (Sukandar, 2014).

Good Corporate Governance practices are different in each company due to differences in the type of business, ownership structure, and corporate social culture. Good Corporate Governance is a system that regulates and controls companies that will create added value (Sakti, 2019). Alignment between internal and external aspects will improve the company's performance so that it will reduce managers taking opportunistic actions that caused the company's performance to decline. The implementation of GCG is an important consideration for investors to invest in.

Previous research has proven the effect of GCG on company performance. (Bhagat & Bolton, 2019); (Juni, 2021); (Sheikh & Alom, 2021) found that GCG has a positive effect on company performance. Good GCG will reduce information asymmetry and facilitate the supervision of management. However, research by (Napitupulu et al., 2021) and (Basyith, 2016) proved otherwise GCG does not affect company performance. The result could be due to the fact that company ownership in Indonesia is still concentrated on individuals or families. If the company is a state company owned by the government, the role of the commissioner cannot be independent.

The company's financial performance is also influenced by the size of the company. Large companies will be a separate concern for investors and potential investors so that it becomes a separate consideration as an investment. (Sukandar, 2014) said large companies will always maintain performance stability to retain their investors. Large companies will find it easier to get funding sources because large companies have a greater probability of entering the capital market than small companies. The result of the study proved the size of the company has a positive effect on performance (Juni, 2021). Meanwhile, (Napitupulu et al., 2021) and (Sakti, 2019) found that company size had a negative effect on company performance.

The phenomenon and the research gap from previous studies are the reasons for re-examining to use of the independent variable GCG as proxied by the board size and audit committee as well as firm size on the company's performance as measured by using Return on Equity (ROE).

2. Theory and Hypothesis Development

2.1 Agency Theory

The research used agency theory (Company et al., 1976) to place GCG in the agency relationship between principal and agent. Good Corporate Governance is a basis because the concept of agency theory results in a harmonious relationship between the owner and manager of the company, therefore, For the company to continue to sustainability, the concept of Good Corporate Governance is needed to avoid disharmony.

2.2 Organizational of Fit Theory

According to (Kristof, 1996), P-O fit postulates a link between an individual and an organization based on their compatibility by identifying the congruence between individual preferences or desires with the system and structure of the organization as well as the organizational culture and personality of the individual.

Good Corporate Governance will control the organization to achieve the expected organizational goals. The implementation of GCG will solve the problem of controlling the managers whose purpose is to protect the interests of investors. The problem arises of the separation of ownership between the principal and the agent as a manager known as the agency problem (Company et al., 1976). Implementation of Good Corporate Governance will make shareholders and investors confident that they will get a return on their investment because Good Corporate Governance can provide effective protection for shareholders and investors. Corporate Governance can also assist in creating a conducive environment for efficient growth in the corporate sector. In this case, Corporate Governance can be defined as an arrangement of rules that determine the relationship between shareholders, managers, creditors, government, employees, and other internal and external stakeholders following their rights and responsibilities. GCG can be proxied by the number of boards of commissioners and audit committees.

The board of commissioners is a person of the company that is tasked with conducting general and specific supervision following the articles of association and providing advice to the board of directors. The task of the board of commissioners is to supervise company policies and supervise general management operations. So that the supervisory role of the board of commissioners becomes good governance in a company. The more members of the board of commissioners, the supervision of the board of directors are much better, and the input or options that the directors will get will be better (Sukandar, 2014).

The audit committee is a committee formed by the board of commissioners and the committee is responsible to the board of commissioners to assist in carrying out the duties and functions of the board of commissioners. The purpose of the establishment of the audit committee is to assist the board of commissioners in carrying out the oversight function and is one of the main pillars in the application of the principles of Good Corporate

Governance (GCG) in the Company (Detthamrong et al., 2017). The higher the supervision carried out by the audit committee, the better the company's performance.

2.3 Hypothesis Development

Based on the explanations and theories above, this study proposes 3 hypotheses below:
H1: The board of commissioners has a positive effect on firm performance.
H2: Audit committee has a positive effect on firm performance.
H3: Firm size has a positive effect on firm performance.

3. Methodology and Data

3.1 Data and Sample Selection

This study's population is the banking in Indonesia that already go public in 2019 until 2021, and there are 144 banks obtained. The sampling technique used in this research is the non-probability purposive sampling technique. The data sample is chosen based on subjective considerations from research where the requirements made as criteria must be met as a sample. The sampling requirement in this research are as follows:
1. Banks that already go public in the period 2019 to 2021.
2. Banks have complete data in financial statements.

The procedure for selecting these criteria results in a final sample of 138 banks.

Table 1. Sample selection.

Total Bank during 2019 -2021	144
Less: the bank with the data not available	6
Final Empirical Sample	138

3.2 Research Variable

Variable	Definition	Measurement
Dependent (Y) Return on Equity (ROE)	Return on equity (ROE) is a financial ratio that shows how well a company is managing the capital that shareholders have invested in it.	ROE = Net Income/ Shareholder's Equity
Independent Board Size (X1)	Board size refers to the total number of directors on the board of each sample firm which is inclusive of the CEO and Chairman for each accounting year	BS = number of directors on the board
Audit committee (X2)	An audit committee is made of members of a company's board of directors and oversees its financial statements and reporting. Per regulation, the audit committee must include outside board members as well as those well-versed in finance or accounting to produce honest and accurate reports.	AC = number of audit committee
Firm Size (X3)	The size of the company as measured by total assets	FS = Ln Total Assets

3.3 Analysis Method

The analysis method used in this research is panel data regression. Data analysis in this research uses the help of the STATA program. The estimation method using panel data can be done through three approaches: common effects, fixed effects, and random effects. The form of panel data regression model in this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where :
Y = firm performance
X_1 = board size
X_2 = audit committee
X_3 = firm size
A = constanta
β_1 ,β_2 ,β_3 = coefficient variable X

To test the effect of the independent variable on the dependent variable using Stata statistical test tools.

4. Result and Discussion

4.1 Result

The data in this study came from banks listed on the Indonesia Stock Exchange from 2019-2021. As object and research as object and research after research is done based on the established criteria, obtained 46 banks into the sample research in 3 years of research.

Table 2. Normality test.

Skewness/Kurtosis tests for Normality					
Variable	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	Prob>chi2
res	135	0.4773	0.6815	0.68	0.7108

Notes: res3 is residuals from Y, X1, X2, X3.

Skewness / Kurtosis tests for Normality results stated significant results as we can see from the value of Prob>chi2 is 0.7108 > 0.05 therefore Skewness/Kurtosis test for normality results can be concluded that the data is normally distributed.

Table 3. Regression result.

Dependent: ROE	(2)
Constant	44.82424*
	5.36
X1	3.627343*
	2.51
X2	3.093713*
	3.13
X3	2.099186*
	6.01
Adj R Square	0.3020
Prob > F	0.0000

SFSAFEFDSGFDFFGFGF Notes: Results from the regression are reported. The sample period is from 2019-2021, ***, **, and * indicates significance at 0.1, 0.05, 0.01 levels. (2) used Board Size, Audit Committee, and Firm Size as independent variables. X1 is Board Size. X2 is Audit Committee. X3 is Firm Size.

Before doing the regression we need to do the models test first, there are three tests to consider the models that suit the regression. The first test is the Chow Test and the value of Prob. > F is 0.000, it is means 0.000 < 0.05, the result of Chow Test is Fixed Effect Models. The second test is the Hausman test and the value of Prob. > chi2 is 0.2249, it means 0.2249 > 0.05, the result of Hausman Test is Random Effect Models. The last test is the Lagrange Multiplies Test and the value of Prob. > chibar2 is 0.0000, the result of Lagrange Multiplies is Random Effect Models. It can be concluded that the result of the Models test is Random Effect Models.

Table 3 in column (2) reported the regression result for the factor that could explain the effect of good corporate governance, firm size, and bank performance in Indonesia from 2019 to 2021. For this regression, the value of the adjusted R square is above 0.3020. It means the three variables taken together explain more than 30.2% of the variation in the bank performance. These variables together have a significant influence on bank performance because the probability value of F statistics is less than 0.05 (0.0000). Table 3 shows the significant effect of each variable, First Variable is Board Size has a positive significant influence on Bank Performance because the probability value is less than 0.05 (0.013). It means that if the Board Size increase, then it will be able to increase Bank Performance (ROE) in the Banking Sector in Indonesia year of 2019-2021. The second Variable is Audit Committee has a positive significant influence on Bank Performance because the probability value is less than 0.05 (0.002). It means that if the Audit Committee increase, then it will be able to increase Bank Performance (ROE) in the Banking Sector in Indonesia year of 2019-2021. The third Variable is Firm Size has a positive significant influence on Bank Performance because the probability value is less than 0.05 (0.000). It means that if the Firm Size increase, then it will be able to increase Bank Performance (ROE) in the Banking Sector in Indonesia year 2019-2021. These results are in accordance with the hypothesis that has been proposed that the Board Size, Audit Committee, and Firm Size have a positive effect on Bank Performance.

Based on the regression table above, the regression equation model is obtained about the factors that affect Bank Performance as follows:

$$Y= 44.82424 + 3.627343BoardSize + 3.093713AuditCommittee + 2.099186FirmSize + e$$

Based on the regression equation in the multiple linear regression above, it shows that the constant value is 44.82424, while for the independent variables sequentially Board Size is 3.627343, Audit Committee is 3.093713, and the Firm Size is 2.099186. From this equation, the influence of the independent variable on Bank Performance can be interpreted as follows:

a. If the Board Size, Audit Committee, and Firm Size rate are 0, then the value of Bank Performance (ROE) is 44.82424. The point is that if Board Size, Audit Committee, and Firm Size do not carry out operational activities, it can be concluded that from 2019 to 2021 the number of Bank Performance(ROE) is 44.82424.
b. The Board Size variable has a positive coefficient value of 3.627343 meaning that every 1% increase in Board Size will cause Bank Performance to increase by 36.27 with a note other variables are considered constant.
c. The Audit Committee variable has a positive coefficient value of 3.093713 meaning that every 1% increase in the Audit Committee will cause Bank Performance to increase by 30.93 with a note other variables are considered constant.
d. The Firm Size variable has a positive coefficient value of 2.099186 meaning that every 1% increase in Firm Size will cause Bank Performance to increase by 20.99 with a note other variables are considered constant.

4.2 Discussion

The discussion on the influence of the three independent variables above based on the results will partially be explained as follows:

a. The Effect of Board Size on Bank Performance (ROE)
   Based on the table of multiple linear regression test results, the significant value with a probability of 0.013 <0.05, means that H1 is accepted and the coefficient value is 3.627343. This means that Board Size has a significant and positive effect on Bank Performance. The hypothesis proposed in this study is that Board Size has a positive effect on Bank Performance, so it can be concluded in this study that the Board Size results are in accordance with the hypothesis that has been proposed and it can be concluded that the number of directors on the board has an important role, especially in Bank Performance.
   The results of this study are supported by (Bhagat & Bolton, 2019) that the effect of the Board Size on Bank Performance is that Board Size has a positive and significant effect and has a strong and close relationship with Bank Performance. When the number of directors on the board is large, the Bank Performance is getting better, otherwise, if the number of directors on the board is small, the Bank Performance is getting down.
b. The Effect of Audit Committee on Bank Performance (ROE)
   Based on the table of multiple linear regression test results, the significant value with a probability of 0.002 <0.05, means that H1 is accepted and the coefficient value is 3.093713. This means that Audit Committee has a significant and positive effect on Bank Performance. The hypothesis proposed in this study is that Audit Committee has a positive effect on Bank Performance, so it can be concluded in this study that the Audit Committee results are in accordance with the hypothesis that has been proposed and it can be concluded that the number of Audit Committee has an important role, especially in Bank Performance.
   The results of this study are supported by (Sheikh & Alom, 2021) that the effect of the Audit Committee on Bank Performance is Audit Committee has a positive and significant effect and has a strong and close relationship with Bank Performance. When the number of Audit Committees is large, the Bank Performance gets better, otherwise, if the number of Audit Committee is small, the Bank Performance is getting down.
c. The Effect of Firm Size on Bank Performance (ROE)
   Based on the table of multiple linear regression test results, the significant value with a probability of 0.000 <0.05, means that H1 is accepted and the coefficient value is 2.099186. This means that Firm Size has a significant and positive effect on Bank Performance. The hypothesis proposed in this study is that Firm Size has a positive effect on Bank Performance, so it can be concluded in this study that the Firm Size results are in accordance with the hypothesis that has been proposed and it can be concluded that the size of the bank has an important role, especially in Bank Performance.
   The results of this study are supported by (Sheikh & Alom, 2021) that the effect of Firm Size on Bank Performance is that Firm Size has a positive and significant effect and has a strong and close relationship with Bank Performance. When the size of the Bank is large, the Bank Performance is getting better, otherwise, if the size of the Bank is small, the Bank Performance is getting down.

5. Conclusion

Bank Performance is an interesting case of financial events that takes the attention of some financial researchers. This study's primary purpose is to analyze the effect of Good Corporate Governance and Firm Size on Bank Performance. Using data from the bank sector in Indonesia during 2019- 2021, this study provides different previous literature results. Most of the previous research focused on the banking risk phenomenon. There is another side that we have to pay attention to, that is the bank performance side. Because for the bank, the

performance is more important than the risk Bank. Performance of the Bank is the primary key of the Bank because the bank is engaged in financial services. If the Bank has a bad performance, it means the Bank is not in good condition because many customers will withdraw their money. Then, the Bank will have high losses, and it can make the bank bankrupt.

This study's result can contribute to the line of the literature and be an excellent solution for the bank manager to maintain their Performance. This study's results are expected to provide benefit for the Bank to pay special attention to this Performance. This study has some limitations, such as that this paper only focuses on Indonesia country because the data of the Bank that can be used in this paper is not much. Another limitation is the period of this study is just from 2019 until 2021.

Because of the data just from Indonesia, there were different conditions like bank regulations, inflation, exchange rate, political situation, etc., that occur each year and each different country. For future research, we suggest that to more deep intent of the Bank Performance using international performance measures to be more effective. We also suggest adding more variables that might influence the bank performance and adding more data with a high range of the year to explain more precisely the bank performance.

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Company, P., Jensen, C., & Meckling, H. (1976). *THEORY OF THE FIRM : MANAGERIAL BEHAVIOR , AGENCY COSTS AND OWNERSHIP STRUCTURE I . Introduction and summary In this paper WC draw on recent progress in the theory of (1) property rights , firm . In addition to tying together elements of the theory of each of these three areas , our analysis casts new light on and has implications for a variety of issues in the professional and popular literature such as the definition of the firm , the " separation of ownership and control ", the " social responsibility " of business , the definition of a " corporate objective function ", the determination of an optimal capital structure , the specification of the content of credit agreements , the theory of organizations , and the supply side of the completeness of markets problem . Our theory helps explain : (1) why an entrepreneur or manager in a firm which has a mixed financial structure (containing both debt and outside equity claims) will choose a set of activities for the firm such that the total value of the firm is Iess than it would be if he were the sole owner and why this result is independent of whether the firm operates in monopolistic or competitive product or factor markets ; (2) why his failure to maximize the value of the firm is perfectly consistent with efficiency ; (3) why the sale of common stock is a viable source of capital even though managers do not literally maximize the value of the firm ; (4) why debt was relied upon as a source of capital before debt financing offered any tax advantage relative to equity ; (5) why preferred stock would be issued ; (6) why accounting reports would be provided voluntarily to creditors and stockholders , and why independent auditors would be engaged by manage- ment to testify to the accuracy and corrcctncss of such reports ; (7) why lenders often place restrictions on the activities of firms to whom they lend , and why firms would themselves be led to suggest the imposition of such restrictions ; (8) why some industries are characterized by owner-operated firms whose sole outside source of capital is borrowing ; (9) why highly regulated industries such as public utilities or banks will have higher debt equity ratios for equivalent levels of risk than the average non-regulated firm ; (10) why security analysis can be socially productive even if it does not increase portfolio returns to investors . While the literature of economics is replete with references to the " theory of the firm "…. 3*, 305–360.

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A Model of Corporate Social Responsibility Using Firms' Performances in Indonesia's Basic-Industry and Chemical Sector

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Abstract

In addition to the government and society, companies play a vital role in the country's development because of the company, per capita income support, job exchange rate stability, and many more. In other words, a stable economy; affect a country. The purpose of this study was to analyze the impact of corporate governance and intellectual capital on corporate performance and disclosure of corporate social responsibility and the relationship between corporate performance and corporate social responsibility disclosure. We used SEM-PLS as an analytical tool. The result of this research is that corporate governance and intellectual capital affect the company's performance, which means the better the implementation of corporate governance and intellectual capital, the better the company's performance. Other results show that corporate governance and intellectual capital will not affect corporate social responsibility disclosure and vice versa. Meanwhile, corporate performance and corpora responsibility s are a positive relationship that good corporate performance affects the disclosure of corporate social responsibility.

Keywords: Good Corporate Governance; Intellectual Capital; Firm's Performance; Social Responsibility Disclosure; Indonesia

1. Introduction

In addition to the government and society, the companies play an essential role in developing a country. The company supports per capita income, exchange rate stability, employment opportunities, and many more. In other words, stable companies affect a country's economy, and Indonesia is no exception. On the other hand, unstable companies cannot actively contribute to anticipating a monetary crisis that results in high poverty levels. This continued impact increases criminal acts and moral degradation in society (Suharto, 2007).

It is an additional reason companies must be able to increase profits in terms of Company Performance or Firm's Performance (from now on, referred to as FP). FP referred to here is the result of the company's operations, both financially and non-financially. If we refer to the basic principle of triple bottom lines, companies also need to pay attention to the people and planet side beside the profit side. Where more clearly, the basic principles of triple bottom lines are as follows:

4. The company is responsible for profit. The company can increase the company's income.
5. The company has a responsibility to the people, the company can prosper employees and society.
6. The company has a responsibility to the planet, the company can be friendly to the environment when the company carries out work that involves the use of natural resources.

Furthermore, the company's awareness of social responsibility – people and the planet – is commonly referred to as Corporate Social Responsibility (from now on, referred to as CSR). Law No. 40 of 2007 concerns Limited Liability Companies, as article 74 states that companies that carry out their business in or related to natural resources are required to carry out social and environmental responsibilities. As for other regulations that encourage companies to participate in maintaining and preserving the environment and social surroundings, as contained in Government Regulation (PP) No. 47 of 2012 concerning Social and Environmental Responsibility.

Republic of Indonesia Social Affairs Minister's Regulation No. 13 of 2012 concerning the Forum for the Responsibility of the Business World in the Implementation of Social Welfare. If a company fails to implement the practice of social and environmental responsibility, it will be subject to sanctions following statutory provisions. Meanwhile, Article 66 paragraph (2) point c states that the company's annual report must contain social and environmental responsibility reports.

The basis of CSR is often misunderstood as merely voluntary and not an obligation, but in fact, this is not the case. The nature of the company is no different from humans. Humans, on one occasion, need social interaction, integration, synergy, and mutual benefit between humans and nature, likewise with companies, where companies also require the use of nature and humans as resources (SDA and HR). Besides the person and the social person, humans cannot live or stand-alone. A company cannot exist without the use of these resources. Meanwhile, from a practical point of view, the company's need for the supply of processed materials will be hampered if nature is the producer of the materials; damaged. The company's need for humans as workers is difficult to fulfil if humans are not competent, especially if there is no good emotional relationship, especially with the company. In short, a good relationship between a company, humans and nature as an essential resource is well established for the growth and development of a company.

Other than that, what is no less critical to strive for is the realization of good corporate governance or Corporate Governance (from now on, referred to as CG). It supposes to support the formation of a stable company. Because as humans, a company is an organization with various body parts where each body part has its function. Without good CG, it is undoubtedly vulnerable to a clash of functions or disorientation of job descriptions for each chart. As a logical consequence, the following result is malfunction or performance confusion. It can lead to bankruptcy or reduce the optimization of the performance and quality of a company.

In addition, intellectual capital (from now on, referred to as IC) is another essential factor to be owned. What is meant by IC is the collective ability within a company, both in terms of personal expertise and added value that characterizes the company's system. The existence of IC certainly has a positive impact and improves various aspects of the company, even more so when we combine IC with good CG.

It is vital to implement CG because CG is the basic framework for determining the formation of systems and structures. It is then actualized to meet Good Corporate Governance standards (from now on, referred to as GCG) in each company concerned. What is meant by GCG here is a company's standard set of rules. Implementing good CG and IC should also result in good company performance. The company's performance or Firm's Performance (from now on, referred to as FP) referred to here is the result of the company's operating activities. In other words, a good FP generates profits for the company, both in terms of financial and non-financial.

So, it can be concluded that the existence of good CG and IC is crucial for the growth and development of a company in order to fulfil GCG standards. Good CG and IC also have the potential to have a positive impact on the company's FP. A good FP certainly gives the company more power, especially in holding higher quality CSR activities. Moreover, good CG can distribute CSR activity reports that are more measurable and transparent to become applicable models and innovations for the company concerned and a benchmark and stimulus for other companies in CSR procurement competitions.

A more measurable and transparent CSR means the public can access the report (at least through the IDX). To fulfil the company's moral responsibility to the community and position the community not as victims but also as partners-observers who have the right to contribute to the company's development. We hope that the gap between the company and the community can erode, friendship is established and ultimately synergized with each other.

Unfortunately, the reality is not quite as sweet as the ideal vision mentioned above. There are still many cases that are contrary to these expectations. For example, in the world of the chemical industry in Indonesia. Indeed, the development of the chemical industry – based on data from the Indonesia Stock Exchange (IDX) quoted on Wednesday, January 2, 2019 – is increasing significantly. The performance of the shares of listed companies in the primary and chemical industries rose 24.01 per cent, the highest compared to other sectors previous year.

The rapid development of the chemical industry certainly brings new hope to Indonesia's economic dynamics. The strengthening projection continues, although not as high as in 2018'. The increase in employment opportunities, the reduced unemployment rate, the increase in foreign exchange and the stronger and more independent Indonesia as a developing country will undoubtedly positively impact the development of the chemical industry in Indonesia. However, in addition to the positive side, it is also necessary to pay attention to the negative impacts that may arise, for example, air pollution resulting from factory smoke and industrial waste that pollutes air, water and soil and disrupts ecosystems.

In 2018 the Indonesia Stock Exchange (IDX) recorded that the sector that grew the most throughout 2018 was the industrial and chemical sector, up to 21.17% year to date. The Composite Stock Price Index (CSPI) of stocks weakened slightly by 3.02% to 6,163 at the close of trading this weekend. One example of an industrial and chemical company namely PT. Holcim Indonesia Tbk (SMCB) by PT. Semen Indonesia Tbk (SMGR). The Indonesian Cement Association (ASI) noted that the national cement production capacity currently reaches 107 million tons, with a projected total sale of 74.6 million tons by the end of the year. Hence, the excess supply reached 32.4 million tons this year.

As another illustration, the leader of the cement market share, SMGR, recorded a sales volume reaching 30.2 million tons or a growing 5.8% compared to the first eleven months of 2017, which recorded a consolidated sales volume of 28.6 million tons. The export segment experienced a high growth of 68.2% YoY, with a volume of 2.85 million tons as of this November. Another stock that has contributed to this sector is PT. Indah Kiat Pulp and Paper Tbk (INKP). INKP's shares are currently still growing 114.81% YTD to the level of Rp 11,600 per share. "The cement and chemical industries also benefit from declining oil prices," said Harry to Kontan Sunday (23/12). https://industri.kontan.co.id/ (23/12/2018).

Another case, pollution that disrupts ecosystems, also occurs in Indonesia, namely the case of oil and gas mining. According to Wibisono Yusuf (2007), the PT. Lapindo Brantas in Sidoarjo, East Java, with a mudflow discharge from the earth's bowels in the sixth month, bursting into approx. Per day. Some of the sampled companies attracted the author's attention due to the poor management of Corporate Social Responsibility. We cannot mention many other inequalities one by one here.

For example, PT Semen Baturaja (Persero) Tbk. The occurrence of community dissatisfaction around the location of PT. Semen Baturaja (Persero) Tbk regarding implementing Corporate Social Responsibility programs that have not met expectations. This can be seen from the residents of Sukajadi, Air Gading, Pusar, Saung Naga and Talang Jawa Villages. In the first ring with Non-Governmental Organizations (NGOs) shortly, they will hold a massive demonstration. Demo to PT. Semen Baturaja (Persero) Tbk regarding discussed eight items with PT. Semen Baturaja (Persero) Tbk represented by Kompol Dede Juanda as Head of Security.

On September 12 2017, however, the results of the meeting were not realized following the community's expectations. As for the conveyed demands, including the problem of dust that has fallen victim, CSR problems are not transparent, Labor problems, and there are 39 workers currently unclear its legality. Blasting problems at four mines of PT. Semen Baturaja (Persero) Tbk, Board of Directors office problem, Subianto case problem, an employee of PT. Semen Baturaja (Persero) Tbk has not yet been completed. The problem of distributing money for protesters on April 13 2017, and PAD from PT. Semen Baturaja (Persero) Tbk improved for OKU Regency. Subianto is one of the employees of PT. Semen Baturaja (Persero) Tbk to Beritalima.com, Tuesday (17/10/2017).

Meanwhile, Edi Nurbudi, a resident of ring I, Tanjung Agung Village, said that we sued PT as residents of ring I. Semen Baturaja (Persero) Tbk for the house's cracking due to the PT explosion. Semen Baturaja (Persero) Tbk, including health insurance. Besides that, PT. Semen Baturaja (Persero) Tbk during night operations often emits dust, and this needs to be improved," he said. Edi said that PT Semen Baturaja promised that the residents of ring I if there are children who graduate from high school with and bachelor's degree, about 60% will be accepted to work in the company. However, the reality is that until now, there is not even land that PT has acquired. Semen Baturaja, which has limestone inside, does not empower residents. The results of the excavation have become a pond. There is no reclamation or stockpiling by PT Semen Baturaja (Beritalima.com).

Several other problems also occurred at PT, which experienced a negative impact from the establishment of a new industrial area in Cirebon Regency. Some problems faced by the Cirebon community are drastic changes in interaction and social patterns, increased social jealousy, changes in lifestyle orientation, increased crime rates, ownership and livelihood patterns, environmental pollution and so on.

The unfortunate incidents mentioned above should not have occurred. Various environmental damage and conflicts between the company and the community should be anticipated or minimized through CSR programs which are the responsibility of each company. It confirms why the company needs CSR maturity as a form of empathy and moral responsibility from the company to the community and the surrounding environment. Unfortunately, the various incidents above illustrate that many companies in Indonesia are still unaware of this or are even disobedient.

This research was inspired and developed from research (Aslam, Ahmad, Amin, Usman, & Arif, 2018) on the Impact of Corporate Governance and Intellectual Capital on Corporate Performance and Disclosure of Corporate Social Responsibility: Evidence from Australian Registered Companies. In this study, suggestions are put forward for further research, namely increasing the number of years of research.

We chose the 2016-2018 period because there were several government policies related to corporate social responsibility for basic and chemical industrial companies during that period. In 2016, the government made policies favour basic and chemical industries to encourage labour absorption. Several major environmental and related social events, such as the revelation of massive illegal logging in Indonesia (2017) and environmental pollution carried out by thousands of basic and chemical industries in one of the major rivers in Java (2018). Meanwhile, at the same time, the government also gave several best governance awards to several companies from related industries (2017). In 2019 there were no significant events related to basic and chemical industries—meanwhile, in 2020 and after entering a pandemic period which caused almost all industries experienced a weakening.

There are differences in this study from previous research or research conducted by (Aslam et al., 2018), which lies in the object of research, other research and development periods, whereas the previous research in Australia in 2014 research period. In comparison, we conducted the current research in Indonesia from the 2016-2018

research. Apart from the object and period of research, this study further analyzes the relationship between a firm's performance and corporate social responsibility.

2. Literature review

We deemed it necessary to elaborate on the theory of social contract before putting forward the theory of legitimacy. We find social contract theory to be the basis for various legitimacy theories put forward by experts. Moreover, to understand the theory of the Social Contract, we need to describe the views of the experts as follows: Social contracts are agreements, either implicitly or explicitly, between companies – and interest groups that have the same goals – and the community. It is necessary because the interrelation between the parties in question will produce a mutual effect. For this reason, we need a social contract to create harmony and balance. Social contracts were built and developed to explain the relationship between the company and the community (society). Here, the company (or any other form of organization) has an obligation to the community to provide benefits to the local community. The interaction of the company (organization) with the community will always try to fulfil and comply with the rules and norms that apply in the community (community norm) so that we can see the company's activities as legitimate.

From the various opinions above, we concluded that: The company's existence necessitates the interaction and interrelation between the company and group with the community. It gives rise to the effect of influencing each other. It also becomes a primary reference for companies to maintain harmony and balance through the obligation to provide benefits while trying to comply with the social norms of society and the laws of nature that apply. As a result, both parties need a social contract agreement connecting and explaining the interests and status of the relationship between the company and the community.

From the description above, Nor Hadi (2011) stated; Legitimacy is a psychological state of taking sides with people and groups of people who are very sensitive to the symptoms of the surrounding environment, both physical and non-physical. Furthermore, legitimacy is a company management system oriented towards the community (society), individual government and community groups. For this reason, the company's operations must be congruent as a system that prioritizes alignments with society.

Legitimacy theory is the thought of the Social Contract between organizations and society. The social contract between the community and the organization means that the community permits the organization to use its natural resources. At the same time, the organization is a legal entity that utilizes workers from the community, takes advantage of managing resources, produces goods and services, and produces environmental pollution due to its management.

Society will be threatened if the organization violates its social contract. For this reason, an organization must continue to observe legitimacy and significance according to the community's need for group facilities and assistance in exchange for having community authority. Undoubtedly, every organization has to accomplish it as a good corporate citizen for the community.

Companies can obtain legitimacy when there is a match between the existence of the company that is not disturbed or congruent with the existing value system in society and the environment. When there is a shift towards non-conformance, then at that time, the company's legitimacy can be threatened. If the company's actions, intentions and values are contrary to society's values, it is possible to form a "Legacy Gap" later. Furthermore, there can be a "Legitimacy Gap", which can threaten the position and affect the company's ability to continue its activities.

Legitimacy is the giving of society to the company. For companies, legitimacy is a potentially valuable resource for survival. The legitimacy theory is based on the social contract between the company and the community in which the company operates and uses economic resources. It also explained that in a dynamic society, there is no source of institutional strength and the need for permanent services. Therefore, an institution must pass the test of legitimacy and relevance by showing that the community needs the services of specific companies and groups who benefit from the awards they receive that genuinely get the community's approval.

Furthermore, the legitimacy theory underlies the social contract between the company and the community where the company operates and uses economic resources. The concept of a social contract explains as follows: "All social institutions, including companies operating in the community through social contracts-both explicit and implicit-where their survival and growth are based on: (1) The final results (outputs) that can be given socially to the community broad society. (2) Distribution of economic, social or political benefits to groups according to their power.

Legitimacy theory is the theory that underlies Corporate Social Responsibility (CSR). It explicitly recognizes that social contract limits business. It states that the company agrees to show its various "Social Activities". So that the company gains public acceptance of the company's goals which will ultimately ensure its survival of the company, the social activities mentioned above can also mean Corporate Social Responsibility (CSR).

Legitimacy theory focuses on the interaction between companies and society. How can the company's existence be accepted or recognized by the local community? The legitimacy will experience a shift along with changes in the environment and local communities (Hadi, 2011).

From the various opinions above, we concluded that: legitimacy is a gift from the community to the company. It is the alignment of the company's activities towards the community where the company seeks benefits for the community, and there is Congruence or conformity between the company's intentions and the interests of the community. Meanwhile, the people's intentions referred to here (referring to the discussion of the previous social contract) are directed to; provide benefits to the community, not violate community norms and comply with natural laws. Aside from being a form of appreciation and responsibility, the company do this as a form of synergy as it has the authority to manage economic resources. The basis of legitimacy is a social contract that functions as boundary signs for the company to realize the abovementioned things. At the same time, CSR is a form of implementation.

2.1 Relationship of corporate governance with firm's performance

Understanding the relationship between management and shareholders agency theory is still very important and has been used in various studies of accounting, finance, marketing, political science, organizational behaviour and sociology. The company is very profitable when the company has an intense and structured CG (Aslam et al., 2018).

Corporate governance has a positive effect on company performance. The better the company implement CG, the better the company's financial performance (Sitanggang & Ratmono, 2019).

The results of this study indicate that independent boards, women's boards and company size do not affect company performance. However, the size of the board and the company's age positively influence the company's performance (Apriliani & Dewayanto, 2018).

The research results show that the greater the institutional ownership allocated by the company can increase the FP, but the effect is insignificant. It follows agency theory, with sizeable institutional ownership causing more excellent monitoring of management performance, which will improve company performance.

H_a1: Corporate governance affects a firm's performance

2.2 Relationship of Intellectual capital relationship with firm's performance

The resource-based theory aligns with the view that the performance of the same company is different. Intellectual capital is a measurable resource to achieve a competitive advantage to contribute to the company's performance which this study refers to as financial performance (Aslam et al., 2018).

The results of this study follow the resource-based view theory, which states that the success of the company's sustainability and the resilience of the company's competitive growth strategy lies in the utilization of its resources, in this case, intellectual capital which consists of Human Capital Efficiency (HCE), Capital Employed Efficiency (CEE) and Structural Capital Efficiency (SCE). The higher the intellectual capital value of a company will improve financial performance. The practical and efficient use of intellectual capital will improve the company's financial performance to create a competitive advantage (Landion & Lastanti, 2019).

Research (Dwie Lestari, Paramu, & Sukarno, 2016) Intellectual Capital is proven to affect ROA performance. Therefore, management is expected to continue to improve IC management. The better the company in managing the IC, the better the company in managing assets. Good asset management can increase the return on several assets owned by the company as measured by Return on Assets (ROA).

The behavioural performance structure considers that we based the company's financial results on the industry in which it operates. The main focus of this theory is to achieve competitive advantage and healthy corporate performance, which we cannot achieve by effectively utilizing strategic resources.

H_a2: Intellectual capital affects a firm's performance.

2.3 Relationship of corporate governance with corporate social responsibility

Strategically planning management, managers decide how the organization can improve its image as a socially responsible company. All information must be reported appropriately to stakeholders to manage good relationships. Tremendous corporate pressure to meet CG practices requirements has led to more environmental, social and community-oriented enterprises. In addition, the complete CG principles adopted by companies can increase the quantity or quality of CSR disclosures (Aslam et al., 2018).

CG practices within a company encourage increased accountability and transparency that build stakeholders, trust and lead to job satisfaction and employee loyalty. CG encourages the implementation of CSR within the

company with the aim of vision, mission, strategy and daily tactics to maximize shareholder value. CSR is a marketing tool that affects the company's financial performance through image and reputation enhancement. So that it can increase sales, profitability, survival, and growth, and we can use it as a competitive advantage (Nour, Sharabati, & Hammad, 2020).

The better corporate governance, the control and supervision of management to disclose information about corporate social responsibility is increasing. The bigger the company, the greater the demands on the company to disclose information about corporate social responsibility (Susanto & Joshua, 2018). CG is concerned with maintaining a balance between economic and social goals and individual and communal goals. The governance framework, therefore, encourages the equitable and efficient use of resources to hold accountable management of those resources to align as much as possible with the interests of individuals, companies and society.

H_a3: Corporate governance affects corporate social responsibility

2.4 Intellectual capital relationship with corporate social responsibility

Research (Razafindrambinina & Kariodimedjo, 2011) shows that intellectual capital, in the overall value of the VAIC, does not have a significant relationship with the disclosure of corporate social responsibility. However, one of its components, capital used efficiency, has a significant impact on CSR disclosure, while the other two, human capital efficiency and structural capital efficiency, have no significant impact. The study results can also conclude that the perception of corporate social responsibility is still at a stage where the company carries out CSR on an ad-hoc basis rather than incorporating it into its strategy.

The IC reporting importance in Indonesia's financial statements is increasing day by day for the future value creation of the company based on the role played by human and relational capital. It is because the traditional capital of the company is not good enough for future value creation (Aslam et al., 2018). In research (Alam & Herawati, 2019), The intellectual capital (IC) variable shows a regression coefficient value of -0.000626 and a significance value of 0.2890, which is greater than 0.05, which means we reject Ha1. Based on these results, we can conclude that intellectual capital has no positive effect on corporate social responsibility disclosure.

H_a4: Intellectual capital affects Corporate social responsibility

2.5 Firm's Performance Relationship with Corporate social responsibility

Research (Kartikasari & Asellawati Siregar, 2017) stated that the relationship of Corporate Social Responsibility to the firm's performance has a varied relationship to the company's ROA. PT Citra Tubindo Tbk revealed that the company's CSR performance as measured by ROA would increase. In contrast, PT Sat Nusapersada Tbk revealed that the company's CSR performance as measured by ROA has decreased. It is different from research (Mariyantini & Putri, 2018) which states that the analysis results show that Corporate Social Responsibility positively influences the financial performance of banks listed on the Indonesia Stock Exchange (IDX) for the 2013-2016 period.

Disclosure of corporate social responsibility is a form of corporate responsibility to its stakeholders. In addition, CSR disclosure is also a form of company management oriented to the community, government and the environment. This study provides evidence that the variables of environmental performance, profitability, liquidity and institutional ownership influence CSR disclosure. Environmental performance variables, profitability and liquidity influence CSR disclosure positively. At the same time, institutional ownership has a negative effect, which shows that the more significant the proportion of institutional ownership, the lower CSR disclosure (Hamzah & Rodiyah, 2019).

H_a5: A firm's performance affects Corporate social responsibility

3. Methodology

This research is a type of quantitative research. The data collection method used in this research is the literature and documentation study methods. The literature study method searches for data through books, journals or scientific articles. At the same time, the documentation method is to obtain data in the form of annual reports issued by basic and chemical industrial companies for the 2016-2018 period. Data collection is done by looking at the required data and recording and analyzing the annual financial statements of basic and chemical industry companies for the 2016-2018 period. The analytical method used in this research is Partial Least Square (PLS).

4. Results and Discussion

The population in this study are basic and chemical industrial sector companies listed on the Indonesia Stock Exchange (IDX). At the same time, the samples in this study were basic and chemical industrial companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2018 period. Based on data obtained from the Indonesia Stock Exchange (IDX) website for the 2016-2018 period, respectively. We selected the purposive sampling method, and the data obtained were as follows:

The data from the selection of NB samples are as in the following table.

Table 1. Sampling criteria.

The initial sample of IDX listed companies (77 industries)	77
Companies that do not publish financial reports and annual reports for the 2016-2018 period	(46)
Companies that publish financial reports and annual reports for the period 2016-2018	31
Companies whose financial statements are not in Rupiah	(6)
Companies whose financial statements in Rupiah	25
Companies with negative earnings balances	(7)
Companies with positive profit balances	18
Companies with incomplete data	(1)
Sample Companies	17

Based on the table above, 17 companies met the criteria for the research sample. The company data used in this study were companies for three years, namely from 2016-2018, so the number of data samples in this study became 51. The list of names of companies that are in the sample criteria in this study is as follows:

Table 2. List of company names.

No	Code	Company Names
1	AKPI	Argha Karya Prima Industry Tbk
2	ALDO	Alkindo Naratama Tbk
3	ALKA	Alaska Industrindo Tbk
4	ARNA	Arwana Citra Mulia Tbk
5	EKAD	Ekadharma International Tbk
6	IGAR	Champion Pasific Indonesia Tbk
7	IMPC	Impack Pratama Industri Tbk
8	INAI	Indal Aluminium Industry Tbk
9	INCI	Intan Wijaya International Tbk
10	INTP	Indocement Tunggal Prakarsa Tbk
11	JPFA	Japfa Comfeed Indonesia Tbk
12	KDSI	Kedawung Setia Industrial Tbk
13	LION	Lion Metal Works Tbk
14	LMSH	Lionmesh Prima Tbk
15	MAIN	Malindo Feedmill Tbk
16	TRST	Trias Sentosa Tbk
17	WTON	Wijaya Karya Beton Tbk

4.1 Results

Table 3. Model fit and quality indices.

Indices	Coefficient	ρ-value	Rules of thumb	Conclusion
Average path (APC)	0.244	0.019	ρ-value<0.05	Model fit
Average R^2	0.238	0.021	ρ-value<0.05	Model fit
Average adjusted R2	0.192	0.041	ρ-value<0.05	Model fit
Average block VIF	1.050		Accepted if ≤ 5, ideally if ≤3.3	Ideal
Average full collinearity VIF	1.137		Accepted if ≤ 5, ideally if ≤3.3	Ideal
Tenenhaus GoF	0.389		Small ≥0.1, medium≥0.25, large≥0.36	Large
R-squared contribution ratio	0.993		Accepted if ≥ 0.9, ideally if =1	Accepted
Statistical suppression ratio	1.000		Accepted if ≥0.7	Accepted

This research model is feasible and can explain corporate social responsibility well. We can see that from the indices above that we use to measure the feasibility and quality of the model.

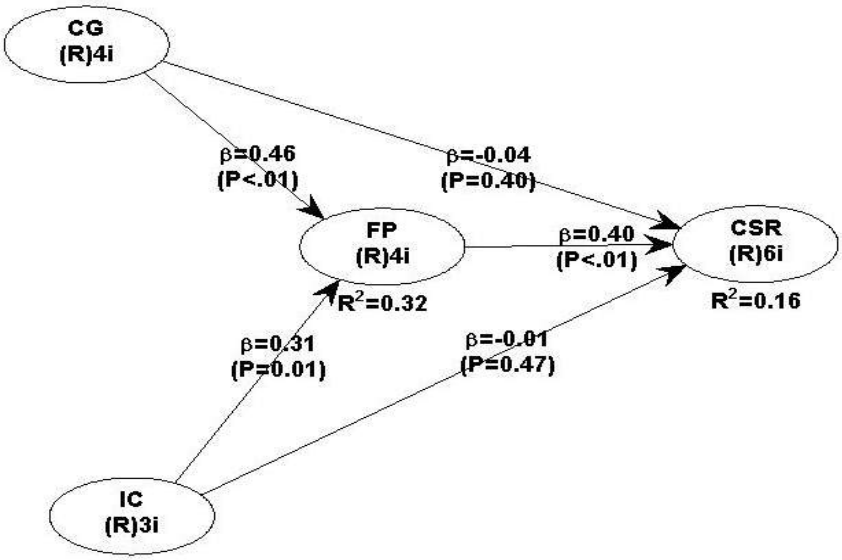


Figure 1. Research results.

We also get results where corporate governance and intellectual capital affect the firm's performance but do not affect corporate social responsibility. Furthermore, the firm's performance affects corporate social responsibility. Our research model also proves that a firm's performance can mediate the relationship between intellectual capital and corporate governance on corporate social responsibility.

Table 4. Hypothesis testing results.

	Hypotheses	(β)	P-Value	Decision
H_1	Corporate governance ---> Firm's Performance	0.461	0.001	Accepted
H_2	Intellectual Capital ---> Firm's Performance	0.31	0.011	Accepted
H_3	Corporate governance ---> Corporate Social Responsibility	-0.04	0.40	Rejected
H_4	Intellectual Capital ---> Corporate Social Responsibility	-0.01	0.47	Rejected
H_5	Firm's performance ---> Corporate Social Responsibility	0.404	0.001	Accepted

4.2 Discussion

This study aims to provide empirical evidence of the influence of corporate governance and intellectual capital on a firm's performance and corporate social responsibility, as well as the relationship between a firm's performance and corporate social responsibility in basic and chemical industrial sector companies listed on the IDX during the 2016-2018 period. The following is a discussion of the test results of this study:

4.2.1 The influence of corporate governance on a firm's performance in the basic and chemical industry sectors listed on the IDX (2016-2018).

The results of testing the first hypothesis show that the corporate governance variable affects a firm's performance in the basic and chemical industry sectors. With the result value (β) 0.461 and p-value 0.001 which means <0.05.

Based on the research sample, can be seen the following table:

Table 5. Changes in X_1 corporate governance to Y_1 firm's performance.

No	Code	Year	X_1	Y_1
1	AKPI	2016-2017	19,04762	-1,65873
2	AKPI	2017-2018	-2,2381	5,596467
3	ALDO	2016-2017	0	0,555243
4	ALDO	2017-2018	0	1,685368
5	ALKA	2016-2017	-2,38095	-0,83549
6	ALKA	2017-2018	0	7,426502
7	ARNA	2016-2017	0	1,052926
8	ARNA	2017-2018	0	-1,82393
9	EKAD	2016-2017	0	-5,18655
10	EKAD	2017-2018	0	-10,4752
11	IGAR	2016-2017	0	0,731224

12	IGAR	2017-2018	0	-10,7173
13	IMPC	2016-2017	0,571429	-0,16197
14	IMPC	2017-2018	0	-1,78078
15	INAI	2016-2017	0	2,405919
16	INAI	2017-2018	0	-7,79419
17	INCI	2016-2017	0	8,444427
18	INCI	2017-2018	0	-10,1545
19	INTP	2016-2017	-22,932	-136,552
20	INTP	2017-2018	-9,52381	196,8191
21	JPFA	2016-2017	16,66667	35,18684
22	JPFA	2017-2018	0	-22,7209
23	KDSI	2016-2017	0	22,06581
24	KDSI	2017-2018	0	13,48066
25	LION	2016-2017	0	-15,9328
26	LION	2017-2018	0	17,73096
27	LMSH	2016-2017	0	17,63667
28	LMSH	2017-2018	0	-28,9215
29	MAIN	2016-2017	-7,35952	-27,035
30	MAIN	2017-2018	1,109524	7,955628
31	TRST	2016-2017	0	0,37681
32	TRST	2017-2018	14,14286	-1,09992
33	WTON	2016-2017	8,714286	3,289651
34	WTON	2017-2018	0	1,745809

Based on the company sample table above, there is a positive change, namely X_1 corporate governance, to Y_1 firm's performance in the basic and chemical industry sectors. It can be seen in AKPI companies in 2017-2018 that there was a change in X_1 Corporate governance towards Y_1 firm's performance, where the results showed a positive value with a value of X_1 = -2.2381 and Y_1 = 5.596467. A positive influence also occurred in INTP companies in 2017-2018. The table shows that X_1 positively affects Y_1 with a value of X_1 = -9.52381 and Y_1 = 196.8191. A value of 0 occurs because several indicators in the variables have not met the relevant results.

It means that implementing good corporate governance will affect the company's performance to increase profits for the company both financially and non-financially. This result is consistent with previous research conducted by (Sitanggang & Ratmono, 2019) and (Aslam et al., 2018), which stated that implementing good CG can improve company performance.

4.2.1 The influence of Intellectual Capital on Firm Performance in the basic and chemical industry sectors listed on the IDX (2016-2018).

The results of the second hypothesis show that the Intellectual Capital variable affects a firm's performance in the basic and chemical industry sectors. With the result value (β) 0.308 and p-value 0.011, which means <0.05.

Based on the research sample can be seen in the following table:

Table 6. Changes in X_2 intellectual capital to Y_1 firm's performance.

No	Code	Year	X_2	Y_1
1	AKPI	2016-2017	0,949664	-1,658729
2	AKPI	2017-2018	5,75883	5,596467
3	ALDO	2016-2017	0,544341	0,555243
4	ALDO	2017-2018	0,040108	1,685368
5	ALKA	2016-2017	-7,83917	-0,835493
6	ALKA	2017-2018	22,12339	7,426502
7	ARNA	2016-2017	-0,06164	1,052926
8	ARNA	2017-2018	2,636589	-1,823933
9	EKAD	2016-2017	-0,10929	-5,186546
10	EKAD	2017-2018	3,109369	-10,47516
11	IGAR	2016-2017	1,94854	0,731224
12	IGAR	2017-2018	6,274838	-10,71731
13	IMPC	2016-2017	-0,58748	-0,161968
14	IMPC	2017-2018	2,619144	-1,780782
15	INAI	2016-2017	-2,42716	2,405919
16	INAI	2017-2018	8,9951	-7,794186
17	INCI	2016-2017	0,632665	8,444427
18	INCI	2017-2018	0,021318	-10,15449
19	INTP	2016-2017	-0,66403	-136,5522
20	INTP	2017-2018	3,404754	196,8191
21	JPFA	2016-2017	-0,04091	35,18684
22	JPFA	2017-2018	0,009551	-22,72086
23	KDSI	2016-2017	1,032735	22,06581
24	KDSI	2017-2018	0,317168	13,48066
25	LION	2016-2017	-0,21396	-15,93285
26	LION	2017-2018	2,232443	17,73096

27	LMSH	2016-2017	3,421367	17,63667
28	LMSH	2017-2018	8,929449	-28,9215
29	MAIN	2016-2017	0,623654	-27,03498
30	MAIN	2017-2018	-0,58982	7,955628
31	TRST	2016-2017	-2,02241	0,37681
32	TRST	2017-2018	-0,03818	-1,099921
33	WTON	2016-2017	3,621479	3,289651
34	WTON	2017-2018	1,692163	1,745809

Based on the sample company table above, there is a positive change, namely X_2 intellectual capital on Y_1 firm's performance in the basic and chemical industry sectors. The table shows that X_2 positively affects Y_1 with a value of X_2 = -0.04091 and Y_1 = 35.18684. It can be seen in the ARNA company in 2016-2017 that there was a change in X_2 intellectual capital to Y_1 Firm's performance, where the results showed a positive value with a value of X_2 = -0.06164 and Y_1 = 1.052926. A positive influence also occurred in the JPFA company in 2016-2017.

It means that the application of intellectual capital affects the company's performance so that it can increase profits for the company financially and non-financially. These results are consistent with previous research conducted by Landion & Lastanti (2019), Dwie Lestari et al. (2016) and Aslam et al. (2018), which state that the application of intellectual capital in a company can improve company performance.

4.2.3 The influence of corporate governance on corporate social responsibility disclosure in the basic and chemical industry sectors listed on the IDX (2016-2018).

The results of testing the third hypothesis show that the corporate governance variable does not affect corporate social responsibility in the basic and chemical industry sectors. With the result value (β) -0.038 and p-value 0.397, it means >0.05.

Based on the research sample can be seen in the following table:

Table 7. Changes in X_1 corporate governance to Y_2 CSR.

No	Code	Year	X_1	Y_2
1	AKPI	2016-2017	19,04762	0,032967
2	AKPI	2017-2018	-2,2381	0,131868
3	ALDO	2016-2017	0	-0,01099
4	ALDO	2017-2018	0	-0,03297
5	ALKA	2016-2017	-2,38095	0,054945
6	ALKA	2017-2018	0	0,043956
7	ARNA	2016-2017	0	0,010989
8	ARNA	2017-2018	0	0,098901
9	EKAD	2016-2017	0	-0,04396
10	EKAD	2017-2018	0	0,153846
11	IGAR	2016-2017	0	-0,04396
12	IGAR	2017-2018	0	-0,03297
13	IMPC	2016-2017	0,571429	0,021978
14	IMPC	2017-2018	0	0,010989
15	INAI	2016-2017	0	-0,01099
16	INAI	2017-2018	0	0,010989
17	INCI	2016-2017	0	-0,0989
18	INCI	2017-2018	0	0,120879
19	INTP	2016-2017	-22,932	0,186813
20	INTP	2017-2018	-9,52381	0
21	JPFA	2016-2017	16,66667	0,56044
22	JPFA	2017-2018	0	0
23	KDSI	2016-2017	0	0,274725
24	KDSI	2017-2018	0	0
25	LION	2016-2017	0	0
26	LION	2017-2018	0	0
27	LMSH	2016-2017	0	0,043956
28	LMSH	2017-2018	0	0
29	MAIN	2016-2017	-7,35952	0,087912
30	MAIN	2017-2018	1,109524	0
31	TRST	2016-2017	0	0,021978
32	TRST	2017-2018	14,14286	0
33	WTON	2016-2017	8,714286	0,285714
34	WTON	2017-2018	0	0

Based on the company sample table above, there is no significant change in the X_1 corporate governance variable to the Y_2 corporate social responsibility variable in the basic and chemical industry sectors. It can be seen in the table that a value of 0 occurs because several indicators in the variables have not met the relevant results. It means that implementing corporate governance does not affect the company's performance. These results are

consistent with previous research conducted by (Sitanggang & Ratmono, 2019) and (Aslam et al., 2018), which state that implementing good CG can improve company performance.

4.2.4 The influence of intellectual capital on corporate social responsibility disclosure in the basic and chemical industry sectors listed on the IDX (2016-2018).

The results of testing the fourth hypothesis show that the corporate governance variable does not affect corporate social responsibility in the basic and chemical industry sectors. With the result value (β) 0.010 and p-value <0.473 it means >0.05.

Based on the research sample can be seen in the following table:

Table 8. Changes in X_2 intellectual capital to Y_2 CSR.

No	Code	Year	X_2	Y_2
1	AKPI	2016-2017	0,949664	0,032967
2	AKPI	2017-2018	5,75883	0,131868
3	ALDO	2016-2017	0,544341	-0,01099
4	ALDO	2017-2018	0,040108	-0,03297
5	ALKA	2016-2017	-7,83917	0,054945
6	ALKA	2017-2018	22,12339	0,043956
7	ARNA	2016-2017	-0,06164	0,010989
8	ARNA	2017-2018	2,636589	0,098901
9	EKAD	2016-2017	-0,10929	-0,04396
10	EKAD	2017-2018	3,109369	0,153846
11	IGAR	2016-2017	1,94854	-0,04396
12	IGAR	2017-2018	6,274838	-0,03297
13	IMPC	2016-2017	-0,58748	0,021978
14	IMPC	2017-2018	2,619144	0,010989
15	INAI	2016-2017	-2,42716	-0,01099
16	INAI	2017-2018	8,9951	0,010989
17	INCI	2016-2017	0,632665	-0,0989
18	INCI	2017-2018	0,021318	0,120879
19	INTP	2016-2017	-0,66403	0,186813
20	INTP	2017-2018	3,404754	0
21	JPFA	2016-2017	-0,04091	0,56044
22	JPFA	2017-2018	0,009551	0
23	KDSI	2016-2017	1,032735	0,274725
24	KDSI	2017-2018	0,317168	0
25	LION	2016-2017	-0,21396	0
26	LION	2017-2018	2,232443	0
27	LMSH	2016-2017	3,421367	0,043956
28	LMSH	2017-2018	8,929449	0
29	MAIN	2016-2017	0,623654	0,087912
30	MAIN	2017-2018	-0,58982	0
31	TRST	2016-2017	-2,02241	0,021978
32	TRST	2017-2018	-0,03818	0
33	WTON	2016-2017	3,621479	0,285714
34	WTON	2017-2018	1,692163	0

Based on the company sample table above, there is no significant change in the X_1 corporate governance variable to the Y_2 corporate social responsibility variable in the basic and chemical industry sectors. We can see that IGAR companies in 2017-2018 showed negative results on the variable X_1 Corporate governance to Y_2 corporate social responsibility, with a value of X_1 = 6.274838 and Y_2 = -0.03297. A negative influence also occurred in the INCI company in 2016-2017. The table shows that the X_1 variable harms Y_1 with a value of X_1 = 0.0632665 and Y_2 = -0.0989. A value of 0 occurs because several indicators in the variable have not met the maximum results. It means that implementing corporate governance does not affect the company's performance so that it can increase profits for the company both financially and non-financially. This result is consistent with previous research conducted by (Sitanggang & Ratmono, 2019) and (Aslam et al., 2018), which stated that implementing good CG can improve company performance.

4.2.5 The influence of a firm's performance on Corporate social responsibility in the basic and chemical industry sectors listed on the IDX (2016-2018).

The results of the second hypothesis show that the firm's performance variable on corporate social responsibility is in the basic and chemical industry sectors. With the result value (β) 0.404 and p-value <0.001 it means <0.05.

Based on the research sample, can be seen the following table:

Table 9. Changes in Y_1 firm's performance against Y_2 CSR.

No	Code	Year	Y_1	Y_2
1	AKPI	2016-2017	-1,65873	0,032967
2	AKPI	2017-2018	5,596467	0,131868
3	ALDO	2016-2017	0,555243	-0,01099
4	ALDO	2017-2018	1,685368	-0,03297
5	ALKA	2016-2017	-0,83549	0,054945
6	ALKA	2017-2018	7,426502	0,043956
7	ARNA	2016-2017	1,052926	0,010989
8	ARNA	2017-2018	-1,82393	0,098901
9	EKAD	2016-2017	-5,18655	-0,04396
10	EKAD	2017-2018	-10,4752	0,153846
11	IGAR	2016-2017	0,731224	-0,04396
12	IGAR	2017-2018	-10,7173	-0,03297
13	IMPC	2016-2017	-0,16197	0,021978
14	IMPC	2017-2018	-1,78078	0,010989
15	INAI	2016-2017	2,405919	-0,01099
16	INAI	2017-2018	-7,79419	0,010989
17	INCI	2016-2017	8,444427	-0,0989
18	INCI	2017-2018	-10,1545	0,120879
19	INTP	2016-2017	-136,552	0,186813
20	INTP	2017-2018	196,8191	0
21	JPFA	2016-2017	35,18684	0,56044
22	JPFA	2017-2018	-22,7209	0
23	KDSI	2016-2017	22,06581	0,274725
24	KDSI	2017-2018	13,48066	0
25	LION	2016-2017	-15,9328	0
26	LION	2017-2018	17,73096	0
27	LMSH	2016-2017	17,63667	0,043956
28	LMSH	2017-2018	-28,9215	0
29	MAIN	2016-2017	-27,035	0,087912
30	MAIN	2017-2018	7,955628	0
31	TRST	2016-2017	0,37681	0,021978
32	TRST	2017-2018	-1,09992	0
33	WTON	2016-2017	3,289651	0,285714
34	WTON	2017-2018	1,745809	0

Based on the company sample table above, there is a positive change, namely Y_1 firm's performance against Y_2 corporate social responsibility in the basic and chemical industry sectors. The table shows that Y_1 positively affects Y_2 with a value of $Y_1 = -27.035$ and $Y_2 = 0.087912$. It can be seen in the IMPC company in 2016-2017 that there was a change in Y_1 firm's performance towards Y_2 corporate social responsibility, where the results showed the value of $Y_1 = -0.16197$ and $Y_2 = 0.021978$. A positive influence also occurred in MAIN companies in 2016-2017.

Companies can express social responsibility more maximally for society and the environment, which means that the company's performance affects the disclosure of corporate social responsibility so that it can indirectly increase profits. This result is consistent with previous research conducted by (Mariyantini & Putri, 2018) and (Hamzah & Rodiyah, 2019), which stated that the higher the company's performance, the higher the disclosure of social responsibility.

5. Closings

5.1 Conclusion

In this study, the authors investigate the effects of CG and IC on FP and CSR disclosures and the effect of FP on CSR. From the study results, we can conclude that implementing good CG and IC will impact company performance, especially in increasing company profits and providing a good image. However, this study shows the negative influence of CG and IC on CSR. The results of the study also show that there is a positive influence of FP on CSR.

The following is an explanation according to the statistical results:

- Hypothesis 1 is accepted, meaning that Corporate Governance has a positive effect with a value of (β) 0.461 and a significant value on a Firm's Performance with a p-value of 0.001 which means <0.05.
- Hypothesis 2 is accepted, meaning that Intellectual Capital has a positive effect with a value of (β) 0.308 and a significant impact on the Firm's Performance, which indicate by a p-value <0.011, which means <0.05.
- Hypothesis 3 is rejected, meaning that corporate governance has a negative effect with a value of (β) -0.038 and is not significant on Corporate Social Responsibility. The p-value is 0.397, meaning >0.05.

- Hypothesis 4 is rejected, meaning that intellectual capital has a negative effect with a value of (β) 0.010 and is not significant on corporate social responsibility. The p-value <0.473 means it is higher than 0.05 or insignificant.
- Hypothesis 5 is accepted, meaning that the firm's performance has a positive effect with a value (β) of 0.404 and is significant on corporate social responsibility, as shown by p-value <0.001, meaning <0.05.

5.2 Suggestion

Based on the research, there are still shortcomings in this research, so the suggestions are as follows:

7. Changing the indicators on the corporate governance variable with other indicators.
8. Adding other independent or dependent variables in the study.
9. Adding research data samples such as; mining, food and beverage sector, and other manufacturing companies.
10. Develop hypotheses or examine more deeply for data processing to obtain relevant results.

5.3 Research Limitations

In this study, there are still limitations. Companies that we used only in one industrial sector, that is basic and chemical industries. The research period is only three years, 2016-2018. Furthermore, the indicators are not entirely per the conditions in Indonesia. The results of this research still need to be studied more deeply, especially in calculations and data processing.

5.4 Upcoming Research Agenda

For future research, we recommend:

11. Increase the research period to at least four years or more
12. Adding research data, such as; mining, food and beverage sector, and other manufacturing companies.
13. Adding the independent or dependent variables of the study.
14. Develop hypotheses or examine more deeply for data processing to obtain relevant results.
15. Use the latest version of the GRI indicator (if any).

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Performance of Initial Public Offerings (IPOs): Shariah and non-Shariah Compliant Companies

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Abstract

The company undertakes initial public offerings (IPOs) to establish a public market and raise equity financing. IPO issued by Shariah-compliant companies claimed to be performed differently than those without the certification. The purpose of this research is to compare the performance of Shariah and non-Shariah compliant companies through their IPOs initial returns and to examine whether the market capitalization and size of the offer could significantly affect the variance in IPO initial returns. The data used in this paper were from 32 companies listed in Bursa Malaysia between 2015 and 2021, of which 18 of them are Shariah-compliant and 14 are non-Shariah compliant. The result shows that Shariah-compliant IPOs have higher initial returns of 14.37% as compared to non-Shariah with initial returns of 6.29%. As for the variables, the size of the offer has more influence on IPO initial return compared to market capitalization irrespective of whether the status of the company is Shariah or non-Shariah. This study is to assist researchers, developing companies, and investors to seek knowledge on the impact of Shariah-compliant status regardless of its industry.

Keywords: Shariah-compliant; non-Shariah compliant; initial public offering; initial return; the size of the offer; market capitalization

1. Introduction

1.1 Background

An initial public offering (IPO) is issued for companies to create a public market and raise equity capital for the company (Ritter and Welch, 2002). This motivates the companies to build a strong base as going public also implies an increase in publicity, creating a stable image for the company. Underpricing of IPOs was a major factor for investors to forecast profits from investment activities (Naiborhu, 2019). This paper focuses on the performance of initial public offering (IPO) between Shariah and non-Shariah compliant companies.

Shariah is not a new term in the finance world. “Shariah” is an Arabic word that carries the meaning of divine law, Islamic law, or the Law of God (Rashid, Ullah and Bhuiyan, 2020). A company must comply with the Islamic

ideology that has strict regulations on business activities to be qualified as a Shariah-compliant firm (Ho, 2015). Islamic investment shall be free from usury, uncertainty, gambling as well as other prohibited elements in Islam such as non-halal foods and immoral activities (Yaakub and Sherif, 2019). The status of Shariah-compliant is proven to attract more shareholders both internationally and locally as it can improve the reputation of a firm (Tajuddin, Mohd Rashid Lee and Che Yahya, 2019). Contradictory, non-Shariah compliant companies do not follow Islamic regulations. This means that there is no set of restrictions for pork and alcohol, gambling, interest-based financial contracts, tobacco and trading of gold and silver as cash on a deferred basis, pornography, and weapons (Ho, 2015).

According to Hussin et al. (2016) as cited in Yaakub and Sherif (2019), since the start of the global financial crisis in 2008, the Islamic finance industry, including Islamic capital markets, has risen by an average of 17.5%. As the investments required and the Muslim population increase, the opportunities to establish Shariah investments increase (Sherif and Erkol, 2017). However, it was stated that the research on the Islamic portion of the IPO market is still scarce, and receiving little attention (Abdul and Yong, 2010). Although Malaysian public listed companies (PLC) owners are largely non-Muslim, Shariah-compliant status appears to be a major concern for the Securities Commission (SC). Moreover, Shariah-compliant IPOs in Malaysia had greater initial returns than their conventional equivalents (Hiau and Mohd, 2004). In addition, referring to Abdul and Che's study (2013), an IPO with a Shariah-compliant status performs differently than those without the status.

1.1 Objective

The objectives of this paper are, firstly to identify the performance of IPO between Shariah-compliant companies and non-Shariah compliant companies through IPO initial return, secondly, to investigate the relationship between the company's market capitalization and size of the IPO offer with their IPO initial return.

2. Literature Review

2.1 Background theory

The term "IPO" refers to an initial public offering, the procedure by which a private firm offers its initial shares of stock for public sale. Every company aspires to go public to raise equity capital and create a public market where founders and other shareholders can convert a portion of their value into cash on the following date (Ritter and Welch, 2002).

"Shariah" is an Arabic word that carries the meaning of divine law, Islamic law, or the Law of God (Rashid, et al., 2020). Practicing Shariah gives benefits to individuals and the community where it aims on keeping the faith, life, progeny, intellect, and wealth, leading Muslims to the religious purpose of the afterlife (Masruki, et al., 2020). Shariah-compliant companies also refer to companies that follow strict Islamic guidelines for business activities (Ho, 2015). Furthermore, having the title Shariah-compliant reduces both financial and business risks compared to conventional companies (Ho and Mohd-Raff, 2019).

Contradictory, non-Shariah compliant companies do not follow Islamic regulations. This means that there is no set of restrictions for pork and alcohol, gambling, interest-based financial contracts, tobacco and trading of gold and silver as cash on a deferred basis, pornography, and weapons (Ho, 2015). Hence, conventional companies are exposed to more risks than Shariah-compliant does since having strict regulations reduces the business and finance risk (Ho and Mohd-Raff, 2019).

2.2 Previous studies

In this study, the initial return represents the performance of IPO for Shariah and non-Shariah compliant companies. The variances between an IPO's offer price and its first-day closing price account for the majority of the fluctuations in IPO is known as initial return (Sundarasen, 2018). Under-pricing refers to a positive first return, whereas overpricing refers to a negative initial return (Wei Leong and Sundarasen, 2015). According to Yaakub and Sherif (2019) as well as Rahim and Yong (2010) as cited by Yaakub and Sherif (2019), Shariah-compliant IPOs are more under-priced than conventional IPOs. The initial return is also influenced by market risk, and a high market risk raises the volume of the IPO's initial return (Bayliss et al., 2021). According to Abdul and Yong (2010), the status of Shariah does not have a significant influence on the initial returns of IPOs in Malaysia. The results of their studies show that the initial returns of IPOs issued by Shariah-compliant and non-Shariah compliant companies do not differ significantly.

Market capitalization and the size of the IPO offer are the factors said to influence the performance of the IPO. Market capitalization is the total market price for all stocks currently possessed by all the shareholders (Fernando, 2021). According to Donaldson (2015), the result of market capitalization can be an indicator to show a firm's economic development and the earnings for shareholders. The price of IPO specifically IPO under-pricing or over-pricing can affect the market capitalization of firms which will indirectly reflect the investors' perception of the company's worth in the market (Donaldson, 2015; Little, 2021). Furthermore, market capitalization is used to

represent the firm size. However, firm size does affect the IPOs' initial returns and their instability due to investors having the impression that bigger firms are economically stable and have few uncertainties (Wei and Sundarasen, 2015). According to Wei and Sundarasen (2015) firm size has a negative association with IPO's initial returns and its unpredictability. The research conducted by Yaakub and Sherif (2019) found that initial return, IPO size, firm size, firm age, time lag, and market return have a low correlation.

The size of the offer is the amount of issued capital stock under the sales offer multiplied by the face value of per share (Abu Bakar, 2013). Numerous studies previously such as Abu Bakar (2013), Yaakub and Sherif (2019), Abdul and Yong (2008), and Tajuddin, et al. (2018) have highlighted a few variables that influenced the common level of IPO under-pricing among the Shariah and non-Shariah compliant firms in Malaysia. There is a negative relationship between the IPOs' size of offer and initial return (Yaakub and Sherif, 2019). An early study conducted by Abdul and Yong (2010) shows that size of the offer does affect the initial return of IPOs for the Shariah-compliant firms. The result of the existing finding disclosed that the size of the offer has a substantial influence on the IPOs initial returns and Shariah investors should observe and pay heed to the internal elements such as the size of the offer (Abdul and Che, 2013). A hypothesis from a past study indicated that a small offer size of an IPO will cause more conjectural activities while on the other hand, a bigger offer size will have a negative correlation with conjectural activities (Yong, 2009).

2.1. Conceptual framework

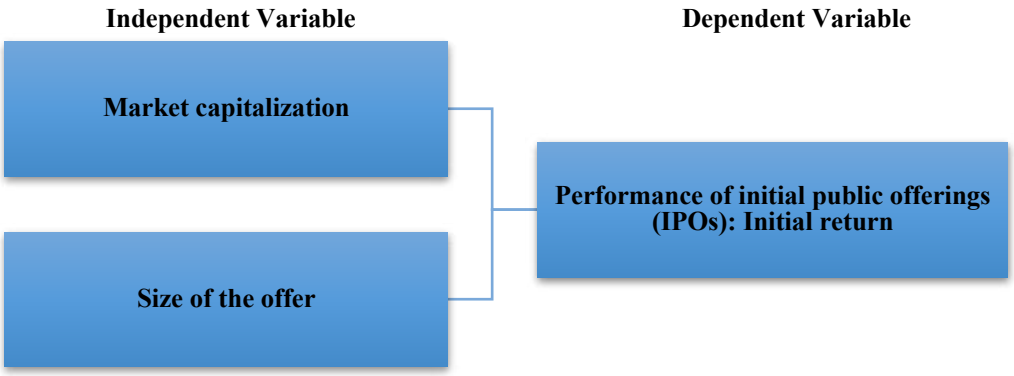


Figure 1. The conceptual framework.

The above conceptual framework was used to find the relationship between the dependent and independent variables from the perspective of Shariah-compliant and non-Shariah compliant companies. It is recommended to incorporate market capitalization into the independent variable as it has an influence on the performance of IPOs (Andrade and Lucena, 2017). The variable shows the correlation between the company's IPO market capitalization and the performance of IPO as represented by the initial return is carried out. In addition, the size of the offer is set as another independent variable since Xinping and Yixia (2003) discovered that the size of the offer influenced the initial performance of IPOs.

3. Methodology

The main purpose of this research is to identify the performance of Shariah and non-Shariah compliant companies through their IPOs initial returns and to examine whether the market capitalization and size of the offer could significantly affect the variance in IPO initial returns. The target population in this research was 35 listed companies in the main market of Bursa Malaysia from 2015 until 2021. According to Krejcie and Morgan (1970), cited in Sekaran and Bougie (2013), the sample size needed is 32 companies based on 35 total listed companies that were selected as the whole population. Moreover, this paper chose simple random sampling as a probability sampling design that allows every element in the population to be known and sampled equally (Sekaran and Bougie, 2013). Simple random sampling provides that every case of the population has an equal probability of inclusion in the sample (Taherdoost, 2016).

Secondary data is used in this research. The Bursa Malaysia, Securities Commission Malaysia, the company's website, and the IPO prospectus are the main sources of information for this study. The closing price on the first trading day and the market capitalization were collected directly from the Bursa Malaysia Knowledge Centre. Meanwhile, the offered price and the size of the share offered are retrieved from the prospectus published on Bursa Malaysia's website.

Referring to the Kwaghkor (2020), the calculation of the initial return for the performance of IPO is adapted as shown in the formula below:

(1)

where *IR* is the initial return of IPO for the first trading day, *P0* is the offer price for an IPO and *P1* is the closing price on 1st day of trading.

The social sciences statistical package (SPSS) was used to obtain statistical analysis results. Firstly, descriptive statistical analysis was applied to identify the performance of IPO between Shariah-compliant companies and non-Shariah compliant companies. Then correlation analysis was utilized to investigate the relationship between independent and dependent variables (Samithamby, 2019). Finally, the regression analysis was used to anticipate the influence of independent variables on dependent variables, allowing the researchers to make predictions (Sarstedt and Mooi, 2014).

4. Results and Analysis

4.1 Descriptive analysis

The below analysis is used to identify the performance of IPO between Shariah compliant companies and non-Shariah compliant companies through initial return.

Table 9. The result of descriptive analysis.

Variable	Mean	Standard Deviation	Minimum	Maximum
Panel A: All samples n= 32				
Initial return	10.84	22.87	(40.59)	70.73
Market capitalization	1,855,296,325.32	4,012,595,963.65	0.1568	19,582,992,000
Size of offer	251,704,200	421,126,543.05	13,500,000	2,153,459,200
Panel B: Shariah-compliant IPOs n= 18				
Initial return	14.37	27.18	(40.59)	70.73
Market capitalization	1,749,430,851.43	3,003,846,331.95	0.1568	10,846,620,050
Size of offer	222,483,072.22	265,946,483.10	15,842,000	1,000,000,000
Panel C: Non-Shariah compliant IPOs n= 14				
Initial return	6.29	15.55	(25)	30.30
Market capitalization	1,991,409,077.46	5,153,602,410.85	15,463,440	19,582,992,000
Size of offer	289,274,221.43	572,462,672.78	13,500,000	2,153,459,200

The initial return of the Malaysian IPOs is 10.84%. Shariah-compliant IPOs show a higher average on the initial return of 14.37% in comparison to the non-Shariah compliant IPOs of 6.29%. The highest initial return is from a Shariah-compliant IPO with a return of 70.73% which leads to a higher average of initial return for Shariah-compliant IPOs.

The market capitalization for the samples shows an average of MYR1,855,296,325.32. The non-Shariah compliant IPOs show a higher average of MYR1,991,409,077.46 while the Shariah-compliant IPOs show a lower average of MYR1,749,430,851.43 on market capitalization. The largest market capitalization in the sample is by MR D.I.Y Group Berhad which contributes to the higher mean for the non-Shariah compliant market capitalization.

Furthermore, the average size of the offer in the sample is 251,704,200 units. On average, the non-Shariah compliant IPOs offer a bigger size of 289,274,221.43 units when compared to Shariah-compliant IPOs of 222,483,072.22 units. This is due to the largest size of offer from Eco World International Berhad which plays a role in the higher mean of non-Shariah compliant IPOs.

4.2 Correlation analysis

Correlation analysis in this study aims to identify the relationship between the companies' market capitalization and size of offer with their IPOs' initial return.

4.2.1 Shariah-compliant companies

Table 10. The result of correlation analysis for Shariah-compliant companies.

	Initial return	Market capitalization	Size of offer
Initial return	1.000		
Market capitalization	-0.380	1.000	
Size of offer	-0.454	0.869**	1.000

The above table shows the result of correlation analysis between variables of the Shariah-compliant companies. According to Pallant (2020), there is medium negative correlation between initial return and market capitalization, r = -0.380, n = 18, as well as initial return and size of offer, r = -0.454, n = 18. Concurrently, the correlation between market capitalization and size of offer indicates significant large positive relationship, r = -0.380, n = 18, $p < 0.01$.

4.2.2 Non-Shariah-compliant companies

Table 11. The result of correlation analysis for non-Shariah compliant companies.

	Initial return	Market capitalization	Size of offer
Initial return	1.000		
Market capitalization	0.034	1.000	
Size of offer	-0.205	0.057	1.000

Next, as referred to Table 3, shows the result of correlation analysis for non-Shariah compliant companies. The correlation between initial return and market capitalization demonstrates no relationship between variables, r = 0.034, n = 14. Meanwhile, there is a small negative correlation between the initial return and the size of the offer, r = -0.205, n = 14. Lastly, there is no relationship between market capitalization and size offer, r = 0.057, n = 14.

4.2.3 Shariah and non-Shariah-compliant companies

Table 12. The result of correlation analysis for Shariah and non-Shariah compliant companies.

	Initial return	Market capitalization	Size of offer
Initial return	1.000		
Market capitalization	-0.179	1.000	
Size of offer	-0.280	0.269	1.000

Table 4 shows the results of the correlation analysis for all companies. The initial return and market capitalization, r = -0.179, n = 32, as well as the initial return and the size of offer, r = -0. 280, n = 32, has a small negative relationship between the variables. Finally, there is a small positive relationship between market capitalization and the size of the offer, r = 0. 269, n = 32.

4.3 Regression analysis

The following analysis examines the variance in IPO initial return which can be explained by market capitalization and the size of the offer.

4.3.1. Shariah-compliant companies

Table 13. The result of regression analysis for Shariah-compliant companies.

	R	R^2	Sig. F	Coefficient		p-values, Sig	
				Market capitalization	Size of offer	Market capitalization	Size of offer
Initial return	0.456	0.208	0.174	0.053	-0.501	0.910	0.297

Table 5 presents the result of regression analysis for Shariah-compliant companies. R = 0.456 represents a moderate association between the dependent and independent variables. Meanwhile, R^2 = 0.208, showing that market capitalization and size of offer contribute to 20.8% of the variance in initial return. Therefore, it was proven

that the market capitalization and size of the offer are strong to describe the initial return since 20.8 % is greater than 20%. Relating to this, Davis, (2020) stated that the higher the value, the bigger the company. Because p is higher than 0.05 ($p > 0.05$), the total equation was deemed to be insignificant. According to the coefficients, each unit increase in market capitalization increases the initial return by 0.053, whereas each unit rise in the size of the offer decreases the initial return by 0.501 units. The relationship between market capitalization and initial return, as well as the size of the offer and initial return, is statistically insignificant since the p-value is higher than 0.05 ($p > 0.05$).

4.3.2 Non-Shariah compliant companies

Table 14. The result of regression analysis for non-Shariah-compliant companies.

	R	R^2	Sig. F	Coefficient		p-values, Sig	
				Market capitalization	Size of offer	Market capitalization	Size of offer
Initial return	0.220	-0.125	0.762	0.049	-0.217	0.872	0.477

As shown in Table 6, R = 0.220, shows that there is a positive small relationship between dependent and independent variables. Adjusted $R^2 = 0.125$ indicates that market capitalization and size of the offer explain 12.5% of the relationship hence the variance in initial return for non-Shariah. Therefore, the independent variables are capable to explain the initial return of non-Shariah because 12.5% is higher than 10%. The overall variable contribution was found to be statistically insignificant because p is higher than 0.05 ($p > 0.05$). The coefficient infers, that for each unit increase in market capitalization, the initial return for non-Shariah will increase by 0.049, while for each unit increase in the size of the offer will decrease the initial return by 0.217 units. The interrelation between market capitalization and initial return non-Shariah, and size of offer and initial return non-Shariah are statistically insignificant because the p-value is higher than the level of significance of 0.05 ($p < 0.05$).

4.3.3 Shariah and Non-Shariah compliant companies

Table 15. The result of regression analysis for Shariah and non-Shariah compliant companies.

	R	R^2	Sig. F	Coefficient		p-values, Sig	
				Market capitalization	Size of offer	Market capitalization	Size of offer
Initial return	0. 304	0.092	0.246	-0.110	-0.255	0.554	0.176

In Table 7, R = 0. 304 indicates a moderately significant association between dependent and independent variables. R^2 is 0.092 which indicates that market capitalization and size of the offer explain 9.2% of the variance in overall initial return. Therefore, the independent variables are unreliable to explain the overall initial return since 9.2% is lower than 10%. The variable contribution was found to be statistically insignificant because p is higher than 0.05 ($p > 0.05$). Based on the coefficients, for each unit increase in market capitalization, the overall initial return will decrease by 0.110, while for each unit increase in the size of the offer will decrease the initial return by 0.255 units. The interrelation between market capitalization and overall initial return, and size of offer and overall initial return are statistically insignificant because the p-value is higher than the level of significance of 0.05 ($p < 0.05$).

4.4 Analysis

The descriptive analysis compares the performance of IPO between Shariah-compliant and non-Shariah compliant companies through the initial return. Based on the result, the average initial return of Shariah-compliant is higher than non-Shariah compliant IPOs as concurred by Yaakub and Sherif (2019) as well as Rahim and Yong (2010) cited by Yaakub and Sherif (2019). The finding shows that Shariah-compliant IPOs not only provide positive but also higher initial returns that indicating Shariah-compliant is a factor that influences IPO performance. This contradicts Abdul and Yong (2010) that stated, in Malaysia, the Shariah status has no substantial impact on the initial return of IPOs. Nevertheless, the standard deviation of the initial return of Shariah-compliant IPOs shows a greater figure than non-Shariah compliant IPOs. This however is against Ho and Mohd-Raff (2019) as the risk for Shariah-compliant IPOs are higher than non-Shariah compliant IPOs.

Correlation analysis identifies the relationship between the companies' market capitalization and size of offer with their IPOs' initial return is identified. The result varies between Shariah-compliant and non-Shariah compliant. Non-shariah shows that there is no relationship between market capitalization and the initial return of

IPOs. Fortunately, in accordance with Wei and Sundarasen (2015), there is a negative correlation between market capitalization and initial return for Shariah-compliant IPOs, as well as when the researchers analysed all IPOs. In addition, as agreed by Yaakub and Sherif (2019), for Shariah and non- Shariah companies, the size of the offer shows a negative relationship with the initial return of IPOs. These findings suggest that as market capitalisation and the size of the offer for the IPOs increase, the initial return will decrease. However, none of these relationships is significant including the size of the offer which opposes the result in Abdul and Che's study (2013) shows that the size of the offer has a significant impact on the initial return.

As for the regression analysis, to examine the variance in IPO initial return that can be explained by the company's market capitalization and the size of the offer. The result shows that the market capitalization and the size of the offer are insufficient to explain the variation of IPOs initial return as represented by the coefficient of determination (R^2). As compared to the market capitalization, IPOs' initial returns were affected the most by the size of the offer. Therefore, the investor should pay attention to the size of the offer when they want to invest in the company as agreed by Abdul and Che (2013). Furthermore, the size of the offer has a negative relationship with the IPO's initial return as stated by Yaakub and Sherif (2019). The relationship between market capitalization and the size of the offer with the initial return is statistically insignificant.

5. Conclusion

This research shows a comparison between Shariah and non-Shariah compliant IPOs holistically, not just to a specific industry. The 32 companies listed in Bursa Malaysia from 2015 to 2021 show that investing in Shariah-compliant IPOs achieved a higher initial return, implying a higher return on investment as compared to non-Shariah compliant. Besides, this research proved that the initial return is influenced by the size of the offer regardless of whether the status of the firm is Shariah or non-Shariah. The findings of this research contribute to the literature on IPOs' performance to guide future researchers, developing companies, and investors to gain more evidence about the effect of Shariah and non-Shariah compliance on companies' IPO.

One avenue for recommendation to future researchers is first, to discover other independent variables besides market capitalization and size of offer that associated with the initial return of IPOs. Furthermore, future researchers are recommended to increase their sample size by including IPOs of companies from the Access, Certainty, Efficiency (ACE) market, and Leading Entrepreneur Accelerator Platform (LEAP) market to improve the reliability and accuracy of future findings.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

A Model of Indonesia's Manufacturing Firms' Values Using Capital Structure as Mediation

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Abstract

This study examines and analyses the effect of dividend policy, liquidity and firm size on firm value with capital structure as an intervening variable in manufacturing companies. The subjects in this study were manufacturing companies listed on the Indonesia Stock Exchange. The sampling technique used was purposive sampling. The data analysis used in this research is descriptive statistics. The results show that dividend policy has a positive effect, while liquidity and firm size negatively affect capital structure. Meanwhile, dividend policy has a positive but insignificant effect on firm value, and liquidity has a significant positive effect on firm value. In contrast, firm size has a significant negative effect on firm value. The firm size directly influences the firm value and, when mediated by capital structure, has a significant effect on firm value. Capital structure has a significant positive effect on firm value. Dividend policy has a significant direct effect on firm value and, when mediated by capital structure, has a significant effect on firm value. Liquidity directly influences the firm value and, when mediated by capital structure, has a significant effect on firm value.

Keywords: Dividend policy; liquidity; firm size; firm value; capital structure

1. Introduction

The company is an object formed by individuals who own property with the company's designation. At the same time, the owner of a company is the person who holds the shares or stockholders. According to Sudana (2015), company value is a ratio related to the ability value of a company's shares that have gone public. According to Pratiwi (2017), the company's value as a shareholder concept for a joint venture relates to shares' prices.

The development of Indonesia's manufacturing industry in the past two years is predicted to experience a delay. It happened because of two things, namely the first increase in interest, which was at 7.5% and the second because every 1 May 2014, there was an escalation in electricity payments. The manufacturing industry development will probably experience an increase in 2019 by 5% compared to the previous year. In 2016, it only grew by 4.74%. Such things impact investors who tend to choose an investment because the company will experience growth, as stated by the Deputy Chairperson of the Chamber of Commerce and Industry (Kadin), in empowering underdeveloped regions.

The research gap shows the inconsistency of research results on the variables of dividend policy, liquidity and firm size on firm value. Research by Putra & Lestari (2016) used different variables to influence the company's quality. At the other hand, Mutmainah, Puspitaningtyas, & Puspita (2019) used different data and population analysis, in this research, the author adds an intervening variable with a capital structure variable, while the data

analysis technique uses a regression equation. We selected the capital structure variable because it refers to the journal from Dewi, Andini, & Santosa (2018).

2. Literature review

2.1 Signalling theory

Signalling theory is a sign given by company management to investors as part of notifications related to the progress of an industry (Brigham & Houston, 2006). Based on signalling theory, investors can conclude that information about the company's future profits or profits through signals that come from dividend announcements, both in terms of stability and dividend changes.

The signalling theory assumes that valid information comes from company managers, but investors do not know the information. It results in information asymmetry between the parties who have an interest (Jogiyanto, 2013). Information asymmetry is news that exclusively belongs to an investor and is used to obtain news information. When the information is published, investors then interpret and review the information as a good signal or a wrong indication. So the statement has a good signal, so expect the market to act when the announcement market received (Jogiyanto, 2013).

2.2 Company value

The company's value is something we cannot separate from the company and investors (investors). According to (Sartono, 2010) explaining, the value of the company is the selling value of a company that is operating in a business; through the value of the company, investors can find out that a company can maximize its prosperity of investors. According to (Husnan, 2006), for companies that have not gone public, the value of the company is the number of costs incurred by prospective buyers if the company is sold, while companies that have gone public can be seen from the value of shares in the capital market. If fund management is carried out correctly, the management will increase the company's share price.

2.3 Capital structure

According to (Riyanto B. 2011), capital structure is a permanent expenditure that reflects the balance between long-term debt and own capital. Capital structure is related to funding decisions from internal and external funding sources. Funds from the company's internal are retained earnings from the company's activities, while those sourced from external companies are in the form of a loan or debt capital. Internal corporate funding is a budget personally obtained by the company resulting from retained profits. The manager will fund the internal investment through the debt market if the internal investment is insufficient. (Dewi, Andini, & Santosa, 2018).

2.4 Dividend policy

A dividend policy is a decision regarding the distribution of company income submitted to investors in the form of dividends which will be reused in the company as retained earnings (Bansaleng & I, 2014). Receiving significant dividends by investors will make investors judge that the company can prosper for its shareholders; this means that the company's valuation will also increase along with the trust and comfort of shareholders after getting dividends or a satisfactory rate of return for shareholders (Mutmainah, 2010; Puspitaningtyas & Puspita, 2019).

2.5 Liquidity

In analyzing the current ratio, it is necessary to pay attention to what causes the height to the ratio. The current ratio is responsible for several things, including its obligation to pay off debt. When the ratio is high, creditors must be responsible for the risk that the company may not be able to meet current obligations. Because the company cannot collect receivables or inventory is not sold, this situation shows the company's ability to pay the current ratio. According to (Nantyo, 2014) states that the company's liquidity ratio has a robust financial portion if:

1. Payment is on time.
2. There is sufficient working capital for the field of operation.
3. There is the placement of interest payments on the required position.
4. Have a good credit score.

2.6 The company size

Company size is a parameter to determine whether it is large or not. We can measure the size of the form of a company based on the total value of assets, total sales, market capitalization, total workforce and others. We can divide company size into four categories, namely large, medium, small, and micro companies, of company in the period between the total dispersed shares.

Efforts to earn a source of funds from a company can be seen from the height of the company's size. The company's size says the total experience and ability that gives rise to the ability and level of risk in managing investments in stockholders to increase their prosperity. Some sources state that small-scale companies are more flexible in experiencing doubts because small companies move more quickly to significant changes (Akbar & Fahmi, 2020).

3. Hypothesis development

The hypothesis developed based on the description above is the effect of dividend policy, liquidity and firm size on firm value with capital structure as the intervening variable in manufacturing companies.

3.1 The relationship between dividend policy and capital structure

A company's dividend policy is often considered a signal for investors in assessing the good and bad of the company. It is because a dividend policy can influence the company's stock price. The number of dividends distributed signals. They foreshadow whether the company has good or bad prospects in the future. Suppose the company chooses to distribute profits as dividends. In that case, the dividend payment will reduce the retained earnings to reduce the company's internal funding, and vice versa, so the dividend policy will be related to the capital structure (Wahyuni & Ardini, 2017). So the hypothesis is as follows:

H_1: Dividend policy significantly affects capital structure.

3.2 The relationship between dividend policy and capital structure

Liquidity is the ability of a business institution to carry out its short-term obligations. According to (Nantyo, 2014) explains that liquidity has a good influence on the capital structure. It can happen because the company will experience high motivation to use personal capital rather than the debt due to the profits obtained from equity. It can make it easier for a business institution to obtain investors and compete with the market so that the company will quickly progress (Thaib & Dewantoro, 2017). So, the hypothesis is as follows:

H_2: Liquidity significantly affects capital structure

3.3 The relationship between dividend policy and capital structure

The bigger the company, the bigger the needs of the company. Therefore, a company must be able to manage the development and implementation of its design in order to be able to obtain many investors and have many resources in order to support the company's needs (Mutmainah, Puspitaningtyas, & Puspita, 2019). So there need to be investors ready to support the expenses the company will issue. Also, investors need a lot to get funds that continue to grow to continue to spin and grow. Later, we can get many benefits from working with big companies. So, the hypothesis is as follows:

H_3: Firm size significantly affects capital structure

3.4 The relationship between dividend policy and company value

The dividend policy determination uses the given total profit in the form of profit and cash dividends that hold back the existence of a supplier of funds or a budget. According to (Novita, Putu, & Purbawangsa, 2014), explaining dividend policy can positively impact assessing a business institution. An assessment of a business institution will increase if it can utilize the capital provided by investors properly so that it gains much profit, so the hypothesis formulated is:

H_4: Dividend policy significantly affects company value

3.5 The relationship between liquidity and company Value

Kasmir (2016) explains that liquidity is a ratio with an assessment of the skills of an institution or company related to short-term debt fulfilment. According to the signaling theory view, if an institution's ability increases to pay its debts, it will be able to attract investors to invest its capital. Thus, the value of the company can increase. So that the formulated hypothesis is:

H_5: Liquidity significantly affects company value

3.6 The relationship between firm size and company value

Based on signal theory, explains the signal theory and firm size. A large company will find it easier to enter the market, so getting funding from outside is getting more extensive and more accessible because a large company means that it has a good company assessment. Research conducted by Akbar & Fahmi (2020) found that company size influences the assessment of a business institution. In connection with the explanation above, the hypotheses formulated are:

H_6: Firm size significantly affects company value

3.7 The relationship between capital structure and company value

Signal theory provides information about the company's condition through financial reports to find differences in information. When the company's capital structure consists of very high debt, investors can find out how the company's condition is, so investors can decide whether to invest in the company or not (Irawan, 2019). According to (Rina, 2012), the capital structure significantly influences the company's value because of the increase and decrease in the capital structure in terms of financing. So, the hypothesis formulated is:

H_7: Capital structure significantly affects company valuation

3.8 Theoretical Framework

Based on the explanation above, the framework developed in this study is in the following figure:

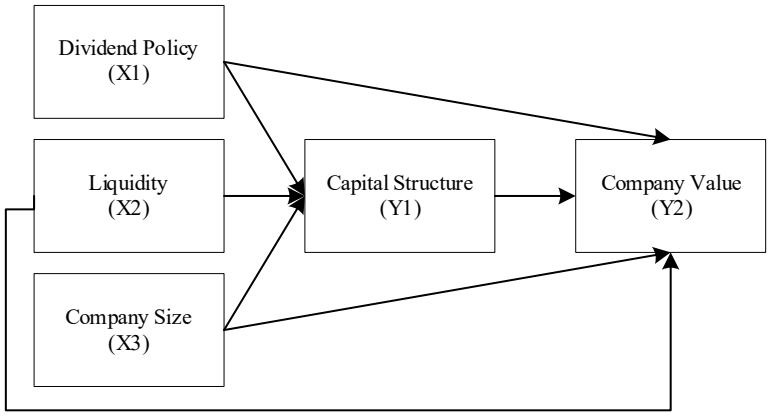


Figure 1: Theoretical framework

4. Research Design

The study sampling in on the purposive sampling technique, which was to separate the adjusted sample based on the formulation of the problem and its objectives. The population in this study are all manufacturing companies listed on the IDX for the 2015-2019 period. By criteria:

1. Manufacturing companies listed on the Stock Exchange.
2. Manufacturing companies listed on the 2015-2019 BEI.
3. The company issues funding reports and provides dividends for 2015-2019.

Based on the characteristics above, the number of samples obtained amounted to 10 companies. The data used in this research is secondary quantitative data. The research data source is www.IDX.co.id, the IDX for manufacturing companies 2015-2019.

The method of analysis is hypothesis testing related to multiple regression with the use of SPSS for windows hardware. After collecting data, we processed the data using descriptive statistics, classical assumption, normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

Capital structure assessment is through consideration of total debt and total assets. An institution needs to consider proper capital and financial structure.

$$DER = \frac{Total\ Amount\ of\ Debt}{Total\ Equity} \quad (1)$$

Firm value is the investor's assumption regarding the company's success in terms of product prices. Product prices that have increased can assess large companies' increase from investors related to the work produced by the company (Khasanah & Aryati, 2019). We compare company valuation to the book value of equity and stock prices to measure financial performance.

$$PBV = \frac{Stock\ Price}{Book\ Value\ Per\ Share} \quad (2)$$

Dividend policy provides obtained profits in a certain period which are distributed to the same dividend shares and make a profit.

$$DPR = \frac{Dividend\ Per\ Share}{Earning\ Per\ Share} \quad (3)$$

Liquidity is a ratio related to measuring the company's ability to pay short-term debt.

$$CR = \frac{Current\ Assets}{Current\ Liabilities} \quad (4)$$

Company size is a measurement based on the total value of assets owned by the company. According to (Khasanah & Aryati, 2019), grouping companies into several parts. The company's size in this study is based on processing existing resources. Company size has characteristics with various values, namely log, size, book value, market value, total assets, total sales and number of employees.

$$Size = Ln\ (Total\ Asset) \quad (5)$$

Multiple linear regression analysis measures the correlation of several selected variables and the direction of the dependent and independent variables (Ghozali, 2016). In this study, the multiple linear regression equation examines the effect of liquidity, dividend policy, and company size on company valuation based on capital composition with intervening variables. So that the formulation of multiple linear regression in this study follows the formulation below:

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \quad (6)$$

$$Y_2 = \alpha + \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Y_1 + \varepsilon \quad (7)$$

Whereas:

Y_2	=	Company Value
Y_1	=	Capital Structure
X_1	=	Dividend Policy
X_2	=	Liquidity
X_3	=	Firm Size
a	=	Constant
$\beta_1, \beta_2, \beta_3, \beta_4\ dan\ \beta_7$	=	Regression Coefficient
ε	=	Error

The partial test (t test) tested the impact of the independent variable to explain the dependent variable (Ghozali, 2016). The null hypothesis (H0) is that the parameter (bi) is zero. An independent variable does not reflect its significance regarding the dependent variable. The alternative hypothesis (Ha) variable parameter is not zero. The independent variable reflects its significance related to the dependent variable. As for the treatment of the t-test, namely:

1. Quick look if the number of degrees of freedom (df) is 20 or more with a confidence value of 5%, the results show that bi = 0 is not accepted if the value of t > 2.

2. If the statistical value of the measurement results is more than the t table value, indicating that the independent variable influences the dependent variable is acceptable.

The F test describes a test that shows that all independent variables applied by the regression model simultaneously affect the dependent variable (Ghozali, 2016). The coefficient of determination in measuring the ability of modes related to explanation in the dependent variable (Ghozali, 2012). A small value of the coefficient of determination can use independent variables that can explain the limited dependent variable. The value obtained indicates that the independent variable can explain the dependent variable. Path analysis is a method used to test the effect of variable intervening.

Path analysis is an extension of multiple linear regression analysis, based on the theory of path analysis used to estimate the causal relationship between the variables specified. The causal relationship between variables can be seen as a substitute for researchers because path analysis cannot determine a cause-and-effect relationship (Ghozali, 2016).

5. Results and Discussion

The population in this study are Manufacturing Companies Listed on the IDX for the 2015-2019 period. The data is secondary data on annual financial reports (annual reports) obtained from the IDX official website. This study uses a purposive sampling technique, namely the method of selecting samples from the population where the sample must have the following selection criteria:

Table 1 Sample Research Results Data.

No	Sampling Criteria	Amount
1	Manufacturing companies listed on IDX 2015-2019	137
2	Manufacturing companies that do not present financial statements consecutively and in rupiah currency	4
3	Manufacturing companies that suffered losses for the 2015-2019 period	57
4	Manufacturing companies that do not meet the data needed for research	66
	Remaining sample used	10
	Number of research periods (2015-2019)	5
	Total research observations for five years	50

So that the number of manufacturing companies that meet the criteria for fulfilling the sample in this study is ten companies at the same time, the research period is five years, and the total sample that can be analyzed in this study is 50 samples.

Table 2 Regression Analysis Results.

	Unstandardized Coefficient		Significance	
	Capital Structure Y_1	Company Value Y_2	Capital Structure Y_1	Company Value Y_2
Constant	1.130	30.465	0.335	0.101
Dividend Policy (X_1)	1.026	3.967	0.000	0.318
Liquidity (X_2)	-0.206	2.033	0.000	0.007
Company Size (X_3)	-0.011	-1.670	0.770	0.006
Capital Structure (Y_1)		29.002		0.000
Adjusted R^2	0.590	0.875		

Based on the results in table above, the equation can be written as follows:

$$Y_1 = 1.130 + 1.1026X_1 - 0.206X_2 - 0.011X_3 + \varepsilon \quad (8)$$

$$Y_2 = 30.465 + 3.967X_1 + 2.033X_2 - 1.670X_3 + 29.002Y_1 + \varepsilon \quad (9)$$

This equation has a constant of 30.465, which has a positive value, meaning that if dividend policy, liquidity, firm size and capital structure are assumed constant, the company value tends to increase. B_1 = dividend policy regression coefficient of 3.967, which is positive, meaning that if liquidity, firm size and capital structure are assumed to be constant, then firm value tends to increase. B_2 = liquidity regression coefficient of 2.033, which is positive, meaning that if dividend policy, firm size and capital structure are assumed to be constant, then company value tends to increase. B_3 = firm size regression coefficient of 1.670, which is negative, meaning that if dividend policy, liquidity and capital structure are assumed to be constant, the company value tends to decrease. B_4 = capital structure regression coefficient of 29,002, which is positive, meaning that if dividend policy, liquidity, and firm size are assumed to be constant, the company value tends to increase.

6. Closing

Based on the research results, dividend policy has a significant positive effect on capital structure, and liquidity significantly negatively affects capital structure. Firm size has no significant adverse effect on capital structure. Dividend policy has no significant positive effect on firm value. Liquidity has a significant positive effect on firm value, and firm size has a significant negative effect on firm value.

Capital structure has a significant positive effect on firm value. Dividend policy has a significant direct effect on company value and, when mediated by capital structure, has a significant effect on company value. Liquidity directly influences company value and, when medicated by capital structure, has a significant effect on a firm company. The firm size directly influences company value and, when mediated by capital structure, has a significant effect on company value.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Ramadan Effect in Indonesia Capital Market Period 2016 – 2020, What's Next?

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Abstract

The purpose of this study is to find whether the Ramadan Effect exists in Indonesia capital market or not. As a country with the largest Muslim majority population in the world, Indonesia Capital Market can behave differently during the Ramadan period. To test the effect, we use the differences in Abnormal Return (AR) and Trading Volume Activity (TVA) before and during the Ramadan period 2016-2020. The type of research is an event study with a quantitative approach. The sample consists of 9 sectoral indices i.e. CONSUMER, AGRI, MINC-IND, MINING, INFRASTRUC, TRADE, FINANCE, PROPERTY, and BASIC-IND. The method used to test the hypothesis is paired sample t-test. The results of this study indicate that there is no difference in the AR before and during Ramadan, and no difference in the TVA in 2018, while in the other years there is a difference in the average trading volume activity. We conclude that there is no Ramadan effect measured AR, but there is a Ramadan effect measured with TVA in Indonesia capital market period 2016-2020. The new implication of this study is to check the Shawwal Effect.

Keywords: Ramadan Effect; Market Anomalies; IDX Sectoral; Abnormal Return; Trading Volume Activity

1. Introduction

Indonesia is a country with the largest Muslim majority population in the world. In 2021 the total Muslim population in Indonesia is 237.53 million people (Indonesia's Ministry of Internal Affairs data) or 13% of the Muslim population worldwide (worldpopulationreview.com). In Islam, investment is a muamalah activity that is highly recommended, because by investing, the assets become productive and also provide profits for these investors (Mashuri, 2018). One of the investment instruments that can be used by Muslims is a stock investment in the capital market.

In the capital market, many studies have proven that the capital market in Indonesia was not efficient because some anomalies occurred (Halari, Helliar, Power, Tantisantiwong, & Nongnuch, 2019), (Sonjaya & Wahyudi, 2016), (Białkowski & Yaghoubi, 2021). Literally, an anomaly is an abnormal condition, deviation from the usual pattern. According to (Sawitri & Astuty, 2018) market anomalies are symptoms of deviations or inefficiencies in the capital market hypothesis. We can find two types of calendar anomalies, i.e. religious related anomalies and non-religious related anomalies. An example of religious related anomalies is Ramadan effect (Halari, Helliar, Power, Tantisantiwong, & Nongnuch, 2019) (Sonjaya & Wahyudi, 2016).

During Ramadan the Jakarta Composite Stock Price Index moved higher, supported by the performance of stocks in the consumer goods, retail, and telecommunications sectors (Bisnis.com, 2019). Based on sectoral index

movement data in 2020, the index for the consumer goods sector on average increased by 9.75%, the retail sector by 2.74%, and the telecommunications sector by 9.29% (yahoo finance data 2020). In the consumer goods sector, the level of public consumption has increased, especially food and beverage consumption, which has increased two to three times. Although Muslims are required to fast in Ramadan, they are encouraged to provide the food as an iftar for those in need. In other sectors, public consumption is increased in the retail sector. People buy new clothes to prepare for Eid al-Fitr as a celebration of Ramadan fasting. In the telecommunications sector during fasting and Eid al-Fitr, the level of internet data usage increases as a result of the Ramadan Effect.

Several authors have studied Ramadan Effect that tested with abnormal return data. According to Jogiyanto (2015) abnormal return is the excess of the actual returns over normal returns. Abnormal Return is tested to determine the market reaction to an event, this is indicated by the direction of the market response that is positive or negative. Shahid, Sattar, Aftab, Saeed, & Abbas (2020), Hidayati, Maslicha, & Junaidi (2017) state that there are differences in abnormal returns during the month of Ramadan. This is due to an increase in public consumption one month before Ramadan so investors responded positively as good news. According to Shahid, Sattar, Aftab, Saeed, & Abbas (2020) Bialkowski, Etebari, & Wisniewski (2012), the life of the Muslim community when making decisions is usually influenced by religious beliefs and conditions in the month of Ramadan. A positive mood will increase positive investment also in the month of Ramadan. During the month of Ramadan, the optimistic mood of investors positively affects the value of financial markets in Islamic countries. Research conducted by Kudusia, Yusuf, & Mahmud (2020) and Faih & Nafiah (2019) stated that there is no difference in abnormal returns during the month of Ramadan. This is due to the absence of market anomalies in the Indonesian capital market during the month of Ramadan.

In addition to abnormal return, the Ramadhan Effect can also be measured or indicated by differences in the amount of trading volume. Rachmadani & Yaningwati (2013) say Trading Volume Activity is a comparison between the number of stock traded at a certain time with the number of all stock outstanding in a certain period. The amount of TVA in an event is an instrument that can be used to assess whether an event causes the demand to be higher than the supply so that the trading volume of stock increases. The stock trading volume shows the phenomenon of the Ramadan Effect from the active side of the transactions that occur. Kudusia, Yusuf, & Mahmud (2020) Faih & Nafiah (2019) stated that there is differences in Trading Volume Activity during the month of Ramadan. This is because the announcement of Ramadan contains information that can affect the difference in average trading volume activity before and after Ramadan. Meanwhile, Setiasari and Rinofah (2017) and Hidayati and Junaidi (2018) state that there is no difference in Trading Volume Activity during the month of Ramadan.

Previous study have tested Ramadan Effect in certain stock price index using individual stock price (Widyarti, Wahyudi, & Hersugondo, 2021) (Hidayati, Maslicha, & Junaidi, 2017) (Setiasri & Rinofah, 2017), (Faih & Nafiah, 2019), (Kudusia, Yusuf, & Mahmud, 2020). The other study uses the main composite index that contains all stocks in the capital market ((Al-Khazali, 2014) (Białkowski & Yaghoubi, 2021) (Halari, Helliar, Power, Tantisantiwong, & Nongnuch, 2019) (Sonjaya & Wahyudi, 2016). This study will employ all stock price indexes from different sectors in Indonesia capital market. We use index values rather than individual stock prices to weight the Ramadan effect relative to the industrial sector. The authors believe this approach will contribute to the real value of the Ramadan effect.

Based on the background that has been described, the authors conducted an event study using abnormal return and trading volume activity to see if there is a Ramadan Effect in Indonesia or not. The authors try to answer the question, are the Ramadan effect exist as measured by the difference in abnormal returns and trading volume activity before and after Ramadan in the Indonesian Capital Market?

2. Literature Review

The concept of the efficient market hypothesis (EMH) was first put forward by Fama (1970). A market is said to be efficient if no one, both individual investors and institutional investors, will be able to obtain abnormal returns, after adjusting for risk, using existing trading strategies. This means that the prices formed in the market are a reflection of existing information or "stock prices reflect all available information". When there is a distortion in predicting stock returns or prices, it can be said that there is a market anomaly that is contrary to the EMH concept (Sawitri & Astuty, 2018).

Market anomaly according to (Alteza, 2007) is the concept of efficient market deviations and stock seasonal patterns that are influenced by differences in trading days in the study of financial literature. Gumanti & Utami (2002) define market anomaly as the existence of irregularities associated with the efficient market hypothesis. Anomalies are one form of phenomenon that exists in the market. By considering market anomalies, an event can be used by investors to obtain abnormal returns.

According to Levy (1996), there are 4 (four) types of market anomalies, namely corporate anomalies, seasonal anomalies, event anomalies, and accounting anomalies (Gumanti & Utami, 2002). In seasonal anomalies, we can find two types of calendar anomalies, i.e. religious related anomalies and non-religious related anomalies. The

example of religious related anomalies are Christmas and Good Friday effects (Cadsby & Ratner, 1992), Jewish High Holy Days effects (Frieder & Subrahmanyam, 2004), or the Easter week holiday effect (Pantzalis & Ucar, 2014), and Ramadan effect (Halari, Helliar, Power, Tantisantiwong, & Nongnuch, 2019) (Sonjaya & Wahyudi, 2016). For non-religious related anomalies, we can find the holiday effect (Hood & lesseig, 2017), the January effect, Wednesday effect, and weekend effect (Schwert, 2003).

Ramadan is the ninth month of Hijri, the Muslim lunar calendar. In Ramadan, people are required to fast and only do good deeds. During Ramadan, the investor has a good mood, more optimist, and favorable health (Bialkowski, Etebari, & Wisniewski, 2012). Muslims are becoming more socially and spiritually oriented in the holy month Ramadan. With religion, people have valuable form of social support, encourages optimistic beliefs, and contributes to their happiness (Al-Khazali, 2014). With that changed behavior, return and trading activity will be different during Ramadan, (Bialkowski, Etebari, & Wisniewski, 2012), (Sonjaya & Wahyudi, 2016). Another study by different authors used firm-level or individual stock price data in certain sectors to analyze the Ramadan Effect. In the hospitality sector, Ramadan affects the sector as all restaurants were closed during the day (Halari, Helliar, Power, Tantisantiwong, & Nongnuch, 2019). In conclusion, the Ramadan Effect shows a different return and trading activity in the month of Ramadan compared to other months of the Hijr Muslim calendar.

3. Methodology and Data

The objects in this study are all indexes listed on the Indonesia Stock Exchange for the 2016-2020 period. Currently, there are 9 (nine) sectoral indexes on the Indonesia Stock Exchange. The nine indexes are CONSUMER, AGRI, MINC-IND, MINING, INFRASTRUC, TRADE, FINANCE, PROPERTY, and BASIC-IND.

Table 1. Research Sample.

Index	Sector
CONSUMER	IDX Sector Consumer Goods Industry
AGRI	IDX Sector Agriculture
MINC-IND	IDX Sector Miscellaneous Industry
MINING	IDX Sector Mining
INFRASTRUC	IDX Sector Infrastructure, Utilities, and Transportation
TRADE	IDX Sector Trade, Services, and Investment
FINANCE	IDX Sector Finance
PROPERTY	IDX Sector Property, Real Estate, and Building Construction
BASIC-IND	IDX Sector Basic Industry and Chemicals

The variables of this research consist of Abnormal Return and Trading Volume Activity. According to Jogiyanto, (2015) abnormal return is the excess of the actual return to normal return, where the normal return is the expected return (return expected by investors), thus abnormal return (abnormal return) is the difference between the actual return and the abnormal return. expected return, which is written by the formula:

$$AR_{i,t} = R_{i,t} - E(R_{i,t}) \quad (1)$$

Where,

$AR_{i,t}$ = Abnormal Return of security i on day t

$R_{i,t}$= Actual Return for security i on day t

$E(R_{i,t})$ = Expected return for security i on day t

In estimating the expected return, this study uses the market-adjusted model. The following is the formula for Market-Adjusted Model:

$$AR_{i,t} = R_{i,t} - R_{M,t} \quad (2)$$

$$R_{M,t} = \frac{JCI_t - JCI_{t-1}}{JCI_{t-1}} \quad (3)$$

Where:

$R_{M,t}$= Market Return on day t

JCI_t= Jakarta Composite Index on day t

JCI_{t-1}= Jakarta Composite Index on day t-1

Trading volume activity (TVA) is a measurement of changes in stock volume activity. TVA can be calculated by counting the ratio between the volumes of stock traded with the volume of stock outstanding (Rachmadani & Yaningwati, 2013). Here's the formula for calculating Trading Volume Activity:

$$TVA_{i,t} = \frac{Volume\ of\ stock\ traded_t}{Volume\ of\ stock\ outstanding_t} \quad (4)$$

The source of the data comes from the IDX. In this study, the authors use descriptive statistical analysis followed by a comparative statistical test. The descriptive statistic is used to provide an overview of the characteristics of the variables used in the study. To answer the research question, we have to conduct a comparative statistical test, which can be done by parametric test using Paired Sample T-Test, or non-parametric test. To ensure which method will be used in conducting a comparative test, the authors use the normality test. If the data is normally distributed, we continue with the parametric test, and if not, we continue with the nonparametric test.

4. Results and Discussion

4.1 Descriptive Analysis

The average abnormal return before and after Ramadan (see Table 2) is negative. If we compare the magnitude of the average abnormal return before and during Ramadan, it can be seen that in all year, the average abnormal return during Ramadan was bigger than the average abnormal return before Ramadan. Judging from the size of the data spread, in 2017, 2019, and 2020, the value of the standard deviation of abnormal returns before Ramadan is greater than during Ramadan. In contrast, in 2016 and 2018 abnormal returns during Ramadan were more varied than before Ramadan. In conditions before Ramadan, the smallest and largest values of abnormal returns occurred in 2019, which were -0.1341 for the smallest value and 0.1114 for the largest value. Meanwhile, in conditions during Ramadan, the smallest and largest abnormal returns are -0.0392 and 0.0482 occurred in 2018. It is quite interesting that the largest abnormal return was in 2018 when the global crisis happened.

Table 2. Abnormal Return Descriptive Statistics Results 2016-2020.

Period	Minimum	Maximum	Average	Standard Deviation
Before Ramadan 2016	-0.0309	0.0293	-0.0001	0.0084
During Ramadan 2016	-0.0263	0.0343	0.0005	0.0092
Before Ramadan 2017	-0.0233	0.0207	-0.0010	0.0084
During Ramadan 2017	-0.0206	0.0249	-0.0002	0.0069
Before Ramadan 2018	-0.0364	0.0349	-0.0003	0.0114
During Ramadan 2018	-0.0392	0.0482	0.0006	0.0115
Before Ramadan 2019	-0.1341	0.1114	-0.0004	0.0151
During Ramadan 2019	-0.0211	0.0196	-0.0002	0.0076
Before Ramadan 2020	-0.0496	0.0710	0.0003	0.0156
During Ramadan 2020	-0.0253	0.0382	0.0014	0.0136

Table 3. Trading Volume Activity Descriptive Statistics Results 2016-2020.

Period	Minimum	Maximum	Average	Standard Deviation
Before Ramadan 2016	0.0071	0.1590	0.0282	0.0182
During Ramadan 2016	0.0055	0.2757	0.0418	0.0390
Before Ramadan 2017	0.0060	0.2568	0.0482	0.0401
During Ramadan 2017	0.0059	0.2861	0.0424	0.0385
Before Ramadan 2018	0.0119	0.1337	0.0415	0.0188
During Ramadan 2018	0.0155	0.1055	0.0430	0.0181
Before Ramadan 2019	0.0007	0.2609	0.0490	0.0407
During Ramadan 2019	0.0008	0.1300	0.0426	0.0335
Before Ramadan 2020	0.0078	0.0938	0.0253	0.0131
During Ramadan 2020	0.0047	0.0462	0.0215	0.0093

If we compare the average TVA before and during Ramadan (see Table 3), it can be seen that in 2016 and 2018, the average TVA during Ramadan was greater than the average TVA before Ramadan. Meanwhile, in 2017, 2019, and 2020, the average TVA during Ramadan was lower than before Ramadan. When we look at the variation in the data, in all years except 2016, TVA before Ramadan was more varied than during Ramadan. In conditions before Ramadan, the smallest value of TVA was 0.0007 and 0.2609 for the largest value that occurred in 2019. While the smallest and largest value of TVA during Ramadan was 0.0008 occurred in 2019 and 0.2861 in 2017.

4.2 Hypothesis Testing

Based on Table 4, it can be seen that the results of normality testing using the Shapiro-Wilk method on abnormal return and Trading Volume Activity (TVA), data before and after Ramadan from 2016 to 2020 have a p-value of more than 0.05. This indicates that with a significance level of five percent the data is normally distributed. Thus, the analysis using the paired t-test method can be carried out.

Table 4. Normality Test Results.

Period	Abnormal Return (p-value)	Trading Volume Activity (p-value)	Data Distribution
2016	0.261	0.498	Normal
2017	0.300	0.080	Normal
2018	0.974	0.995	Normal
2019	0.134	0.452	Normal
2020	0.653	0.162	Normal

The test results based on the Paired T-Test for abnormal return of sectoral index for the 2016-2020 period (see Table 5) have a value of sig (2-tailed) greater than 0.05 (> 0.05) so the decision is failed to reject Ho. This means that there is no significant difference in abnormal returns before and after the month of Ramadan in 2016-2020. This result rejects the research hypothesis which states that there is a Ramadan Effect as measured by differences in abnormal returns. The results of this study can be concluded that the movement of sectoral index in the Indonesia capital market during the fasting month is not too much influenced by the changed behavior of investors such as consumption patterns. However, this is more due to the encouragement of external sentiments, such as commodity price movements, investment values, geopolitical issues, and so on.

Table 5. Abnormal Return Paired T-Test Results.

Period	t-value	p-value	Conclusion
2016	-0.629	0.265	Fail to reject Ho
2017	-0.958	0.170	Fail to reject Ho
2018	-0.719	0.237	Fail to reject Ho
2019	-0.167	0.434	Fail to reject Ho
2020	-0.724	0.235	Fail to reject Ho

The results of this study are in line with the research of Kudusia and Yusuf (2020) which stated that there was no difference in abnormal returns before and after Ramadan. This is because Ramadan occurs once a year. In addition, Rusmayanti, Yusniar, & Yuniar (2016) did not find the effect of the Ramadan effect in the Indonesia Stock Exchange. This is because the Sectoral Price Index which is used as the basis for calculating returns is quite stable and does not experience differences in returns during the month of Ramadan with months outside Ramadan.

The absence of the Ramadan Effect is also influenced by the composition of investors in Indonesia. Broadly speaking, the number of investors in the IDX is still relatively small. The Indonesia Stock Exchange is dominated by foreign investors so during the month of Ramadan in the Indonesia Stock Exchange there is no change in activity in the capital market. Foreign investors dominate the stock market in Indonesia with a securities value of 51.46% of total equity, leaving domestic investors with 48.54% (www.idx.co.id). This is different from the capital market conditions in other Muslim majority countries such as Saudi Arabia and Pakistan which are dominated by domestic investors.

Table 6. Trading Volume Activity Paired T-Test Results.

Period	t-value	p-value	Conclusion
2016	-5.183	0.000	Reject Ho
2017	1.872	0.031	Reject Ho
2018	-0.798	0.213	Fail to reject Ho
2019	3.001	0.002	Reject Ho
2020	3.962	0.000	Reject Ho

Next, we try to check the Ramadan effect measured by TVA. The test results based on the Paired T-Test on the sectoral index for the 2016-2020 period found that in all years except 2018 the significance value of the p-value was <0.05, which means that in that year there was a significant difference in trading volume activity before and during Ramadan in all years except 2018. These results support the research hypothesis which states that there is a Ramadan Effect as measured by differences in trading volume activity. This finding agrees with Kudusia and Yusuf (2020) who state that there is an influence of Ramadan as measured by the difference in the average volume of trading activity (TVA). The results of this study are in line with Faih and Nafiah's research (2019) which states that there are differences in the frequency of stock trading.

The different result obtained in 2018 which a p-value > 0.05 indicates there was no significant difference in trading volume activity before and after Ramadan. So it can be said that this result rejects the hypothesis which states that there is a Ramadan effect as measured by differences in trading volume activity. The results of this study are in line with the study of Setiasari and Rinofah (2017) and Hidayati &Junaidi (2018) which show that there is no difference in the average volume of stock trading before and after Ramadan. Thus, it can be concluded that Ramadan does not contain information that can affect the average trading volume activity.

When we test Ramadan Effect using TVA, we can conclude there is a Ramadan Effect period 2016-2020 except 2018. The 2018 result should be excluded from the conclusion in favor Ramadan effect because 2018 is the year when the global crisis hit Indonesia, so we can treat 2018 as an outlier. Then we focus on the result

obtained from the years 2016, 2017, 2019, and 2020 that show Ramadan Effect in Indonesia Capital Market measured with TVA. Although there is Ramadan effect occurred, the sign of the result is quite different from what we expected in the beginning. During Ramadan, TVA is lower than before Ramadan. No investor (good) mood was observed in trading activity, in contrast to the previous study by Bialkowski, Etebari, & Wisniewski (2012) and Al-Khazali (2014). The trading activity during Ramadan becomes sluggish (CNBC Indonesia, 2021). People are more focused on good deeds, and more socially and spiritually oriented in the holy month of Ramadan. Ramadan itself should be considered as a holiday when investors do not really wish to trade more actively and prefer to enjoy the holiday. This argument is in line with another study that captured the holiday effect (Hood & lesseig, 2017). With this result we come to the next step of the Ramadan effect, that is Shawwal effect to show the effect of the month after Ramadan, just like the January effect to depict the effect of the month after a long holiday, December. This implication is new to the market anomalies literature.

5. Conclusion

Based on the results of the analysis that has been done, the conclusions of this study are: there is no Ramadhan Effect when measured by the difference in AR in the Indonesia Stock Exchange for the 2016-2020 period; meanwhile, there is Ramadan Effect period 2016-2020 except 2018 measured by differences in TVA. During Ramadan, TVA is lower than before Ramadan and should be considered as a holiday effect. The implication of this study is come to the next step of the Ramadan effect, that is the Shawwal effect which is new to the market anomalies literature.

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The Determinants that Influence Mobile Payment Adoption: A Systematic Literature Review

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Abstract

Mobile payments are a new financial technology-based payment method that allows users to conduct payments via smartphones has become relevant over the past decade in developed and developing countries. Various determinants affect user behaviour toward accepting mobile payments. Hence, identifying the determinants influencing mobile payment adoption remains crucial and needs to be refined and scrutinised to remain relevant to the current situation. Therefore, this study synthesises literature from 2010 to 2021 on mobile payment adoption among users using the PRISMA approach, including identification, screening, and eligibility. Articles are identified through databases such as SCOPUS, Web of Science, Science Direct, Google Scholar, and Mendeley. 953 articles are screened according to the exclusion and inclusion criteria, and duplication matters. Finally, only 67 complete articles were selected for further synthesis and analysis. Applying a thematic analysis using ATLAS ti.8, three sub-themes were coded— personal, environment and barriers, to categorise the determinants. A study found that innovation is the most frequently examined personal factor, relative advantage and ease of use are the most frequently evaluated environmental factors, and perceived risk has also been the most frequently examined barrier influencing mobile payment adoption a decade ago. This review applied PRISMA is needed to help researchers extend past research to examine further current trends that determine the factors influencing mobile payment adoption. In addition, this review's findings can help stakeholders formulate effective strategies for mobile payment services.

Keywords: Mobile payment; systematic literature review; PRISMA

1. Introduction

Mobile payment is a series of processes for payment through mobile devices that directly links to financial institutions or through Fintech payment service that connects with financial institutions through IT companies (Kang, 2018). Generally, mobile payment is a new technology-based payment method enabling users to operate payments through mobile smartphones (Zhou, 2013) and transfer amounts via mobile phone devices from payer with or without an intermediary (Mallat, 2007). Mobile payment also is an electronic transaction or exchange of information under the action of a mobile device and mobile networks (Ramadan and Aita, 2018), leading to the handover of actual or perceived value in transference for information, services, or goods (Zhou, 2013). Mobile payment is carried out with a mobile instrument such as a mobile credit card or a mobile wallet (Dahlberg et al., 2015). Other researcher means mobile payment as a payment that replaced the traditional payment method, which operated through mobile devices with networks transferred for economic transactions such as purchasing goods, bills, and services (Choi et al., 2020; Dahlberg et al., 2015; Gong, Cheung, et al., 2020; Gong, Zhang, et al., 2020a;

Gong, Zhang, et al., 2020b; Gong, Zhang, et al., 2020c; Humbani and Wiese, 2017; Iman, 2018; Kang, 2018; Liébana-Cabanillas et al., 2017; Schierz et al., 2010).

Review articles had arranged to afford a creative standpoint on a topic that configured future research (Alexander, 2020). Also, it contributed substantially to developing knowledge in the discipline (Durach et al., 2017). Review creates a robust basis for knowledge advancement to facilitate theory development, alleviate similarities in an area where much research exists and exposes areas where research needs to be explored (Webster and Watson, 2002). Moreover, a thoroughly conducted review can provide relevant parties with an extensive update on the interest topic or concern (Toronto and Remington, 2020). Snyder (2019) stated that conducting a systematic literature review can identify all empirical evidence of certain research areas that fit the inclusion criteria to answer research questions with minimum bias and reliable findings. A systematic review can justify research rigour that allows for gaps in identification and directions for future research (Shaffril et al., 2020; Shaffril et al., 2018).

Globally, it was reported that in 2019, 89% of consumers were aware of the existence of in-store mobile payment platforms, and 82% were aware of peer-to-peer payment systems and non-bank money transfers (Ernst and Young, 2019). This shows customer acceptance of mobile payments and service providers have a competitive advantage in the industry. However, some factors influence customer acceptance of mobile payments. Some countries have very high internet penetration among consumers, but the penetration rate of mobile payment usage is still low. For example, in developing countries like Malaysia, it was reported in 2018 that internet penetration was 85.7%, online banking penetration reached 85.1%, and application mobile penetration was only 40% (Fong, 2018). While the data reveals a low transaction value for Fintech mobile apps, it is seen that mobile apps are the preferred alternative for payments. It can be concluded that customers accept mobile payments but still lack confidence in using them. Therefore, this literature review is needed for the researcher to extend the previous study to study the trend of factors influencing consumer adoption of mobile payment services.

This review aims to synthesise literature from 2010 to the first half of 2021 on the variance of mobile payment adoption and to discuss the scope of the studies on which the researcher focus based on the main research question – what are the determinants that influence mobile payments adoption among users? This study is about the consumer perspective as this group is the end-users who accept this new digital payment platform, thus leading to financial inclusion (Rana et al., 2019; Zhang et al., 2022) that is important to socio-economic development (Pal et al., 2020).

This review study contributes to three major areas. This study focused on mobile payment across the area of study and highlighted the determinants that influenced consumers' adoption of mobile payments by the previous researcher. Secondly, this paper addressed the future direction of mobile payment concerns. Finally, this study applied the approach of Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) and utilised a systematic literature review with a systematic searching strategy (Shaffril et al., 2020). This in-depth review study systematically plans to validate the research questions. Thus, it is useful for scholars to guide their future studies to extend previous studies by examining current trends in determining the factors that influence mobile payments adoption and suggesting future research directions. This first section describes the study's purpose, while the second section details the methodology. The third section systematically reviews and synthesises the scientific literature to identify, select and evaluate selected articles. And the last section identifies future research paths.

2. Methodology

Review can be of many types, and the most basic review is a narrative review that summarises selected literature without any systematic method on a selected study that only supports the reviewer's opinions or assumptions (Toronto and Remington, 2020). The integrative review contains theoretical and methodological literature as the aim of the review which all selected studies went through the process of identifying, analysing, appraising and synthesising excluded statistical synthesis methods (Toronto and Remington, 2020). And the most complex is a systematic review, which collects, analyses, appraises and synthesises the randomised control studies that address a formulated question (Higgins et al., 2021; Page, Moher, et al., 2021; Page, McKenzie, et al., 2021).

Fisch and Block (2018) indicate that the review process should be crystal clear and reproducible by clearly outlining the search strategy in identifying relevant literature systematically with as much transparency as possible. And through the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) as a basis for a systematic review that allows the evaluation of random trials, it was reporting other systematic reviews and appropriate for critical appraisal of published systematic reviews (Moher et al., 2009).

Hence, this study utilises PRISMA as a basis for the review. PRISMA determines how to search the literature and applies screened and eligibility criteria. In the end, a smaller number of articles will remain (Moher et al., 2009). This study uses systematic searching strategies applied by Shaffril et al. (2020) in synthesising the searched article to capture the knowledge gap. And the data were synthesised through thematic analysis using ATLAS. ti

8 to evaluate trends and patterns (Zairul, 2020) of determinants that influence mobile payment adoptions in the various published articles a decade ago.

2.1 Resources

The literature searching of this study relies on the Web of Science Core Collection (WoS) and Scopus as a leading databases. Gusenbauer and Haddaway (2020) point out that if the reviewer's goal is to reach beyond the limitations of a specialised search system, it might prove beneficial to use citation information from a comprehensive, multidisciplinary search system and quality article controls to broaden the search scope and these features found in WoS dan Scopus. Furthermore, this leading database has used the search function with the most frequent Boolean operator, truncation, and wild cards in particular phrase searching (Gusenbauer and Haddaway, 2020).

Moreover, Shaffril et al. (2020) revealed WoS maintained by Clarivate Analytics is a scientific citation indexing service that is only accessed through institutional subscription-based services with a comprehensive citation search function in multiple databases referenced across disciplinary research. While Scopus is one of the largest abstracts and citation databases of peer-reviewed literature that consists of diverse subject areas and document types such as scientific journals, books, and conference proceedings in multifield of research with smart tools component that able to track, analyse, and visualise research easily (Shaffril et al., 2020). In total, the leading databases used in the searching process were two, and further searching continued with the additional database.

According to (Gusenbauer and Haddaway 2020), supplementary search methods can improve search outcomes. An additional database is needed to enrich data sources such as non-indexing journals and search variations for missing articles from the leading databases (Shaffril et al., 2018). Moreover, Xiao and Watson (2019) stated that searches should be taken from various databases due to the unavailability of a database that includes a complete set of published material. Thus, the literature searching of this study continues with other four supporting databases, namely EBSCO, ProQuest, Mendeley, Google Scholar, and University/ Institution Library (printed document).

This study selects Google Scholar as a supporting database in expanding the scope of literature search due to the different policy of Google Scholar than indexing databases that can produce tremendous results and found as an important resource that is freely available (Loan and Sheikh, 2018). Also, Loan and Sheikh (2018) found that Google Scholar is very helpful in finding resources, which often leads users to the availability of the sources such as institution libraries or open access sources. Furthermore, more than a hundred million journal articles are available on Google Scholar (Gusenbauer and Haddaway, 2020; Orduña-Malea et al., 2017; Haddaway et al., 2015). Google Scholar contains a large amount of grey literature and specialised and well-known studies, but most of the literature identified duplicates similar search results used in the Web of Science, with some important literature found missing in the search. Thus, Google Scholar is used only as a supporting searching method and cannot be used alone for systematic literature searches (Haddaway et al., 2015). Halevi et al. (2017) found that most studies focused on coverage issues found in the major publisher coverage content, which indicate quality and transparent indexing policies, originality and advanced search options that are full of quality control indexing capabilities, and all of these are not available on Google Scholar. Also, the quality control over its indexing capabilities is debated (Halevi et al., 2017), and the inability to export results in bulk as a citation also limits the use of Google Scholar in scholarly searches. Therefore, this literature study combines this database with a controlled database and not as a leading source.

Electronic searching is not enough, and search can be supplemented by manual searching through printed journals (Okoli, 2015). Therefore, this study searched for the related printed journals/documents, and the university/agency library was visited face to face or via email. Application for selected articles is available through inter-library loan services offered by University / institutional libraries.

2.2 Inclusion and exclusion criteria

This study determined the selection criteria applied to find suitable articles in the systematic review process to ensure that only relevant articles needed to be read and reviewed—the criteria as summarised in Table 1.

Table 1. Inclusion and exclusion criteria.

Criteria	Inclusion	Exclusion
Timeline publication	2010 to June 2021	none
Publication type	Article journal	Journal (systematic review), conference proceeding, newspaper, review paper, book
Language	English	Other than English

2.3 Process of systematic review

Shaffril et al. (2019) and Shaffril et al. (2018) stated that the systematic searching strategies involved several processes: 1) Identification, the process of identifying and enriching keywords using advanced and manual searching techniques, 2) Screening, an article screened based on selection criteria done automatically from a selected database or excluded manually, and 3) Eligibility, the process to ensure that the selected article meets the specified criteria as highlighted by Moher (2009). And a four-phase flow diagram (Moher. 2009) has been practised and adapted (Shaffril et al., 2020) in this study, as depicted in Figure 1, which summarises the systematic review process of this study.

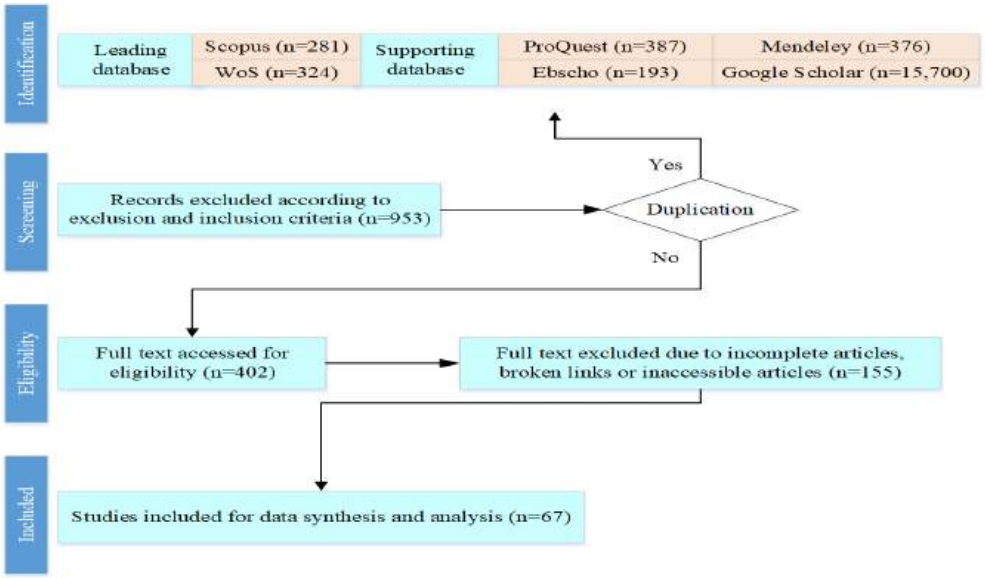


Figure 1. The flow diagram of the study (adapted from Moher et al., 2009; Samsuddin et al., 2019; Shaffril et al., 2019)

2.3.1 Identification

Identification starts with keyword identification for information searching purposes. This process searches for any synonym, related terms, and variation for the main keywords (Shaffril et al., 2020; Shaffril et al., 2019; Shaffril et al., 2018) based on study purposes and questions (Durach et al., 2017) namely mobile payments, user and adoption. Ultimately, these keywords will be used to build a search string, which is applied to an electronic academic database (Pilbeam et al., 2012) and provide more options for a selected database to search for more related literature to review (Shaffril et al., 2020). Within the scope of the study, keywords were determined and enriched from several relevant information sources such as Thesaurus (https://www.thesaurus.com and https://www.lexico.com/english-thesaurus), encyclopaedia (https://www.encyclopedia.com), Google synonyms, Word thesaurus, and keywords suggested by experts as well as raw searching (handpicking and snowballing) were also practised, and the result as shown in Table 2.

Table 2. Keyword identification.

Section	Main keywords	Enriched keywords
RQ. What are the determinants that influence mobile payments adoption among users?	1) Mobile payments 2) Adoption 3) User 4) Determinants	1) Mobile payment = mobile payment system, electronic wallet, electronic money, mobile contactless payment excluding bitcoin and crypto 2) Adoption = acceptance, favourable, favour to use, usage, continuance usage, actual use, intention 3) User = consumer 4) Determinant = factor

Accordingly, after all the relevant keywords are determined, electronic searching starts with search strings on a selected electronic database. The quantity and type of database that should be used are among the important things in a systematic literature review; however, there is no ideal database (Shaffril et al., 2020). Therefore, the researcher took the approach by categorising the systematic search according to the leading and supporting databases.

The search process in leading and supporting databases is based on search string criteria such as field code search, advanced search, Boolean functionality, phrase extract, parentheses search and truncation/ wildcards depending on certain database requirements (Gusenbauer and Haddaway, 2020). Google Scholar only allows searches with a maximum search string length of up to 256 characters without Boolean functionality support (Haddaway et al., 2015), while ScienceDirect allows a maximum of eight Booleans used in the search string. The search strings for the database searching for this study are presented in Table 3.

Table 3. Search string from the database searching.

RQ. What are the determinants that influence mobile payments adoption among users?	
Database	**Search strings**
SCOPUS:	TITLE-ABS-KEY ((("mobile payment system" OR "m-payment" OR "electronic wallet" OR "E-Wallet" OR "electronic money" OR "E-money" OR "mobile contactless payment" AND NOT "bitcoin*" AND NOT "crypto*") AND ("consumer*" OR "user*") AND ("adopt*" OR "accept*" OR "favo*rable" OR "favo*r" OR "continua* usage" OR "actual use" OR "usage" OR "intent*" OR "inten*") AND ("determinant*" OR "factor*"))
WoS:	(TS=(("mobile payment system" OR "m-payment" OR "electronic wallet" OR "E-Wallet" OR "electronic money" OR "E-money" OR "mobile contactless payment" NOT "bitcoin*" NOT "crypto*") AND ("consumer*" OR "user*") AND ("adopt*" OR "accept*" OR "favo*rable" OR "favo*r" OR "continua* usage" OR "actual use" OR "usage" OR "intent*" OR "inten*") AND ("determinant*" OR "factor*")))
EBSCO	TI (("mobile payment*" OR "mobile payment system*" OR "m-payment*" OR "electronic wallet" OR "E-Wallet*" OR "electronic money*" OR "E-money*" OR "mobile contactless payment*") NOT ("bitcoin*" NOT "crypto*") AND ("user*" OR "consumer*") AND ("adopt*" OR "accept*" OR "favo*rable" OR "favo*r" OR "continua* usage" OR "actual use" OR "usage" OR "intent*" OR "inten*") AND ("determinant*" OR "factor*"))
ProQuest	ft("mobile payment system" OR "m-payment" OR "electronic wallet" OR "E-Wallet" OR "electronic money" OR "E-money" OR "mobile contactless payment" NOT "bitcoin*" NOT "crypto*") AND ft("consumer*" OR "user*") AND ft("adopt*" OR "accept*" OR "favo*rable" OR "favo*r" OR "continua* usage" OR "actual use" OR "usage" OR "intent*" OR "inten*") AND ft("determinant*" OR "factor*")
Mendeley	("mobile payment system" OR "m-payment" OR "electronic wallet" OR "E-Wallet" OR "electronic money" OR "E-money" OR "mobile contactless payment") AND ("consumer" OR "user") AND ("adoption" OR "acceptance" OR "usage" OR "actual use" OR "actual usage" OR "intention") AND ("determinant*" OR "factor*") year: [2010 TO 2021]
Google Scholar	("mobile payment" OR "electronic wallet" OR "electronic money" OR "mobile contactless payment") ("user" OR "consumer") ("adoption" OR "acceptance" OR "intention") ("determinant" OR "factor")

2.3.2 Screening

After searching articles from the database, in screening phases, the identified articles with inclusion criteria will be included, while the articles that did not meet the criteria set in the exclusion level are excluded. Based on timeline publication criteria, Onkoli (2015) stated that reviews often focus on studies in certain date ranges the ability to review and limit the time span is coveted (Gusenbauer and Haddaway (2020). The Scopus database shows that a study on mobile payment use began 1989 years earlier, followed by several publications in 2010 consistently with less than 10 per year until 2018 and an aggressively increased start in 2019. This shows that the field of study still needs further research (Kraus et al., 2020) to explore up-to-date information (Gusenbauer and Haddaway, 2020), which aligns with the study to examine the variation of mobile payment in various fields of study. This study limit searches between January 2010 and June 2021 because the search process begins in June 2021 and does not end (Onkoli, 2015). For publication types, to ensure the quality of the review, this research focuses on primary sources (Shaffril et al., 2020) that offer empirical data from journals or research articles that have been published (Shaffril, Abu Samah, et al., 2019). Kraus et al. (2020) emphasised the quality of articles found through the journal rankings and other resources such as review articles, while newspapers and magazines were excluded. To ensure accessibility, English is more practical (Fisch and Block, 2018) as a research language (Kraus et al., 2020) that can avoid confusion and reduce misunderstanding (Shaffril et al., 2019). Hence, this study focuses on articles written in English as the author can read and have access to scholarly databases (Gusenbauer and Haddaway, 2020; Onkoli, 2015).

The searching process has revealed documents from Scopus (281), WoS (324), ProQuest (387), EBSCO (193), Mendeley (376) and Google Scholar (15,700). After the inclusion and exclusion criteria and duplication were taken into account, the screening process successfully identified 402 articles to proceed to the eligibility process.

2.3.3 Eligibility

Manual screening is applied in this process. This process is important to minimise the fault generated by the database, and this process can be done by reading the title and abstract of the articles. The identification and screening process using a computer is prone to errors, so, during the manual screening process, articles that meet the set criteria can be included. Otherwise, they could be excluded from consideration (Shaffril et al., 2020). All

402 articles were scrutinised to ensure the articles were in line with inclusion criteria and fit to be selected in this study that consistently achieved the study objectives. Then the article content will be checked to continue finding the article's relevance. Some articles were unrelated to mobile payment adoption, and there were also incomplete articles, broken links or inaccessible articles. The remaining 155 articles were appraised for their quality to avoid any bias and maintain a high-quality level (Shaffril et al., 2020). For quality appraisal, based on the criteria set, the co-author categorised the quality of the articles only high-quality and moderate-quality articles were included and excluded the low-quality articles. Finally, 67 articles were selected for data synthesis and analysis.

2.4 Data synthesis and Analysis

Data can be synthesised quantitatively, qualitatively, or combined with both (Shaffri et al., 2020). Quantitative synthesis or meta-analysis, in which researchers statistically combine and summarise the results of multiple studies (Moher et al., 2015). In contrast, qualitative synthesis is analysis with a creative approach through realistic and critical interpretation and explanation, such as thematic analysis (Shaffril et al., 2020). According to Braun and Clarke (2006), the thematic analysis identifies prominent or recurring themes in the collected data, which are then summarised under thematic headings. This study performed a thematic analysis using ATLAS. ti 8 in interpreting and explaining the present status of the research on mobile payment adoption among users and analyses the determinants that influence mobile payment adoption among the users.

With 67 final articles selected (see Appendix A), all were transferred to Mendeley as the main document, and later each article was exported to the ATLAS ti.8 software in EndNote XML Export file (*.xml) format and automatically in document group generated by Mendeley metadata (Figure 2). Using ATLAS.ti 8 for classification has made the sorting much easier and systematic (Zairul 2020). All articles are grouped according to 1) author, 2) publication and 3) year of publication. Initially, this study coded five main themes and three sub-themes to identify the determinants of mobile payments adoption among users. And three sub-themes are coded—personal, environment and barriers, to locate the determinants. Through the analysis, this study clarifies the findings to illuminate the future research direction discussed further in the next section.

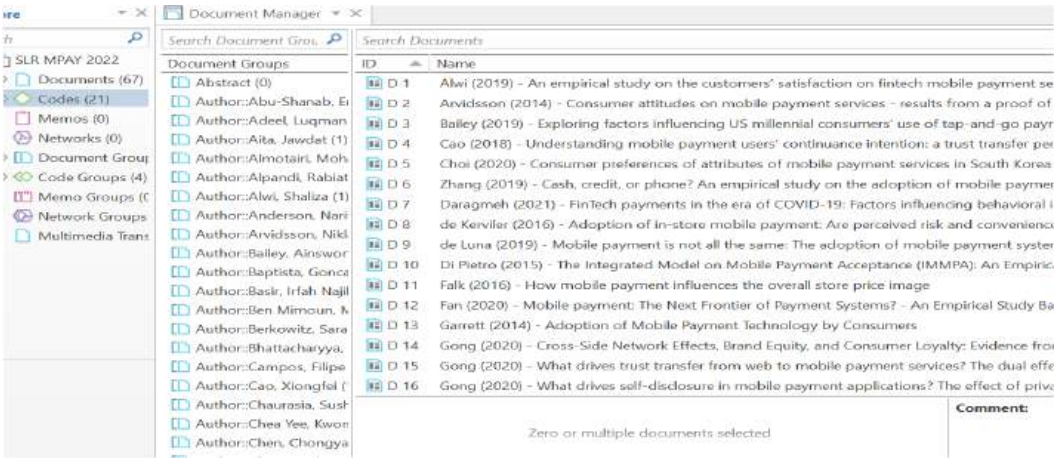


Figure 2. The code group generated from Mendeley metadata

3. Results and Discussions

3.1 Present status of previous research

The number of publications published a decade ago. The study of mobile payments was attentively focused in 2015 with 9 publications, then the number of publications shows an upward trend until 2020 with 17 publications, and estimated to increase until the end of 2021 (Figure 3). This figure shows that research on mobile payment adoption has become vital in different research areas (Figure 4). Numerous research found in areas of business, management, marketing, accounting, finance and economics, with 27 articles published a decade ago. Other fields also received researchers' attention on mobile payments adoption, such as Arts and Humanities (6), Artificial intelligence (4), communication (4), automotive engineering, geography development, and library information science, one publication respectively.

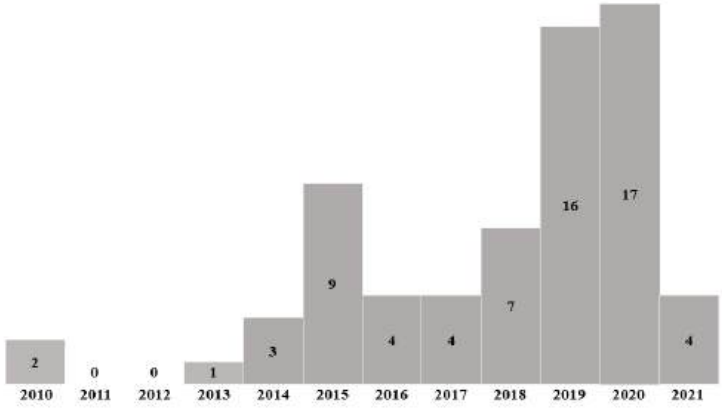


Figure 3. Publications status by the year

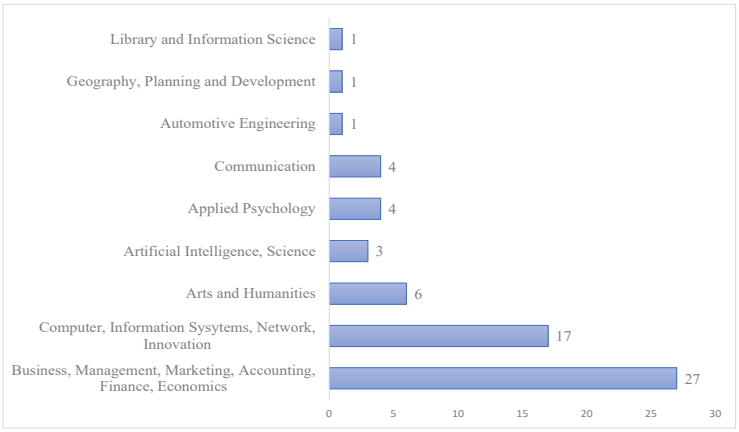


Figure 4. Publications contributing to a research area

This study also identifies the venue of the study. In Figure 5, the country with dark shades shows the highest number of research conducted. China is a country that regularly conducts studies on mobile payments in 14 publications—followed by India in 10, Malaysia in 8 and Spain in 7 publications. Meanwhile, research venues according to the region (Figure 6), most research was conducted in East Asia and the Pacific region (in 30 publications), followed by Europe and Central Asia region (in 18 publications). Research on mobile payments is still fresh in countries with upper-middle-income economies (China-14, Colombia-1, Jordon-1, Malaysia-9, South Africa-3). However, high-income countries remain continuing research on mobile payments (Europe-1, France-2, Germany-2, Hungary-1, Italy-1, Korea-2, Kuwait-1, Portugal-1, Spain-7, Sweden-1, Taiwan-4, Unites Kingdom-2, Unites States-2). Lower-middle-income countries (Bangladesh-1, India-9, Indonesia-1) and lower-income regions (Syria-1) have begun to explore mobile payments.

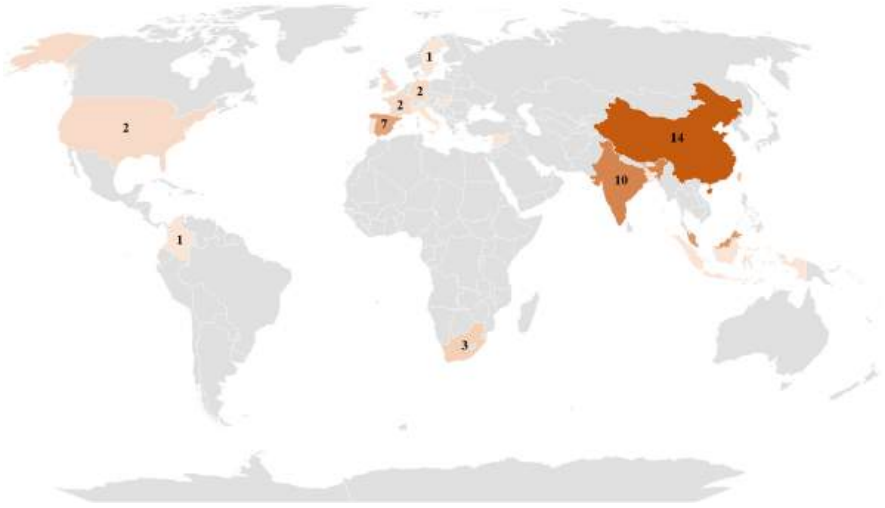


Figure 5. Research venue by country (data plotted generated from Microsoft Excel Workbook powered by Microsoft Bing-www.bing.com/maps/)

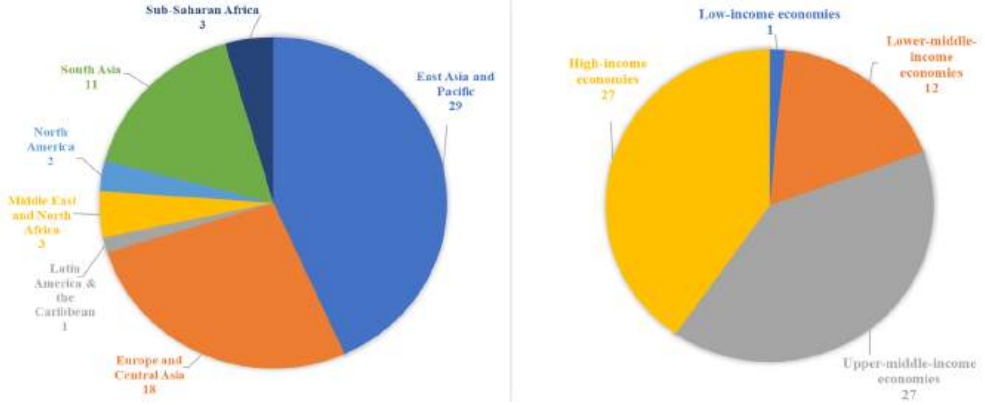


Figure 6. Research venue by (a) region and (a) income level



Figure 7. Word cloud generated from 67 articles

In the word count depicted in Figure 7, from the selected articles, the word mobile seems to have the highest frequency, 8652 times, followed by the word payment 7257 times, m-payment 1807 times. The word online 1271 times to combine the word as online payment and word card 301 times to combine the word as card payment. Thus, the trends of mobile payment or m-payment are popularly used in prior research. On top of that, the word intention 3042 times compared to word usage 996 times, word adoption 3073 times compared to word acceptance 1513 times, which shows that consumers mainly intend to accept mobile payment via near-field-communication or NFC (601-word counts), and quick-response or QR (315-word counts) code scanning.

3.2 Determinants that influence mobile payment adoption among users

Using Atlas ti.8, this study created the code group name of the independent variable (IV). All relevant variables stated in the article were identified and extracted into code group IV. The Code-Document Table in Atlas ti.8 generated determinants of mobile payment usage among users from 67 selected articles (refer to Appendix B). Following that, this study identified the factors that were frequently examined for a decade, as shown in Table 4. The most frequent factors examined in prior research were relative advantage, perceived ease of use and social influence. Mobile payments are innovative digital financial tools containing consumers' sensitive information, including identification numbers. Thus, users' perceptions of risk and security on mobile payment systems have also been focused on by researchers to date. Subsequently enabled service providers to build consumer trust in this new payment method.

Table 4. Frequent determinants derived from articles.

Determinants	Qty (no.)	References
Relative advantage/ perceived usefulness/ performance expectancy/ perceived benefits	40	Bailey et al., 2019; de Luna et al., 2019; Daragmeh et al., 2021; de Luna et al., 2015; Di Pietro et al., 2015; Fan et al., 2020; Hampshire, 2017; Humbani and Wiese, 2019; Hussain et al, 2019; Ibrahim et al., 2019; Johnson et al. , 2018; Kalinić, et al., 2020; Kalinić, et al., 2019; Kapoor et al., 2015; Kim et al., 2010; Koenig-Lewis et al., 2015; Leong et al., 2021; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Moorthy et al., 2019; Lu and Wung, 2020; Oliveira et al., 2016; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Schierz et al., 2010; Shankar and Datta, 2018; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Yeh, 2020; Zhang and Mao, 2019; Wu et al., 2017;
Perceived ease of use/ complexity/ effort expectancy	36	Alwi et al., 2019; Arvidsson, 2014; Bailey et al., 2019; Daragmeh et al., 2021; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Kim et al., 2010; Hampshire, 2017; Humbani and Wiese, 2019; Ibrahim et al., 2019; Johnson et al., 2018; Kapoor et al., 2015; Koenig-Lewis et al., 2015; Leong et al., 2021; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Moorthy et al., 2019; Oliveira et al., 2016; Pal et al., 2020; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Shankar and Datta, 2018; Schierz et al., 2010; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Yeh, 2020; Zhang and Mao, 2019;
Social influence/ Subjective norms/ social norms/ social benefits/	29	Daragmeh et al., 2021; de Kerviler et al., 2016; de Luna et al., 2019; de Luna et al., 2015; Handarkho et al., 2020; Hussain et al, 2019; Ibrahim et al., 2019; Kalinić, et al., 2020; Kalinić, et al., 2019; Koenig-Lewis et al., 2015; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Oliveira et al., 2016; Moorthy et al., 2019; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Schierz et al., 2010; Shankar and Datta, 2018; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Sun et al., 2019; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Verma et al., 2019; Zhang and Mao, 2019;
Perceived risk	20	Bailey et al., 2019; de Kerviler et al., 2016; Hampshire, 2017; Handarkho et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Kalinić, et al., 2020; Kalinić, et al., 2019; Kapoor et al., 2015; Koenig-Lewis et al., 2015; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2017; Pal et al., 2020; Slade et al., 2015; Su et al., 2018; Thakur and Srivastava, 2014; Wiese and Humbani, 2019; Wu et al., 2017;
Perceived security	19	Arvidsson, 2014; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Humbani and Wiese,201 9; Humbani and Wiese, 2018; Ibrahim et al., 2019; Johnson et al.,2018; Leong et al., 2021; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Loh et al., 2020; Moorthy et al., 2019; Oliveira et al., 2016; Rabaa'i and Zhu, 2021; Ramadan and Aita, 2018; Schierz et al., 2010; Wiese and Humbani, 2019;
Innovativeness	18	Fan et al., 2020; Handarkho et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Haidar et al., 2019; Kalinić, et al., 2020; Kalinić, et al., 2019; Kim et al., 2010; Leong et al., 2021; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2015; Lui et al., 2021; Oliveira et al., 2016; Patil et al., 2020; Shankar and Datta, 2018; Slade et al., 2015; Wiese and Humbani, 2019
Perceived trust	17	Bailey et al., 2019; Gong et al., 2019; Hampshire, 2017; Kalinić et al., 2020; Kalinić et al., 2019; Liébana-Cabanillas et al., 2020; Loh et al., 2020; Pal et al., 2020; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Shankar and Datta, 2018; Slade et al., 2015; Teo et al., 2015; Yu et al., 2016; Yuan et al., 2020; Zhou, 2015;
Compatibility	16	Arvidsson, 2014; de Luna et al., 2015; Di Pietro et al., 2015; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Hussain et al, 2019; Kapoor et al., 2015; Kim et al., 2010; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas, et al., 2015; Leong et al., 2021; Lin et al., 2020; Lui et al., 2021; Oliveira et al., 2016; Schierz et al. 2010; Yeh, 2020;
Perceived cost	15	Arvidsson, 2014; Fan et al., 2020; Gong et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Kapoor et al., 2015; Kuo, 2020; Lin et al., 2020; Loh et al., 2020; Rabaa'i and Zhu, 2021; Teo et al., 2015; Wiese and Humbani, 2019; Yeh, 2020; Zhou, 2013; Zhou, 2015;
Attitude	12	Bailey et al., 2019; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Hampshire, 2017; Li et al., 2019; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Patil et al., 2020; Schierz et al., 2010; Sun et al., 2019; Verma et al., 2019; Zhang and Mao, 2019;

The articles selected in this study are derived from a user-perspective study on mobile payments that considered factors related to the use of technology (Renaud and Biljon, 2008). As noted in the Social Cognitive Theory of Bandura (1986), personal factors, environmental factors and behaviour influenced each other. Moreover, Peter and Tapey (1975) stated that consumers make purchasing decisions to minimise negative affect, maximise positive affect and maximise overall net worth. And this study argues that analysing the factors that influence positively or negatively the adoption of mobile payments is fairly important. Therefore, all determinants identified are categorised into three sub-groups: personal, environmental and barrier, and Table 5 shows the frequent determinant examined a decade ago.

Personal factors explain individual differences (Bandura, 1986), which consists of any cognitive, personality, or demographic aspects (Carillo, 2010) that could explain customers' perceptions and behaviours because of people's dissimilarities traits (Agarwal and Prasad, 1999). From the findings, this study grouped the individual characteristics that differ in terms of their innovativeness, attitude, satisfaction, individual mobility, perceived enjoyment, habit, image, experience, knowledge and self-efficacy. Personal innovation is "an individual's

willingness to try any new information technology" (Agarwal and Prasad, 1998). And mobile payments are a new digital financial innovation. Thus, it is frequently studied as a determinant that plays an important role in consumer adoption of mobile payment as new technology.

Meanwhile, environmental factors refer to the social and physical environment factors that can influence an individual's behaviour which consists of the system and task characteristics and social factors or social pressure (Carillo, 2010). The study's findings indicate that system and task characteristics include determinants of relative advantage, ease of use, compatibility, security, quality, and network externality. Relative advantage refers to "the degree to which an innovation is perceived as better than the idea it supersedes" (Rogers, 1983), and perceived usefulness is "the degree to which a person believes that using a particular system would enhance his or her job performance" (Davis, 1989). These determinants indicate that mobile payments are advantageous and have been frequently studied for a decade. In addition, perceived ease of use is also often received by researcher attention in mobile payment research. Perceived ease of use refers to "the degree to which a person believes that using a particular system will be effortless" (Davis, 1989) and imply that mobile payments are free from any difficulties. Social factors and social pressure include determinants of social influences or subjective norms and facilitating conditions are also categorised as environmental factors.

Social cognitive theory by Bandura in 1986 indicates that resistance factors such as anxiety, stress and other effects are included as personal factors (Carillo, 2010). Yet, this study separated the resistance from personal factors because mobile payment is an innovative product that leads to innovation resistance which creates potential changes from a satisfactory status quo to a functional and psychological barrier that results in individuals' resistance to technology adoption (Ram and Sheth, 1989). The study's findings indicate that the main determinants decade ago to date are perceived risk, trust, cost and privacy. Bauer (1960) defined perceived risk in consumer behaviour as the uncertainty consumers face when they cannot predict outcomes which may negatively impact their decision to use new technologies (Bauer, 1967), such as mobile payments. There are several perceived risk categories that prior research focused on, like financial risk, performance risk, psychological risk, social risk, time risk, privacy risk, and overall risk (Featherman and Pavlou, 2003; Peter and Tarpey, 1975).

Table 5. Sub-group determinants.

Sub-group	Qty (#)	Determinants	
Personal	18	Innovativeness,	Fan et al., 2020; Handarkho et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Haidar et al., 2019; Kalinić, et al., 2020; Kalinić, et al., 2019; Kim et al., 2010; Leong et al., 2021; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2015; Lui et al., 2021; Oliveira et al., 2016; Patil et al., 2020; Shankar and Datta, 2018; Slade et al., 2015; Wiese and Humbani, 2019
	12	attitude	Bailey et al., 2019; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Hampshire, 2017; Li et al., 2019; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Patil et al., 2020; Schierz et al., 2010; Sun et al., 2019; Verma et al., 2019; Zhang and Mao, 2019;
	9	Satisfaction	Fan et al., 2020; Garrett et al., 2014; Humbani and Wiese, 2019; Kalinić, et al., 2019; Liébana-Cabanillas et al., 2020; Ramadan and Aita, 2018; Yuan et al., 2020; Zhou, 2013; Zhou, 2015
	6	Individual mobility	de Luna et al., 2016; Kim et al., 2010; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas, et al., 2015; Schierz et al., 2010; Zhang and Mao, 2019;
	4	Perceived enjoyment	Bailey et al., 2019; Handarkho et al., 2020; Kalinić, et al., 2019; Koenig-Lewis et al., 2015
	4	Habit	Hussain et al, 2019; Loh et al, 2020; Lu and Wung, 2020; Pal et al., 2020;
	4	Social Image	Kapoor et al., 2015; Liébana-Cabanillas et al., 2017; Lin et al., 2020; Zhang and Mao, 2019;
	3	Use experience	de Kerviler et al., 2016; Ramadan and Aita, 2018; Teo et al., 2015;
	3	Hedonic Motivation	Hussain et al., 2019; Moorthy et al., 2019; Oliveira et al., 2016;
	3	Mobile payment knowledge	Kim et al., 2010; Koenig-Lewis et al., 2015; Lui et al., 2021
	3	self-efficacy	Lui et al., 2021; Shankar and Datta, 2018; Wang et al., 2019;
Environmental	40	Relative advantage/ perceived usefulness/ performance expectancy/ perceived benefits	Bailey et al., 2019; de Luna et al., 2019; Daragmeh et al., 2021; de Luna et al., 2015; Di Pietro et al., 2015; Fan et al., 2020; Hampshire, 2017; Humbani and Wiese, 2019; Hussain et al, 2019; Ibrahim et al., 2019; Johnson et al. , 2018; Kalinić, et al., 2020; Kalinić, et al., 2019; Kapoor et al., 2015; Kim et al., 2010; Koenig-Lewis et al., 2015; Leong et al., 2021; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Moorthy et al., 2019; Lu and Wung, 2020; Oliveira et al., 2016; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Schierz et al., 2010; Shankar and Datta, 2018; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Yeh, 2020; Zhang and Mao, 2019; Wu et al., 2017;
	36	Perceived ease of use/ complexity/ effort expectancy	Alwi et al., 2019; Arvidsson, 2014; Bailey et al., 2019; Daragmeh et al., 2021; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Kim et al., 2010; Hampshire, 2017; Humbani and Wiese, 2019; Ibrahim et al., 2019; Johnson et al.,

			2018; Kapoor et al., 2015; Koenig-Lewis et al., 2015; Leong et al., 2021; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Moorthy et al., 2019; Oliveira et al., 2016; Pal et al., 2020; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Shankar and Datta, 2018; Schierz et al., 2010; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Yeh, 2020; Zhang and Mao, 2019;
	29	Social influence/ Subjective norms/ social norms/ social benefits/	Daragmeh et al., 2021; de Kerviler et al., 2016; de Luna et al., 2019; de Luna et al., 2015; Handarkho et al., 2020; Hussain et al, 2019; Ibrahim et al., 2019; Kalinić, et al., 2020; Kalinić, et al., 2019; Koenig-Lewis et al., 2015; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas et al., 2017; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Oliveira et al., 2016; Moorthy et al., 2019; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Schierz et al., 2010; Shankar and Datta, 2018; Sinha et al., 2019; Slade et al., 2015; Su et al., 2018; Sun et al., 2019; Teo et al., 2015; Teo et al., 2015; Thakur and Srivastava, 2014; Verma et al., 2019; Zhang and Mao, 2019;
	19	Perceived security	Arvidsson, 2014; de Luna et al., 2019; de Luna et al., 2015; Di Pietro et al., 2015; Humbani and Wiese,201 9; Humbani and Wiese, 2018; Ibrahim et al., 2019; Johnson et al.,2018; Leong et al., 2021; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas, et al., 2015; Lin et al., 2020; Loh et al., 2020; Moorthy et al., 2019; Oliveira et al., 2016; Rabaa'i and Zhu, 2021; Ramadan and Aita, 2018; Schierz et al., 2010; Wiese and Humbani, 2019;
	16	Compatibility	Arvidsson, 2014; de Luna et al., 2015; Di Pietro et al., 2015; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Hussain et al, 2019; Kapoor et al., 2015; Kim et al., 2010; Liébana-Cabanillas et al., 2018; Liébana-Cabanillas, et al., 2015; Leong et al., 2021; Lin et al., 2020; Lui et al., 2021; Oliveira et al., 2016; Schierz et al. 2010; Yeh, 2020;
	9	Convenience	Alwi et al., 2019; de Kerviler et al., 2016; Handarkho et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Kim et al., 2010; Leong et al., 2021; Lu and Wung, 2020; Lui et al., 2021; Teo et al., 2015;
	9	Facilitating conditions	Hussain et al., 2019; Moorthy et al., 2019; Oliveira et al., 2016; Pal et al., 2020; Patil et al., 2020; Sinha et al., 2019; Teo et al., 2015; Teo et al., 2015;
	7	Service quality	Alwi et al., 2019; Fan et al., 2020; Kuo, 2020; Ramadan and Aita (2018); Yeh, 2020; Yuan et al., 2020; Zhou, 2013;
	4	System quality	Fan et al., 2020; Kuo, 2020; Yuan et al., 2020; Zhou, 2013;
	3	Information quality	Kuo, 2020; Yuan et al., 2020; Zhou, 2013;
	3	Alternative attractiveness	Kuo, 2020; Loh et al., 2020; Rabaa'i and Zhu, 2021;
	3	Network externality	Gong et al., 2020b; Pal et al., 2020; Qasim and Abu-Shanab, 2016;
Barrier	20	Perceived risk	Bailey et al., 2019; de Kerviler et al., 2016; Hampshire, 2017; Handarkho et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Kalinić, et al., 2020; Kalinić, et al., 2019; Kapoor et al., 2015; Koenig-Lewis et al., 2015; Li et al., 2019; Liébana-Cabanillas et al., 2020; Liébana-Cabanillas et al., 2017; Pal et al., 2020; Slade et al., 2015; Su et al., 2018; Thakur and Srivastava, 2014; Wiese and Humbani, 2019; Wu et al., 2017;
	18	Perceived trust	Bailey et al., 2019; Gong et al., 2019; Hampshire, 2017; Kalinić et al., 2020; Kalinić et al., 2019; Liébana-Cabanillas et al., 2020; Loh et al., 2020; Pal et al., 2020; Patil et al., 2020; Qasim and Abu-Shanab, 2016; Rabaa'i and Zhu, 2021; Shankar and Datta, 2018; Slade et al., 2015; Teo et al., 2015; Yu et al., 2016; Yuan et al., 2020; Zhou, 2015;
	15	Perceived cost	Arvidsson, 2014; Fan et al., 2020; Gong et al., 2020; Humbani and Wiese, 2019; Humbani and Wiese, 2017; Kapoor et al., 2015; Kuo, 2020; Lin et al., 2020; Loh et al., 2020; Rabaa'i and Zhu, 2021; Teo et al., 2015; Wiese and Humbani, 2019; Yeh, 2020; Zhou, 2013; Zhou, 2015;
	5	Perceived privacy	Johnson et al., 2018; Gong et al., 2020; Sinha et al., 2019; Su et al., 2018; Wang et al., 2019

4. Future Direction

This review study has identified the determinants influencing mobile payment adoption among users. Even so, several research areas need to be scrutinised in future research. First, this review study focuses on mobile payment adoption among users, mainly on the end-user consumer. In the future, the researcher may consider merchants, retailers or other industry users to extend the scope of the study. And this study is limited to the mobile payment context. Perhaps bitcoins and cryptocurrencies or other electronic money might be included in future research. The literature selected should include conference papers, dissertations and book series, with a great number appearing in the database, while this review study only includes articles published in refereed academic journals.

Moreover, to add resources, future research may consider citation tracking techniques to track articles cited in the paper being studied, other than through online searches (Shaffril et al., 2018; Wright et al., 2014). This review

study analyses qualitatively through the thematic analysis method using Atlas ti.8. Future research is encouraged to use the latest software version with various great functions that help produce more interesting findings. Also, future researchers could use other software for qualitative data analysis, such as NVivo. On top of thematic analysis, future research is worth analysing using meta-analysis in detail. Apart from the existing area of research, in the future, other research areas can explore the adoption of mobile payments, like in the area of politics and legislation, gerontology and technology (gerontechnology), and environmental perspective.

Apart from existing research areas, in the future, other research areas can be explored related to mobile payments, such as in the fields of politics and policy, gerontology and technology (gerontechnology), and environmental perspectives. Also, other determinants can be explored, such as shariah compliance in managing deposited money (Mohamed Naim et al., 2019; Sharma et al., 2017). Determinants that differentiate the use of mobile payments among households between rural and urban areas (Zhang et al., 2022). Moreover, determinants of financial literacy in choosing effective and profitable payment methods include electronic money (Foster et al., 2022). Finally, the cultural determinants underlying Hofstede's various dimensions are also an issue to the uniqueness of mobile payment acceptance (Liu et al., 2019).

5. Conclusion

Overall, the study found a high concurrence among researchers over the past decade on mobile payments adoption among users. Prior research has been extensively researched to find a determinant that influenced mobile payment adoption among users across economic and geographic backgrounds. Innovative is the most frequently examined personal factor, relative advantage and ease of use are the most frequently evaluated environmental factors, and perceived risk has also been the most frequently examined obstacle in the past decade. Overall, the identified determinants yield ideas for future academic research undertaking. Thus, more studies are needed to unravel the complex problems related to mobile payments adoptions.

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Appendix A. The final article in a systematic literature review

No	Authors	Publications
1	Daragmeh et al. (2021)	Journal of Behavioral and Experimental Finance
2	Rabaa'i and Zhu (2021)	Interdisciplinary Journal of Information, Knowledge, and Management
3	Leong et al. (2021)	European Business Review
4	Lui et al. (2021)	Pertanika Journal of Social Sciences and Humanities
5	Yeh (2020)	Journal of Theoretical and Applied Electronic Commerce Research
6	Kalinić, et al. (2020)	International Journal of Bank Marketing
7	Choi et al. (2020)	Telematics and Informatics
8	Pal et al. (2020)	Information Technology for Development
9	Yuan et al. (2020)	Electronic Commerce Research and Applications
10	Patil et al. (2020)	International Journal of Information Management
11	Liébana-Cabanillas et al. (2020)	Telecommunications Policy
12	Lin et al. (2020)	Online Information Review
13	Gong et al. (2020)	International Journal of Electronic Commerce
15	Gong et al. (2020)	International Journal of Information Management
16	Gong et al. (2020)	Information Technology and People
17	Kaur et al. (2020)	Journal of Retailing and Consumer Services
18	Loh et al. (2020)	Internet Research
19	Lu and Wung (2020)	Journal of Theoretical and Applied Electronic Commerce Research
20	Kuo (2020)	Technology in Society
21	Fan et al. (2020)	Journal of Theoretical and Applied Electronic Commerce Research
22	Handarkho and Harjoseputro (2020)	Journal of Enterprise Information Management
14	Gong et al. (2019)	Information and Management
23	Kalinić et al. (2019)	Journal of Retailing and Consumer Services
24	Zhang and Mao (2019)	Psychology and Marketing
25	Sun et al. (2019)	International Journal of Hospitality Management
26	Hussain et al. (2019)	International Journal of Bank Marketing
27	Sinha et al. (2019)	International Journal of Bank Marketing
28	Humbani and Wiese (2019)	International Journal of Bank Marketing
29	Wiese and Humbani (2019)	International Review of Retail, Distribution and Consumer Research
30	Moorthy et al. (2019)	International Journal of Finance and Economics
31	Verma et al. (2019)	International Journal of Bank Marketing
32	Alwi et al. (2019)	International Journal of Advanced Science and Technology
33	Bailey et al. (2019)	International Review of Retail, Distribution and Consumer Research
34	de Luna et al. (2019)	Technological Forecasting and Social Change
35	Li et al. (2019)	IEEE Access
36	Wang et al. (2019)	Information and Management
37	Haidar et al. (2019)	Jurnal Pengurusan
38	Liébana-Cabanillas et al. (2018)	Technological Forecasting and Social Change
39	Grover and Kar (2020)	Journal of Retailing and Consumer Services
40	Shankar and Datta (2018)	Global Business Review
41	Ramadan and Aita (2018)	International Journal of Bank Marketing
42	Johnson et al. (2018)	Computers in Human Behavior
43	Su et al. (2018)	Technology Analysis and Strategic Management
44	Cao et al. (2018)	Internet Research
45	Liébana-Cabanillas (2017)	Service Business
46	Humbani and Wiese (2017)	Journal of African Business
47	Hampshire (2017)	International Journal of Bank Marketing
48	Wu et al. (2017)	Industrial Management and Data Systems
49	Falk et al. (2016)	Journal of Business Research
50	Qasim and Abu-Shanab (2016)	Information Systems Frontiers
51	de Kerviler et al. (2016)	Journal of Retailing and Consumer Services
52	Oliveira et al. (2016)	Computers in Human Behavior
53	de Luna et al. (2016)	Information System and e-Business Management
54	Teo et al. (2015)	Industrial Management and Data Systems
55	Teo et al. (2015)	International Journal of Mobile Communications
56	Slade et al. (2015)	Psychology and Marketing
57	Di Pietro et al. (2015)	Transportation Research Part C-Emerging Technologies
58	Kapoor et al. (2015)	Information Systems Frontiers
59	Zhou (2015)	International Journal of Technology and Human Interaction
60	Koenig-Lewis et al. (2015)	Service Industries Journal
61	Liébana-Cabanillas et al. (2015)	Technology Analysis and Strategic Management
62	Thakur and Srivastava (2014)	Internet Research
63	Arvidsson (2014)	International Journal of Bank Marketing
64	Garrett et al. (2014)	Family and Consumer Sciences Research Journal
65	Zhou (2013)	Decision Support Systems
66	Schierz et al. (2010)	Electronic Commerce Research and Applications
67	Kim et al. (2010)	Computers in Human Behavior

Appendix B. Determinants derived from 67 articles

Reference	Determinants
Alwi et al. (2019)	ease of use, security and privacy, information presentation, convenience, service and quality
Arvidsson (2014)	relative advantage, costs, compatibility, ease of use, network externalities, trust in actors, perceived security risks
Bailey et al. (2019)	system trust, perceived risk, perceived enjoyment, perceived ease of use, perceived usefulness
Cao et al. (2018)	trust in online payment, perceived similarity, perceived entitativity, trust in mobile payment
Choi et al. (2020)	mobile payment platform, assurance policy, mileage program, authentication method, affiliated stores
Zhang and Mao (2019)	perceived ease of use, usefulness, relative advantage, attitude, emotion, responsiveness, smartness, mobility, subjective norms. number of users, number of peers who use, perceived availability of NFC mobile payments at retailers, perceived social image of using
Daragmeh et al. (2021)	subjective norm, perceived ease of use, perceived usefulness, perceived COVID-19 risk
de Kerviler et al. (2016)	perceived risks, perceived benefits (utilitarian, hedonic, and social), experience with an in-store mobile service
de Luna et al. (2019)	subjective norms, perceived ease of use, attitude, perceived security
Di Pietro et al. (2015)	ease of use, usefulness, security, attitude. compatibility
Falk et al. (2016)	mobile payment and basket price judgments
Fan et al. (2020)	dissatisfaction on system quality, dissatisfaction on service quality, perceived switching cost, personal innovativeness, relative advantage of substitute it, critical mass
Garrett et al. (2014)	age, education, (household) income, difficulty paying bills, use of online payment services, use of mobile phone for checkout, number of credit cards, credit card use, have bank account financial knowledge, financial satisfaction
Gong et al. (2020)	brand equity, platform-application complementarity, application-service complementarity, service-strategy complementarity
Gong et al. (2019)	cognitive trust, emotional trust, perceived entitativity
Gong et al. (2020)	privacy concerns, perceived effectiveness of privacy setting, perceived effectiveness of privacy policy, perceived effectiveness of industry self-regulation, perceived effectiveness of government legislation
Gong et al. (2020)	transition costs, sunk costs, loss aversion, inertia
Grover (2020)	user participation, user engagement, content frequency
Haidar et al. (2019)	perceived usefulness, perceived ease of use, personal innovativeness, subjective norm, perceived security
Handarkho and Harjoseputro (2020)	perceived risk, perceived enjoyment, convenience, deal proneness, consumer innovativeness, subjective norms, perceived herd behaviour
Yeh (2020)	relative advantage, compatibility, complexity, trialability, observability
Humbani and Wiese (2017)	optimism, innovativeness, convenience, compatibility, insecurity, discomfort, perceived cost, perceived risk
Humbani and Wiese (2019)	optimism, innovativeness, convenience, compatibility, discomfort, insecurity, perceived cost, perceived risk, adoption, ease-of-use, usefulness, satisfaction
Hussain et al. (2019)	performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, price value, habit, lifestyle, compatibility
Kalinić et al. (2019)	customers' satisfaction, subjective norms, trust perceived usefulness, perceived risk, perceived enjoyment, personal innovativeness
Kapoor et al. (2015)	relative advantage, compatibility, complexity, trialability, observability, cost, communicability, riskiness, social approval, voluntariness, image, result demonstrability, visibility
Kaur et al. (2020)	usage barriers, value barriers, risk barriers, tradition barriers, image barriers
Koenig-Lewis et al. (2015)	perceived usefulness, perceived ease of use, perceived risk, knowledge, perceived enjoyment, social influence
Kuo (2020)	information quality, system quality, service quality, regret, alternative attractiveness, perceived network size of the alternative, perceived complementarity of the alternative, inertia, benefit loss costs, transition costs, uncertainty costs, sunk costs
Leong et al. (2021)	perceived usefulness, perceived ease of use, perceived security, perceived compatibility, user mobility, personal innovativeness
Li et al. (2019)	risk perception, attitude, perceived usefulness, perceived ease of use
Liébana-Cabanillas et al. (2015)	attitude, perceived usefulness, perceived ease of use, personal innovativeness in information technology, individual mobility, perceived compatibility, perceived security, subjective norms
Liébana-Cabanillas et al. (2017)	social image, subjective norms, ease of use, perceived usefulness, attitudes, trust, perceived risk

Liébana-Cabanillas et al. (2018)	perceived ease of use, perceived usefulness, perceived compatibility, subjective norms, individual mobility, personal innovativeness, perceived security
Liébana-Cabanillas (2020)	innovativeness, stress, perceived ease of use, perceived satisfaction, perceived usefulness, perceived risk, perceived trust
Lin et al. (2020)	relative advantage, service compatibility, security risk, perceived fees, perceived value, social norms, social self-image
Loh et al. (2020)	monetary value, alternative attractiveness, trust, perceived security and privacy, switching costs, traditional payment habit, inertia
Lu and Wung (2020)	perceived trouble, lack of transaction records, difficulty of paying large amounts in cash, perceived convenience, perceived benefit, perceived time-saving, habits
Lui et al. (2021)	personal innovativeness, mobile payment knowledge, self-efficacy, convenience, compatibility
Moorthy et al. (2019)	performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, perceived security
Oliveira et al. (2016)	performance expectancy, effort expectancy, social influence, facilitating conditions, hedonic motivation, price value, innovativeness, compatibility, perceived technology security
Pal et al. (2020)	price benefit, network externalities, trust, habit, perceived risk, facilitating conditions, operational constraints
Patil et al. (2020)	performance expectancy, effort expectancy, social influence, facilitating conditions, personal innovativeness, anxiety, trust, grievance redressal, attitude, behavioural intention
Qasim and Abu-Shanab (2016)	effort expectancy, performance expectancy, social influence, trust, number of mobile payment users (merchants and customers)
Rabaa'i and Zhu (2021)	perceived usefulness, perceived ease of use, perceived security, trust, perceived cost, attractiveness of alternatives
Ramadan and Aita (2018)	perceived satisfaction with mobile payment system quality, perceived expectations, perceived experience, perceived brand loyalty
Schierz et al. (2010)	perceived usefulness, attitude, perceived ease of use, perceived security, perceived compatibility, subjective norm, individual mobility
Slade et al. (2015)	performance expectancy, effort expectancy, social influence, innovativeness, risk, trust
Hampshire (2017)	trust, risk
Shankar and Datta (2018)	perceived ease of use, perceived usefulness, personal innovativeness, self-efficacy, subjective norm, trust
Su et al. (2018)	internet experience, functionality, usability, attitude, subjective norms, perceived behavioural
Teo et al. (2015)	social influence, effort expectancy, performance expectancy, facilitating condition
Teo et al. (2015)	performance expectancy, effort expectancy, social influence, facilitating conditions, trust, perceived financial cost
Thakur and Srivastava (2014)	perceived risk, adoption readiness
Verma et al. (2019)	Perceived demonetisation regulation, attitude, perceived behavioral control, subjective norms. Moral norm, merchant pro-activeness
Wang et al. (2019)	privacy concerns, monetary rewards of alternatives, inertia, perceived economic value, users' past investment, technological self-efficacy
Wiese and Humbani (2019)	optimism, innovativeness, discomfort, ease-of-use, usefulness, attitudes
Wu et al. (2017)	perceived risk, perceived usefulness, positive emotion
Yuan et al. (2020)	information quality, system quality, service quality, satisfaction, intimacy, trust
Zhou (2013)	trust, flow, system quality, information quality, service quality, trust in online payment, trust in mobile payment, satisfaction, switching costs
Kim et al. (2010)	innovativeness, m-payment knowledge, mobility, reachability, compatibility, convenience, perceived ease of use, perceived usefulness
Sinha et al. (2019)	technology readiness, technology readiness, performance expectancy, ease of use, social influences, facilitating conditions, adoption readiness
Johnson et al. (2018)	ease of use, relative advantage, visibility, perceived security, privacy risk, perceived ubiquity, trialability
de Luna et al. (2016)	attitude, perceived usefulness, perceived ease-of-use, personal innovation in information technology, individual mobility, perceived compatibility, perceived security, subjective norms
Kalinić et al. (2020)	perceived usefulness, perceived ease of use, perceived trust, perceived risk, subjective norms, personal innovativeness
Sun et al. (2019)	attitude, subjective norms and perceived behaviour control.
Zhou (2015)	Trust in online payment, trust in mobile payment, flow using mobile payment, satisfaction, switching cost

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The Impact of Branding on Long-Term Customer Loyalty of Prime Bank

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Abstract

This article aims to determine the significance of branding in advertising Retail Banking and that it is helping in analyzing the establishment of customer loyalty to the retail banking processes. The building of long-term customer loyalty is essential which can be carried out by the execution of repetitive transactions. It leads to an increase in the economic performance of the bank present in Bangladesh, especially Prime Bank Ltd. The long-term effect is created on customer loyalty as the bands help to strengthen the financial decisions of the customers. However, the lack of analytical skills has created issues for the banking sector in Bangladesh. This article has developed based on this issue. An explanatory research design was used and a questionnaire was constructed and made available online to collect data from the working people in the Retail Banking Industry. A total of 300 responses were collected and coded into Statistical Package for Social Science (SPSS) which was then generated for the analysis. The data analyse the reliability, correlation and regression analyses towards brand awareness, brand trust, brand equity and perceived service quality to customer loyalty. The findings confirmed that branding has a big effect on customer loyalty and also carries a positive and direct impact on Prime Bank Ltd.

Keywords: Brandind; Customer Loyalty; Prime Bank

1. Introduction

The building of long term customer loyalty is essential which can be carried out by the execution of repetitive transactions. The more and more conscious nature is determined by the inclusion of branding processes present in marketing for retail banking products and services. It acts as a key concern related to the financial institutions that are creating a negative impact on the credibility of the customers. As a result of this, the execution of the appropriate financial transactions leads to an increase in retail banking products and services by nature. It helps to improve the offering of the products and services from the existing competitors present in Bangladesh. The long term effect is created on customer loyalty as the bands helps to strengthen the financial decisions of the customers. The dependable and the reliable nature illustrate the long term effect on customer loyalty with the inclusion of strong marketing processes (Sardar, 2019). Retail banking includes a wide range of banking services that are belonging to similar categories such as checking accounts, savings accounts, consumer lending processes, debit cards, credit cards, mortgages, e-banking services, and phone-banking services. This research has focused on the factors behind the development of consumer's loyalty. Corporate banking has associated with the companies or corporates and retail banking has focused on the service of consumers. Therefore, retail banking has a direct connection with the consumers. Due to this reason, this study has selected to develop research on retail banking rather than corporate banking. The impact of branding in marketing is seen to be establishing an erosion environment in the confidence of the customers with the integration of different safeguarding activities. Availability of proper branding is important in this case to build a trust on consumers. Engagement with the consumers by the development of practice on social media is sufficient in this case to enhance the loyalty of the consumers as well. In the practice of retail banking and fulfilling the demand of the consumers with this, it is important to develop the analytical skills of the employees of the banking sector. However, in the practice of Prime bank in Bangladesh, it has found that this organization is lacking with the development of analytical skills. Different technologies like "Google analytics" and "multichannel attribution" have played a key role for this bank in the evaluation of consumer demand. It is useful for them to develop their services and gain loyalty from consumers as well. The cost for transaction has decreased by 90% compared to the traditional transaction in Prime bank (Primebank.com.bd, 2022). On the other hand, it has generated a negative influence on the financial stability of Bangladesh as well (Banna, 2020).

2. Literature Review

2.1 Concept of branding

Prime Bank in Bangladesh was introduced in 1995 and it is a top-rated commercial bank. Green banking is a new concept which helps an organisation to maintain its brand image in market. On the other hand, this concept gives priority to all social along with ecological factors. This banking sector to maintain its branding has established Prime Bank Foundation so that it can regulate its corporate social responsibility or CSR approaches effectively. Besides this business organisation has introduced Education Support Program to support society (Primebank, 2022).

	2021	2020	Percentage Change (%)
Total Assets	BDT 389,878 million	BDT 347,602 million	12%
Loans and Advances	BDT 263,016 million	BDT 232,400 Million	13%
Investments	BDT 59,144 million	BDT 54,881 million	8%
Import	BDT 223,419 million	BDT 147,811 million	51%
Export	BDT 154,746 million	BDT 118,091 million	31%
Remittance	BDT 38,710 million	BDT 49,267 million	(21%)
Guarantee	BDT 10,410 million	BDT 14,894 million	(30%)
Operating Profit	BDT 8,241 million	BDT 6,709 million	44%
Net Profit before Tax	BDT 5,596 million	BDT 3,998 million	40%
Net Profit after Tax	BDT 3,111 million	BDT 1,797 million	73%
Earnings per Share	BDT 2.76	BDT 1.59	73%
Net Asset Value per Share	BDT 26.40	BDT 25.40	4%
Return on Average Assets (ROA)	0.84%	0.54%	57%
Return on Average Equity (ROE)	10.61%	6.31%	68%

Figure 1: Changes in Assets of Prime Bank (Source: Primebank, 2020)

This banking sector already launched Prime Campus which introduces affordable charges and shows compassion to local communities. This is a way through which brand identity of this organisation has been maintained. Due to its brand image, this banking sector won several awards out of which in 2020 this organisation received an award for its excellent leadership approach. Moreover, brand culture consists of innovative ideas and because of its innovative ideas this organisation has been considered the best banking sector in Bangladesh in 2020. According to a viewpoint of Jan & Shafiq, (2021), brand personality can raise customers' satisfaction easily. It has been observed that if banking sector offers features of humans then customers can relate themselves to this type of organisation. Prime Bank has started internet banking which helps to maintain customers' privacy and it can be considered a human-type feature of banking sector.

2.2 Concept of loyalty journey of Prime Bank

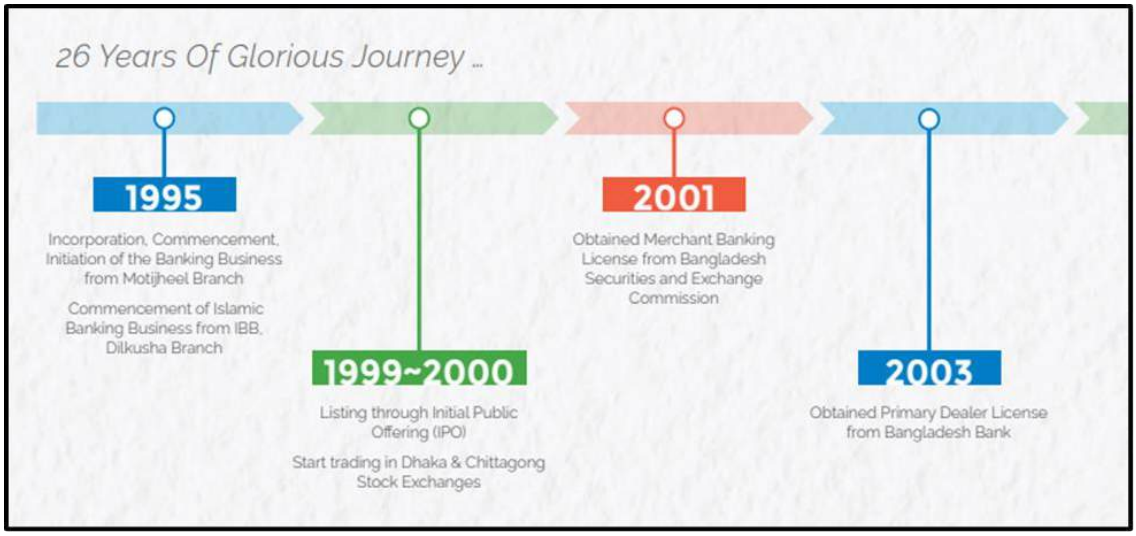


Figure 2: Milestones of Prime Bank (Source: Primebank, 2020)

Customer loyalty defines an emotional bonding within organisations along with its customers. According to a view of Ewanlen & Benson, (2022), this can be achieved by any organisation with help of consistency in business, loyalty programs along with great services. By analysis of above picture, it is understood that organisation does not only have elements of process of Islamic banking but also achieves a Prime Dealer license. In order to satisfy needs of customers, this organisation is able to launch two types of subsidiaries named local subsidiary along with overseas subsidiaries. Now, this organisation not only exists in Bangladesh but also in Hong Kong, UK along with Singapore. On the other hand, this organisation has opened three types of banking namely conventional banking, alternative channels related to delivery along with Islamic banking. Moreover, this banking sector to acquire customers on a long-term basis introduces biometric capable Agent banking, eKYC and others (Primebank, 2021). This banking sector introduces a liquidity system which is based on long-term for maintaining financial disruptions caused by COVID-19 pandemic. This corporation has launched several programs for its customers named 'Prime Assist' along with 'Prime Plus' so that scope of online banking can be developed.

2.3 Relation of Branding to loyalty

It is responsibility of a corporation to present best services through branding so that customers can acquire positive influence. According to a view of DAM & DAM, (2021), marketing activities should be designed in a way that an organisation can increase customers' loyalty. Prime Bank through help of marketing activities launches three categories under Islamic Banking named deposit products, foreign trade along with investment products. As per view point of Parvin et al. (2019), prime Bank has now more than three functional committees to understand needs of customers. These functional committees by understanding needs of customers maintain brand image of this banking sector. In order to manage brand image along with customer loyalty for long term, it is necessary to employ skilled employees. This organisation not only employs skilled labourers but also nurtures a good relationship with its employees. It can be analysed through above picture that because of a wide range of directors, employees and other stakeholder's amount of loans, advances along with deposits are going to be increased. Due to enhanced customer loyalty customers are now depositing more money and in 2020 rate of deposit was 230000 BDT per Million. In case of loans, advances rate amount in 2020 was raised up to 231400 BDT per Million. All this statistical information reveals that Prime Bank has a positive brand image in market for which customer loyalty along with customer satisfaction has increased.

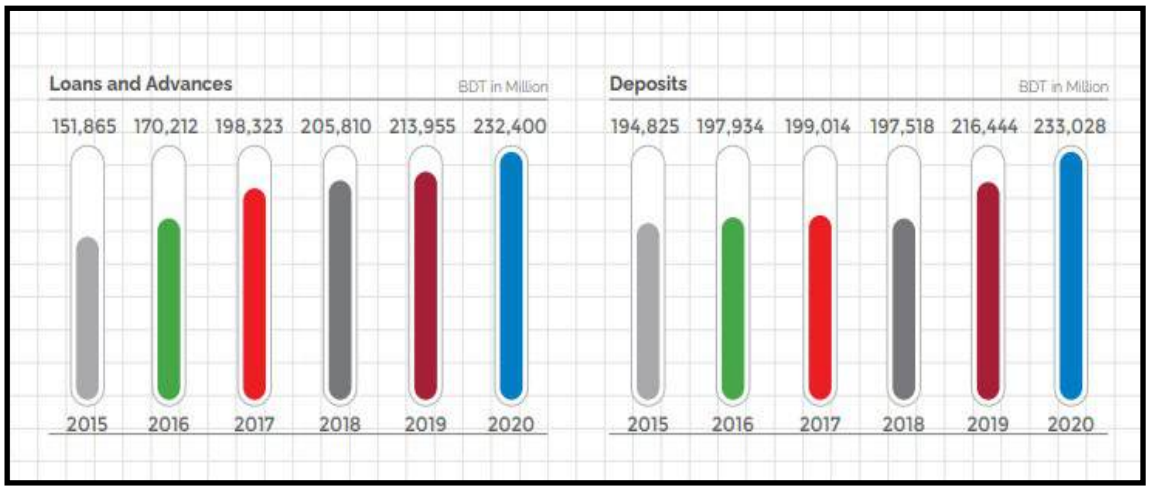


Figure 3: Loans and deposits data for customers of Prime Bank (Source: Primebank, 2021)

2.4 Customer Services

Customer service is main priority of a banking sector as it can enhance customers' loyalty for long term as well as branding image. According to a view of Hamid & Islam, (2019), interest rate in Bangladesh has started to decrease for why Prime Bank maintains negative gaps in its business operations. These negative gaps help this organisation to maintain liabilities so that customer services along with customer satisfaction can be increased. On the other hand, based on these negative gaps this banking sector is able to re-price its financial services for maintaining brand image. As per view point of Huda et al. (2020), Prime Bank becomes influential in Bangladesh because of its highly operative e-banking. This is main reason why this banking sector has gained more than 39% of sponsors during COVID-19 pandemic.



Figure 4: Shareholding Position of Prime Bank (Source: Primebank, 2020)

3. Methodology

Research in this study adopted positivisms research paradigm in its quantitative methods to test and verify hypotheses. Using positivism ease the investigation of human behaviors and social reality using measurable factors and logic in interpreting the observations (Guna & Lincoln, 1994 and Fedhel, 2002). Therefore, this ease understanding of the causal relationship by researcher among the variables and factors for predicting and determining its impact on independent variable (brand awareness, brand equity, brand trust and perceived service quality) known as explanatory or predictor and dependent variable (customer loyalty) referred as explained or latter variables (Burns, 2000). There are various issues occurred during investigation as the researcher will be collecting empirical data to support the theoretical framework (Cohen, Manion, & Morrison, Research Methods in Education, n.d). The approach using positivism enable researcher to align its purpose with the objective of study whilst minimize biasness with broader criterion. This is also mentioned in study by Myrdal (1969). Positivism and its nature will focus on the questions and hypotheses among the variables to verify the fundamental relationship. This is done through empirical testing and is also used to generalize the findings that carefully incorporate tremendous effort (Swanson & Holton, 2005). The results will not be influence as the conditions will be controlled independently, and falsification can be avoided (Guba & Lincoln, 1994). Moreover, the quantitative research can be examined, and quality maintain by validating its data and perform reliability test. The usefulness will draw its meaning as interferences will be tested and measure from the sample on its consistency (Creswell, 2009). This shows positivism will be yielding an acceptable and common outcome with higher rigor standards based on the formulate methods (Ashby, 1964). According to Saunders, et al. (2007) there are three categories are included in the research design, such as exploratory and explanatory research, as well descriptive. In this study, explanatory research design using qualitative method will be adopted based on illustration. The test on hypotheses and method formulation will be experimented during the qualitative studies to drive conclusion by providing definitions when uncovering truths from empirical and mathematical equations. Nevertheless, the reality derived from the knowledge will not be altered (Henning, et al., 2004). In this research paper, the focus will be on homogenous target population of customers from Prime Bank, Dhaka, Bangladesh without being bias on their ethics, age, religion, socioeconomics and business size. In another study by Hill (1998), 5% significance level is known to be the acceptable confidence level on most behavioral sciences whilst it is 10% as rule of thumb by Roscoe (1975) (Table 1).

Table 1: Calculation on Ideal Sample Size Calculation (Qualtrics, 2018).

Total Population	Margin of Error	Confidence Level	Ideal Sample Size
1000	10%	95%	100

This means researcher will be adopting non-profitability. This study will use self-questionnaires as it will cover larger population coverage, avoid biasness and cost effective (Keith, 2003). The questionnaires will be categorized with topic for easy understanding (McColl, et al., 2001). Close-ended questions will be used for respondents to easy respond to the given set and easier to analyze the data by researcher (McIntyre, 1999), for comparison (Oppenheim,1992), whilst the open-ended questions is difficult to analyze due to contemplation and greater thoughts (Salant & Dillman, 1994). For this study purpose to analyse the quantitative analysis researcher used Statistical Package for Social Sciences (SPSS) software to analyse the data collected from survey questionnaires. There are number of statistical software Hair J, et al., (2011) packages but SPSS was a chosen for this analysis due to it is flexible, adjustable approach to get very granular on even the most mind boggling informational

indexes. Which give researcher more time to do what researcher specialize in and distinguish patterns, create prescient models, and reach educated determinations. (Hair J, Ringle C, & Sarstedt M, PLS-SEM: Indeed a Silver Bullet, 2011). To examine data researcher, adopt two statistical methods known as scale reliability and descriptive reliability.

4. Conclusion

Branding is considered to be one of the vital elements in the execution of the marketing processes. The branding enables the organization to focus on meeting customer loyalty as well as is helping in understanding the importance of the branding for the organization. As a result of this, Prime Bank Bangladesh can be easily able to focus on understanding the pros and cons of the branding processes appropriately. The effective decision-making process should be considered to analyze the branding strategy of the bank, as well as the preparation of appropriate branding processes, can be strongly determined. It establishes a successful branding environment as a whole for the organization as which is seen in this situation. The respective research will be implementing the inductive form of research approach so that stable research outcome measurement processes can be carried out. This will also help to provide success to the organization with the inclusion of all the branding processes so that it can be easily able to strengthen the customer base as a whole.

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The Effect of Organizational Culture, Commitment and Job Satisfaction on Organization Citizenship Behavior of Employees

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Abstract

This study aims to determine the influence of organizational culture, organizational commitment, and work satisfaction on organizational citizenship behavior. This research was conducted using a survey method on 42 employees of BPRS Artha Surya Barokah Semarang. The sampling technique used is purposive sampling. The data collection method used is a questionnaire. The data analysis used is multiple regression analysis. The results showed that (1) There is a significant influence of organizational culture on organizational citizenship behavior, (2) There is a significant influence of commitment to organizational citizenship behavior; and (3) There is a significant effect of job satisfaction on organizational citizenship behavior. The variables of organizational culture, commitment, and work satisfaction together have a significant influence on organizational citizenship behavior.

Keywords: Organizational culture; commitment; job satisfaction; organizational citizenship behavior

1. Introduction

The increasingly fierce competition in the modern era requires companies/organizations to increase competitiveness through higher productivity, either in the form of goods or services. Employees have a central role in determining the progress and competitiveness of a company. For this reason, the company requires the participation of employees to do what is best for the company. The quality of employees in the company can be seen not only from how much employees are able to contribute and are able to complete all their tasks well, but it can be seen how many employees have their own initiative in completing other work outside of the job description. Borman and Motowidlo (in Novliadi, 2006) say that organizational citizenship behavior (OCB) can improve organizational performance because this behavior is the "lubricant" of the social machine in the organization. In other words, the existence of this behavior makes social interaction among members of the organization smoother, reduces the occurrence of disputes, and increases efficiency.

MacKenzie (2006) says organizational citizenship behavior (OCB) is the freedom of individual behavior, which is indirectly or explicitly recognized by the reward system, and contributes to the effectiveness and efficiency of organizational functions. OCB is also a behavior and attitude that benefits the organization that cannot be grown on the basis of formal role obligations or in the form of contracts or recompensation. Examples include helping coworkers to lighten their workload, taking less breaks, carrying out unsolicited tasks, and helping others to solve problems.

OCB contributions are contributors that may or may not be profitable in the future. The point is that the accrued rewards for OCB are indirect and uncertain, compared to formal contributions such as high productivity or good engineering or innovative solutions (Organ et al., 1995).

Based on the observations of researchers at the Sharia Rural Bank (BPRS) Artha Surya Barokah, there are problems related to OCB, among others, some employees in the marketing division and frontliners seem to be less in tune with their work, namely they still show a lack of behavior to help each other, which is based on high sincerity, or to ask other employees to do good deeds, to avoid high-spiritedness and voluntarily helping employees to achieve high-quality work, or asking employees to do high-performance work for the company. . For example, when asked to disburse credit from customers promised by marketing, they often delay on the grounds that frontliner work has piled up. Then there are some employees who make small groups in the work environment which increasingly create distances between individuals as a whole, so that voluntary helping behavior only occurs in their own groups.

Many studies link organizational citizenship behavior (OCB) with several antecedent factors. The variables used in this study are organizational culture, organizational commitment, and job satisfaction. The variable job satisfaction on OCB in the research of Soegandhi (2013), Prabowo and Indi (2014) and Dewi and Suwandana (2016) stated that job satisfaction has a positive and significant effect on OCB. However, the results of research by Vania and Purba (2014) and Siregar and Prastio (2015), state the opposite, that job satisfaction has no significant effect on OCB. The variable organizational commitment to OCB in research conducted by Widayanto, Lau and Kartika (2014), Dewi and Suwandana (2016) and Wiliam and Setiawan (2013), shows that organizational commitment has a positive and significant effect on OCB. While the research of Siregar and Prasetio (2015), and Darmawati, Hidayati and Herlina (2013) showed the opposite result, namely organizational commitment had no significant effect on OCB. The organizational culture variable on OCB in the research of Ayu Putu Ariani, Desak Ketut Sintaasih, Made Surya Putra (2017) and Dyah Ayu Lestiyanie and Yanuar (2019) stated that organizational culture has a positive effect on OCB, the better the organizational culture applied, the higher the OCB. . Meanwhile, Rashid and Khan (2012) organizational culture has no significant effect on OCB.

Departing from factual problems, namely there are still employees who do not have organizational citizenship behavior, and the gap between previous studies, moves researchers to. conducted research on the influence of organizational culture, commitment and job satisfaction on organizational citizenship behavior of employees of BPRS Artha Surya Barokah Semarang.

2. Literature Review

2.1 Organizational Citizenship Behaviour (OCB)

Organ in Lubis (2015) Organizational Citizenship Behavior (OCB) is a free individual behavior, which is not directly or explicitly recognized by the reward system and in promoting the effective functioning of the organization. In other words, OCB is employee behavior that exceeds the required role, which is not directly or explicitly recognized by the formal reward system, is a preferred behavior that is not part of an employee's formal work obligations, but supports the effective functioning of the organization.

Organ in Kurniawan (2015) there are several indicators in Organizational Citizenship Behavior (OCB), which are as follows: 1. Altruism, namely behavior that helps alleviate work aimed at individuals in an organization. For example: employees help colleagues who are unable to work, employees help colleagues at work, employees help colleagues with heavy loads, employees help colleagues due to assignments. 2. Conscientiousness, namely doing things that benefit the organization such as obeying the rules in the organization. For example: employees don't spend a long time eating, employees don't take extra breaks, employees are always on time. 3. Sportsmanship, namely tolerance in less than ideal situations at work without complaining. For example: employees avoid mistakes, employees tend to be creative, employees do not complain much. 4. Civic virtue, which is involved in organizational activities and cares about the survival of the organization. For example: employees build image, employees attend and participate in meetings, employees follow changes. 5. Courtesy, which is helping coworkers to prevent problems related to their work by providing consultation and information and respecting their needs. For example: employees cooperate, employees prevent problems, employees are not arbitrary, employees care and respect, employees pay attention to announcements, employees obey the rules.

2.2 Organizational Culture

Kusdi (2011), organizational culture is: A pattern of basic assumptions created, discovered, or built by an organization in the learning process to overcome problems of external adaptation and internal integration, and has been proven to work well enough to be considered valid and must be taught to students. new members as the right way of looking at and thinking about existing problems

Organizational culture has the following dimensions (Robbins in Aput, 2015): 1) Innovation and taking risks, relating to the extent to which organizational members are encouraged to be innovative and dare to take risks. 2) Attention to detail, relating to the extent to which organizational members are expected to show precision (precision), analysis, and attention to detail. 3) Results orientation, describes the extent to which management focuses on results rather than on the techniques and processes used to obtain these results. 4) Human orientation, explains the extent to which management decisions take into account the effect of results on people in the organization. 5) Team orientation, related to the extent to which organizational work activities are carried out in work teams and not on individuals. 6) Aggressiveness, describes the extent to which people in the organization exhibit aggressive and competitive traits, rather than relaxing. 7) Stability, relates to the extent to which organizational activities emphasize maintaining the status quo as opposed to growth or innovation.

2.3 Organizational Commitment

Robbins and Judge (2011), defines organizational commitment as, "A situation where members of an organization take sides with the organization and its goals, and intend to maintain membership in the organization". In other words, organizational commitment is related to the high desire of organizational members to share and sacrifice for the company. Meanwhile, according to Luthans (1995), organizational commitment is defined as: a strong desire to remain as a member of a particular organization, the desire to strive according to the wishes of the organization; and certain beliefs, and acceptance of the organization's values and goals.

Robbins and Judge (2008), organizational commitment is, "A situation where a person favors a particular organization and its goals and desires to maintain membership in the organization". Thus, high job involvement means siding with an individual's particular job, while high organizational commitment means siding with the organization that recruited the individual. The three dimensions of organizational commitment are: 1) Affective commitment, namely emotional feelings for the organization and belief in its values. 2) Continuance commitment, namely the perceived economic value of staying in an organization when compared to leaving the organization. For example, an employee may be committed to a company because he or she is highly paid and feels that leaving the company will destroy him and his family. 3) Normative commitment, namely the obligation to stay in the organization for moral or ethical reasons.

2.4 Job Satisfaction

Mangkunegara (2011) defines job satisfaction as, "A feeling that supports or does not support a person's self related to his work and his condition". Job-related feelings can involve aspects such as salary/wages received, promotion opportunities, relationships with other people in the organization, job placement, type of work, organizational structure, and quality of supervision. While the feelings related to him include age, health condition, ability, and education. Job satisfaction according to Kreitner and Kinicki (2014) is, "An emotional response to various aspects of work". Satisfaction is not a single concept, on the contrary, a person can be relatively satisfied with one aspect of his job and dissatisfied with one or more other aspects.

Luthans in Husodo (2018) there are five dimensions of employee job satisfaction that can be used to measure employee job satisfaction, namely: 1. The work itself (Work It self) The extent to which work provides interesting things, opportunities to learn, and opportunities to accept responsibility. According to the survey results, one of the things to achieve job satisfaction is a challenging and interesting job. 2. Pay. The amount of financial remuneration received and the level of equivalence between the wages received and the work done. Employees often see wages as a reflection of how management sees their contribution to the organization 3. Promotion Opportunities for promotion within the organization. Promotions take a number of different forms and have various rewards attached to them. For example, someone who is promoted on the basis of seniority often experiences less job satisfaction than those who are promoted on the basis of performance. 4. Supervisor The ability of the supervisor to provide technical assistance and moral support. Includes the ability of supervisors to show concern for employees by assisting employees in motivating, communicating with employees personally, providing assistance to employees in their participation in a job 5. Co-Workers A degree to which co-workers are technically proficient at work and provide social support. Includes colleagues who are skilled at work and provide support, comfort, advice, and assistance.

3. Research Methodology

The source of data in this study is primary data. Primary data is data that comes directly from respondents. The data collection technique in this study was a questionnaire compiled by lowering several aspects related to the research variables. The data collection tool in this study refers to the Likert Scale. (Sugiyono 2010).

According to (Sugiyono 2010) population is a generalization area consisting of objects or subjects that have certain qualities and characteristics set by researchers to be studied and then drawn conclusions ". The

population in this study were employees of BPRS Artha Surya Barokah with a total sample of 42 people. Analysis of the data used is multiple regression analysis.

4. Finding and Discussion

4.1 Validity

Validity test is used to test the extent to which the accuracy of the measuring instrument can reveal the concept of the phenomenon/event being measured. Questionnaire items are declared valid if the value of r count > r table (n-2). The complete validity test can be seen in table 1 below:

Table 1. Validity Test Results

Variable	Indicator	R Table	R Count	Information
Organizational Culture (X_1)	X1.1	0,304	0,795	Valid
	X1.2	0,304	0,799	Valid
	X1.3	0,304	0,891	Valid
	X1.4	0,304	0,796	Valid
	X1.5	0,304	0,856	Valid
	X1.6	0,304	0,863	Valid
	X1.7	0,304	0,729	Valid
Organizational Commitment (X_2)	X2.1	0,304	0,882	Valid
	X2.2	0,304	0,944	Valid
	X2.3	0,304	0,838	Valid
Job Satisfaction (X_3)	X3.1	0,304	0,830	Valid
	X3.2	0,304	0,805	Valid
	X3.3	0,304	0,798	Valid
	X3.4	0,304	0,790	Valid
	X3.5	0,304	0,700	Valid
OCB (Y)	Y1	0,304	0,865	Valid
	Y2	0,304	0,875	Valid
	Y3	0,304	0,892	Valid
	Y4	0,304	0,912	Valid
	Y5	0,304	0,849	Valid

Source: Processed primary data, 2022

Table 1 shows that all indicators of organizational culture, organizational commitment, job satisfaction and OCB have a T-count > T-table, so it can be said to be valid.

4.2 Reliability

Reliability test is carried out to measure a questionnaire which is an indicator of a variable or construct (Ghozali, 2013). A questionnaire is said to be reliable or reliable if a person's answer to the statement is consistent or stable over time. Reliability testing will be carried out using Cronbach's Alpha. The complete validity test results can be seen in the following table.

Table 2. Reliability Test Results

Variable	*Alpha*	Information
Organizational Culture	0.796	Reliabel
Organizational Commitment	0.859	Reliabel
Job Satisfaction	0.803	Reliabel
OCB	0.822	Reliabel

Source: Processed primary data, 2022

The questionnaire can be said to be reliable if the Alpha value is more than 0.6 then the variable question is considered reliable and vice versa (Ghozali, 2013). From these results indicate that all variables have a large enough Alpha coefficient, which is above 0.6 so that furthermore the items in each of these variable concepts are feasible to be used as measuring tools.

4.3 Classical Assumption Test

4.3.1 Normality Test

Normality test is used to test whether in the regression model, both variables (free and dependent) have a normal distribution or at least close to normal. The normality of the data in the study is seen by paying attention to the points on the Normal PPlot of Regression Standardized Residual of the dependent variable.

The requirement of the normality test is that if the data spreads around the diagonal line and follows the direction of the diagonal line, then the regression model fulfills the assumption of normality. If the data spreads far from the diagonal line and/or does not follow the diagonal line, then the regression model does not meet the assumption of normality.

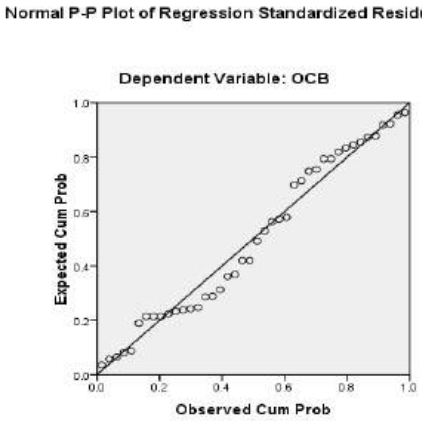


Figure 1. Normality Test Results
Source: Processed output of SPSS 16.0, 2022

From the figure, it is found that all data are normally distributed, the distribution of data is around the diagonal line. So it can be concluded that the regression model meets the normality assumption.

4.3.2 Heteroscedasticity Test

The heteroscedasticity test is to test whether in the regression model there is an inequality of variance from the residual of one observation to another observation. If the variance of the residuals from one observation to another is fixed, it is called homoscedasticity and if the variance is different it is called heteroscedasticity. A good regression model is that there is no heteroscedasticity (Ghozali, 2013). Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph.

1. If there is a certain pattern, such as the dots forming a certain pattern (wavy, widening and then narrowing), it indicates that heteroscedasticity has occurred.
2. If there is no clear pattern, and the points spread above and below zero on the Y axis, then there is no heteroscedasticity.

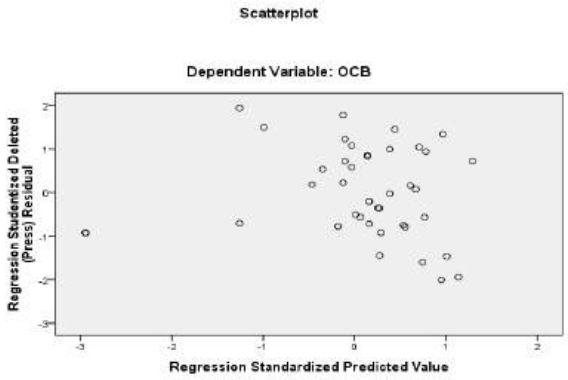


Figure 2. Heteroscedasticity Test Results
Source: Processed output of SPSS 16.0, 2022

Judging from the points spread randomly and spread above zero and below zero on the Y axis and does not form a certain pattern then in the model The regression made does not contain heteroscedasticity problems.

4.3.3 Multicollinearity test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not have a correlation between the independent variables. Detection of multicollinearity in a model can be seen from the tolerance value and its opponent Variance Inflation

Factor (VIF). It is said to be multicollinear if the tolerance value is > 0.1 and the VIF value is < 10 (Ghozali, 2013).

Table 3. Multicollinearity test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.033	2.305		.882	.383		
	Organizational Culture	.213	.095	.264	2.234	.031	.600	1.666
	Organizational Commitment	.483	.199	.333	2.424	.020	.443	2.259
	Job Satisfaction	.965	.198	.696	4.882	.000	.411	2.432

a. Dependent Variable: OCB

From the results of the multicollinearity test in table 3, it shows that the value of VIF and Tolerance indicates that there is no multicollinearity. This can be seen from the results of VIF < 10 and the result of Tolerance > 0.10.

4.4 Multiple Regression Test

Multiple linear regression analysis was used to determine the effect of the independent variable on the dependent variable on changes from any increase or decrease in the independent variable that would affect the dependent variable (Ghozali, 2013). The following table shows the results of the multiple regression test in table 4.4 as follows:

Table 4 Multiple regression test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.033	2.305		.882	.383		
	Organizational Culture	.213	.095	.264	2.234	.031	.600	1.666
	Organizational Commitment	.483	.199	.333	2.424	.020	.443	2.259
	Job Satisfaction	.965	.198	.696	4.882	.000	.411	2.432

a. Dependent Variable: OCB

Based on table 4.4, it can be seen that the regression equation formed is:
Y = a+ b1X1+ b2X2 + b3X3
OCB = 2.033 + 0.213 Organizational Culture + 0.438 Organizational Commitment + 0.965 Job Satisfaction

Where :

a. The constant has a positive value of 2.033 which means that when Organizational Culture, Organizational Commitment, Job Satisfaction, are fixed, the Organizational Citizenship Behavior (OCB) increases.
b. For organizational culture variable (X1) the regression coefficient is 0.213, meaning that when organizational culture (X1) has increased, Organizational Citizenship Behavior (Y) will also increase while other variables are considered constant.
c. For organizational commitment variable (X2), the regression coefficient is 0.438, meaning that when organizational commitment (X2) has increased, Organizational Citizenship Behavior (Y) will also increase while other variables are considered constant.
d. For the job satisfaction variable (X3) the regression coefficient is 0.965, meaning that when job satisfaction (X3) has increased, Organizational Citizenship Behavior (Y) will also increase while other variables are considered constant.

4.5 Hypothesis

4.5.1 F-Test

F-test results between Organizational Culture, Organizational Commitment and Job Satisfaction, on Organizational Citizenship Behavior (OCB) of BPRS Artha Surya Barokah Semarang employees obtained the results in the following table:

Table 4.5. F Test Result

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	330.148	3	110.049	27.198	.000[a]
	Residual	153.756	38	4.046		
	Total	483.905	41			

a. Predictors: (Constant), Job SatisfactionOrganizational Culture, Organizational Commitment

b. Dependent Variable: OCB

From the output data that has been processed, it can be seen that the value of sig 0.00a is because the value of sig <0.05, it can be concluded that simultaneously the independent variables (Organizational Culture, Organizational Commitment, Job Satisfaction) have a significant effect on the dependent variable Organizational Citizenship Behavior (OCB)).

4.5.2 t-Test

The t-test was used to test the significance of the relationship between variables X and Y, whether the variables X1, X2, X3 (Organizational Culture, Organizational Commitment, Job Satisfaction) really had an effect on the Y variable Organizational Citizenship Behavior (OCB) separately or partially (Ghozali, 2013). The basis for decision making (Ghozali, 2005) is to use a significance probability number, namely:

a. If the significance probability number > 0.05, then Ho is accepted and Ha is rejected.
b. If the significance probability number is < 0.05 and the regression coefficient is positive, then Ho is rejected and Ha is accepted.

Table 6. t-Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.033	2.305		.882	.383		
	Organizational Culture	.213	.095	.264	2.234	.031	.600	1.666
	Organizational Commitment	.483	.199	.333	2.424	.020	.443	2.259
	Job Satisfaction	.965	.198	.696	4.882	.000	.411	2.432

a. Dependent Variable: OCB

From the results of table 6 the t-test can be explained as follows:

1. The influence of organizational culture on OCB
   Because the value of organizational culture sig is 0.031 and <0.05 then Ho is rejected and Ha is accepted, and seen in table t the regression coefficient is positive at 0.213, it can be interpreted individually/partially the organizational culture variable (X1) has a positive and significant effect on Organizational Citizenship Behavior (Y) of BPRS Artha Surya Barokah Semarang employees, so H1 is accepted
2. The effect of organizational commitment on OCB
   Because the sig value of organizational commitment is 0.020 and <0.05 then Ho is rejected and Ha is accepted, and seen in table t the regression coefficient is positive at 0.483, it can be interpreted that individually/partially the organizational culture variable (X2) has a positive and significant effect on Organizational Citizenship. Behavior (Y) of BPRS Artha Surya Barokah Semarang employees, so H2 is accepted.
3. The effect of job satisfaction on OCB
   Because the value of job satisfaction sig is 0.000 and <0.05 then Ho is rejected and Ha is accepted, and seen in table t the regression coefficient is positive at 0.965, it can be interpreted that individually/partially the job

satisfaction variable (X3) has a positive and significant effect on Organizational Citizenship. Behavior (Y) of BPRS Artha Surya Barokah Semarang employees, so H3 is accepted.

4.5.3 Coefficient of Determination (R2)

The coefficient of determination essentially measures how far the model's ability to explain variations in the dependent variable is. The coefficient of determination is between zero and one (Ghozali, 2013).

Table 7. Coefficient of Determination Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.826[a]	.682	.657	2.01152

a. Predictors: (Constant), Job Satisfaction, Organizational Culture, Organizational Commitment

b. Dependent Variable: OCB

In the output table 7 above, it can be seen that the Adjusted R Square value is 0.657, meaning that the variability of the dependent variable Y (OCB) can be explained by 65.7% by the variation of the independent variables (Organizational Culture, Organizational Commitment, Job Satisfaction), while the rest is explained by other variables that do not exist in the model.

4.6 Discussion

4.6.1 The Influence of Organization Culture on Organizational Citizenship Behavior

Hypothesis testing proves that organizational culture has a positive and significant effect on Organizational Citizenship Behavior (OCB), with the results of the t-test of organizational culture = 2,234 and sig. 0.031 < 0.05. The existence of this positive and significant number indicates that the better the organizational culture, the more influential and increasing the Organizational Citizenship Behavior (OCB) of the employees of BPRS Artha Syrya Barokah Semarang.

Organizational culture reflects the values and beliefs that are used as guidelines by each individual or employee in an organization. Organizational culture also determines the behavior of every individual within the scope of the organization, therefore organizational culture is an important component of organizational sustainability. Employees' perceptions of the reality of organizational culture are the basis for employee behavior. Robbins and Coulter (2010) state that organizational culture is the values, principles, traditions and ways of working that are shared by organizational members and influence the way they act.

The results of this study are in line with previous research conducted by Ayu Putu Ariani, Desak Ketut Sintaasih, Made Surya Putra (2017), Dyah Ayu Lestiyanie and Yanuar (2019) and Christy, Setiana, and Cintia, (2018) stating that organizational culture is a system Values that are believed by all members of the company and which are learned, applied and developed on an ongoing basis, serve as an adhesive system and can be used as a reference for behavior within the company to achieve the company's goals that have been set. Conformity between the characteristics of the organization with the wishes of members of the organization must be achieved which leads to a high level of togetherness. In preparing for change, organizational members are expected to feel safe and happy in doing their jobs. Thus, members of the organization will be willing to accept change sincerely without any fear or coercion. In line with this, it can be understood that organizational culture has a very important role in improving organizational citizenship behavior (OCB).

4.6.2 The Influensce of Organization Commitment on Organizational Citizenship Behavior

The hypothesis test proves that organizational commitment has a positive and significant effect on Organizational Citizenship Behavior (OCB), with the results of the t-test of organizational culture = 2,424 and sig. 0.020 < 0.05. The existence of this positive and significant number indicates that the better the organizational commitment, the more influential and increasing the Organizational Citizenship Behavior (OCB) of the employees of BPRS Artha Syrya Barokah Semarang.

Steers (2002) in Rini (2013) defines organizational commitment as "the relative strength of an individual's identification with and involvement in a particular organization", the definition shows that organizational commitment has more meaning than passive loyalty, but involves an active relationship and desire employees to make a meaningful contribution to the organization. According to Griffin in Amin (2017) states that organizational commitment is an attitude that reflects the extent to which an individual knows and is bound to his organization.

Employees who feel more committed to the organization have reliable habits, plan to stay longer with the organization, and put more effort into their work.

The results of this study are in line with previous research conducted by Widayanto, Lau and Kartika (2014), Dewi and Suwandana (2016) and Wiliam and Setiawan (2013), showing that organizational commitment has a positive and significant effect on Organizational Citizenship Behavior (OCB). Commitment is closely related to empowerment because of the desire and willingness of employees in the organization to be empowered to accept various tasks and responsibilities (Faustyna, 2014). The creation of organizational commitment to employees can not only increase the responsibility of the employee, but is also expected to create a sense of employee loyalty to the organization.

4.6.3 The Influence of Job Satisfaction on Organizational Citizenship Behavior

The hypothesis test proves that job satisfaction has a positive and significant effect on Organizational Citizenship Behavior (OCB), with the results of the t-test of organizational culture = 4.882 and the value of sig. 0.000 < 0.05. The existence of this positive and significant number indicates that the better job satisfaction, the more influential and increasing Organizational Citizenship Behavior (OCB) on employees of BPRS Artha Syrya Barokah Semarang.

According to Robbins (2015) job satisfaction is a general attitude towards one's work as the difference between the amount of rewards received and the amount of rewards that are believed to be received. Job satisfaction is one of the important factors that individuals have in their work. Each individual has a different level of satisfaction, therefore the level of job satisfaction can also have a different impact on each individual.

The results of this study are in line with previous research conducted by Soegandhi (2013), Prabowo and Indi (2014) and Dewi and Suwandana (2016) showing that job satisfaction has a positive and significant effect on Organizational Citizenship Behavior (OCB). Meanwhile, Sengkey, Bernhard, and Lintong (2018) show that job satisfaction has a positive and significant influence on organizational citizenship behavior. Employee job satisfaction can be increased by providing important things for employees, such as opening up good promotion opportunities, providing effective supervision, creating harmonization between colleagues, so that employees will feel satisfied with their work and will improve organizational citizenship behavior. Employees who feel satisfied will increasingly show organizational citizenship behavior.

5. Conclusion and Further Research

5.1 Conclusion

Based on the results of the study, several conclusions can be drawn as follows:

1. There is a significant influence of organizational culture on organizational citizenship behavior.
2. There is a significant effect of organizational commitment on organizational citizenship behavior.
3. There is a significant effect of job satisfaction on organizational citizenship behavior.

5.2 Recommendation

Based on the findings in the field that there is an influence of organizational culture, organizational commitment, and job satisfaction on organizational citizenship behavior of employees of BPRS Artha Surya Barokah Semarang, the researchers tried to give some suggestions, as follows:

1. On the organizational culture variable, the leadership of the BPRS Artha Surya Barokah Semarang, suggested a human orientation by improving good communication within the organization to build good cooperation.
2. On the organizational commitment variable, the leadership of the BPRS Artha Surya Barokah Semarang, it is recommended to pay attention to the continuous commitment variable by increasing the confidence in employees that the company also thinks about the welfare of employees.
3. On the job satisfaction variable, the leadership at BPRS Artha Surya Barokah Semarang, is expected to improve supervision by giving good attention to employees in order to increase employee motivation at work.
4. On the organizational citizenship behavior variable, the leadership of the BPRS Artha Surya Barokah Semarang, is expected to increase employee participation and activity in company activities and build a good image for the company.

5.3 Research Limitations

The drawback of the research is that the model used by the researcher is not entirely perfect, this is because all the variables in explaining have not reached R2. by 1 or 100%, such as organizational culture, organizational commitment, and job satisfaction explain 65.7% of organizational citizenship behavior variables. While the rest of (100-65.7%) that is equal to 34.3% is explained by other variables outside the research model. The limitations

that still exist in this research are expected to be refined through similar research with the following research agenda:

1. For future research, it is very necessary to make improvements, innovations and further development of this research so that it can provide better results, among others, by adding independent variables that affect organizational citizenship behavior of employees of BPRS Artha Surya Barokah Semarang,
2. For further research, the object of research can be expanded, for example by comparing BPRS Artha Surya Barokah Semarang, with other companies that have the same line of business.

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Sustainable Service Quality in Muslim-Friendly Hospitality Services (MFHS) Industry

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Abstract

The growing hospitality industry poses more challenges to competition that leads towards the importance of expanding customer base. One of the segments in the industry is Halal tourism which is tremendously developing. The sector should realize the importance of being aware of Muslim market' needs and religious sensitivities by offering them quality products and services. Providing sustainable quality services is indispensable for the success of companies in the long run and enable them towards strong positioning strategy in the context of Muslim Friendly Hospitality Services (MFHS) companies. Although service quality is one of the most researched area in marketing because of its impact on success factors but most service quality measurement models have been developed in a western context and may not be suitable for generalizing to non-western, particularly Islamic contexts. Despite the awareness of importance on sustainable service quality, only few studies on sustainable service quality appear in the literature. Therefore, the research's main objectives are to investigate factors of sustainable service quality in influencing satisfaction and loyalty in MFHS sector in Malaysia. The interview and survey will be adopted. The SPSS and SEM AMOS will be used for data analysis. The findings will be prepared and reported.

Keywords: Sustainable Service Quality (SSQ); Satisfaction; Loyalty; Muslim Friendly Hospitality Industry (MFHS)

1. Introduction

The hospitality industry is growing which cause more challenges to competition that leads towards the importance of expanding customer base (Jeaheng et al., 2020). Basically, the hospitality industry covers food and beverages, travel and tourism, lodging, and recreation. Global tourism sector has few sub-segments to meet the demand of tourists coming from different background. Several scholars viewed that having sub segment in the market has resolved the issue of stiff competition in meeting the tourists' demands (Olya & Al-ansi, 2018). Halal tourism becomes one of the segments which is tremendously growing that created more competition in the market (Arasli et al., 2021. Accordingly, Global Muslim Travel Index GMTI (2018) has shown a total of approximately 130 million travelers every year indicating the importance of Muslim market globally (Jeaheng et al., 2020).

According to Vargas-Sanchez & Moral-Moral (2019) Muslim population is expected to be around 26 percent of world's population in the next ten year, it shows the Muslim market should not be ignored. Thus, it is important to be aware of Muslim market' needs and religious sensitivities by offering them appropriate products and services

(Han et al., 2019). In recent years, many hotels are serving specific halal products and offering halal services to attract Muslim tourists (Al-Ansi, Olya, & Han, 2019). Malaysia is becoming one of the countries that promote Muslim-friendly hospitality services (MFHS) which covers both hospitality and tourism industry (Aziz, 2019).

Service quality is the tourists' assessment and evaluation towards the expected service that is important in the hospitality industry (Irama & Abror, 2019). If the industry fails to provide quality services, customers turn to other goals (Sparks & Westgate, 2002). Generally, service quality is one of the most researched area in marketing study (Ahmad et al., 2019; Ali et al., 2018) because of its impact on success factors for example customer satisfaction (Lee et al., 2019). However, most service quality measurement models (Brady and Cronin, 2001; Gro¨nroos, 1984; Parasuraman et al., 1988) have been developed in a western context and may not be suitable for generalizing to non-western and particularly Islamic contexts because of the differences in culture (Lari et al., 2019). Accordingly, providing quality services is indispensable for the success of service providers in the long run (Owen et al., 2001), and enable companies to differentiate themselves by maintaining higher quality sustainably (Kotler et al., 2001).

Stamenkov and Dika (2015) exerted that a sustainable service quality is the capacity to provide uninterrupted services with exceptional sustainable quality over a long period of time. Despite the awareness of importance on this topic, only few studies on sustainable service quality appear in the literature (Stamenkov & Dika, 2015). In addition, the behavior and response of Muslim guests toward staying and experiencing the services offered by Muslim-friendly hotels remains largely unexplored ((Jeaheng et al., 2020). Thus, the research on service quality in Muslim-friendly hotels is growing and there are calls for additional research on the topic (Jeaheng et al., 2020) due to literature on the topic remains scarce (Suhartanto et al., 2020).

Therefore, this research will contribute towards the body of knowledge by filling up the gaps discussed above. Specifically, this research will offer a framework of sustainable service quality model for Muslim friendly hospitality services (MFHS) standard in Malaysia.

1.1 Summary of Research Gaps

1. The importance of being aware of Muslim market' needs and religious sensitivities by offering them appropriate products and services.
2. Service quality is one of the most researched area in marketing study (because of its impact on success factors. However, most service quality measurement models have been developed in a western context and may not be suitable for generalizing to non-western and particularly Islamic contexts because of the differences in culture.
3. Providing quality services is indispensable for the success of service providers in the long run and enable companies to differentiate themselves by maintaining higher quality sustainably
4. Despite the awareness of importance on sustainable service quality, only few studies on sustainable service quality appear in the literature.
5. The research on service quality in Muslim-friendly hotels is growing and there are calls for additional research on the topic due to literature on the topic remains scarce.

2. Literature Review.

2.1 Muslim Friendly Hospitality Services (MFHS).

According to The Muslim Friendly Hospitality Services (MFHS) standard (MS2610:2015), the Muslim friendly hospitality services are Shariah guided requirement for tourism industry players in setting up an assurance system to preserve the integrity of products and services provided for Muslim travelers. This Malaysian Standard is developed with the aim to ensure that products and services provided for Muslim travelers are in accordance with the Shariah principles. The objectives of the standard are:

a) to enhance the ability of an organization or individual to produce and/or manage Muslim friendly tourism products and services that meet the Shariah principles.
b) to preserve and protect the integrity of Muslim friendly tourism products and services through effective application of the standard.
c) to enhance customer satisfaction by meeting customer requirements.

The standard covers guidelines and requirements for managing tourism facilities, products, and services for Muslim travellers in accommodation premises, tour packages and tourist guides.

Among the specific requirements covered in MFHS standard are rooms, food & beverages, public musalla, public washroom, recreational & wellness facilities etc.

2.2 Sustainable Service Quality (SSQ).

Quality service has been understood as an ambiguous concept where majority scholars have conflicting views to define the concept (Van Hoof, 2002). One of prominent scholars in service research has described service as a collection of acts that occur in the relationship between the guest and the organization's staff, products and other physical resources, systems and/or setups demonstrating the service provider and possibly containing other guests, where all these acts' objectives are to help customers' daily activities (Grönroos, 2006). In addition, service quality establishes the organization's trustworthiness in the eyes of the guests and the survival of organization's rely on its level of service offered to the customers (Malik et al., 2020). Other than that, service quality is recognized as an important component that help an organization and offer new opportunities (Ali et al., 2015). For hotels, the primary indicators of quality service may be hygiene, protection, and the attitude of the staff (Jeaheng et al., 2020). Furthermore, many studies have recognized Muslim-friendly tourism also discussed the "prospects" and "challenges" of its development in several perspectives (Henderson, 2016; Wardi et al., 2018).

Stamenkov and Dika (2015) exerted that a sustainable service quality is the capacity to provide uninterrupted services with exceptional sustainable quality over a long period of time. Despite the awareness of importance on this topic, only few studies on sustainable service quality appear in the literature (Stamenkov & Dika, 2015). In addition, the behavior and response of Muslim guests toward staying and experiencing the services offered by Muslim-friendly hotels remains largely unexplored ((Jeaheng et al., 2020). Salleh (2016) exerted that the impact of sustainability to the services implementation and consequently towards the quality of services. The author even viewed that the success of product in the market rely on meeting functional requirements and sustainability. Moreover, products compete based on its price, functions, diversity as well as sustainability.

2.3 Satisfaction.

Satisfaction is defined by as the fulfilment of the customer's desire arising out of the customer's aspiration to own or utilize a service (Oliver, 1997). Satisfaction is the resulting feeling or the judgment that the customer makes when they get a specific level of enjoyment and pleasure from the features of a product or the service itself (Hadi et al., 2019). Satisfaction has been implied as customer's appraisal of a service vis-à-vis clients' needs and expectations so as to judge whether that service has fulfilled their needs and expectations (Zeithaml & Bitner, 2003). Many scholars exerted the quality of service is the most prominent factor of satisfaction (Brady et al., 2002).

2.4 Customer Loyalty.

Customer loyalty is defined as a client's commitment based on a very positive outlook to a brand, a service provider, or a particular sales outlet (Sheth et al., 2004). As a result, there will be regular and recurring purchasing of the product and service. Prominent scholars have set the pattern by elaborating the major indicators of customer loyalty which is repeat purchase denotes that customer displays preference to the purchase of a particular service; retention which signifies sticking to the brand and resistance to change despite negative influence or perception of the product or service; and referral which implies recommending and providing reference to others for the purchase of specific products and services ((Kotler & Keller, 2006).

2.5 Perceived Risk.

Sweeney et al., (1999) define perceived risk as the subjective expectation of a loss that include financial and performance risk. They further exerted that Each risk dimension can be viewed as an expectation of a future cost that contributes to a good's perceived value for money at the time of purchase. Other scholars believe that different types of perceived risk influence decisions of tourists to participate in tourism such as medical tourism (Wang, 2012). The perceived risk is a major determinant of tourism trade because it tends to influence tourists' choice of destinations (Ractham et al., 2015). The perceived value of the consumer can be improved provided that companies able reduce their perceived risk to their consumer at the same time higher quality product and services are delivered (Sweeney et al., 1999). Given the concept of risk, a moderator effect on the relationship between various variables in consumer behavior can be identified (Habibi & Rasoolimanesh, 2020). Based on this argument, perceived risk is proposed as moderator in the model.

3. Theories

3.1. Expectancy Disconfirmation Theory (Oliver, 1980)

According to review by Oh & Kim (2017), most research in hospitality and tourism between 2000 – 2015 adopted expectancy disconfirmation theory. This theory is to predict that customers make in advance of consumption act as a standard against which customers measure the firm's performance. The theory plays an important role in discussing customer satisfaction. The higher expectation of actual performance the customers have, the greater the degree of disconfirmation that may happen and this causes a lower satisfaction.

3.2. Apostle Model developed by Jones & Sasser (1995)

The theory hypothesized an arrangement of a link between customer satisfaction and customer loyalty. Under this arrangement, customers are categorized under four distinct categories:

- Loyalist/apostle (high satisfaction ± high loyalty)
- Defector/terrorist (low satisfaction ± low loyalty)
- Mercenary (high satisfaction ± low loyalty)
- Hostage (low satisfaction ± high loyalty).

Consequently, customer satisfaction under this arrangement was used as a driver of customer loyalty.

4. Hypothesis

H1: Service staf has a positive influence on customers' satisfaction with MFHS service company
H2: Facilities has a positive influence on customers' satisfaction with MFHS service company
H3: Physical environment has a positive influence on customers' satisfaction with MFHS service company
H4: Halal food and beverages has a positive influence on customers' satisfaction with MFHS service company
H5: Ground transfer has a positive influence on customers' satisfaction with MFHS service company
H6: Accommodation has a positive influence on customers' satisfaction with MFHS service company
H7: Perceived price has a positive influence on customers' satisfaction with MFHS service company
H8: Sustainable service quality (SSQ) has a positive influence on customers' satisfaction with MFHS service company
H9: Customer satisfaction has a positive influence on customers' loyalty with MFHS service company
H10: Perceived risk moderates the relationship of service staf and customer satisfaction.
H11: Perceived risk moderates the relationship of facilities and customer satisfaction.
H12: Perceived risk moderates the relationship of physical environment and customer satisfaction.
H13: Perceived risk moderates the relationship of halal food and beverages and customer satisfaction.
H14: Perceived risk moderates the relationship of ground transfer and customer satisfaction.
H15: Perceived risk moderates the relationship of accommodation and customer satisfaction.
H16: Perceived risk moderates the relationship of perceived price and customer satisfaction.
H17: Perceived risk moderates the relationship of sustainable service quality (SSQ) and customer satisfaction.

5. Research Design

Based on the objectives of the research, this study will adopt a multi-method research design. At the first stage of the research, a qualitative research design using an in-depth interview will be applied to explicate the response of consumers. Then, the cross-sectional survey research design using self-administered questionnaires will be applied.

6. Population and Sampling

Research survey questionnaire will be constructed and tested. Target population focuses on consumers who consume services from Muslim Friendly Hospitality Services (MFHS) certified companies in Malaysia. Sampling will be selected by using purposive sampling method. Only customers who have experienced of consuming services from MFHS service companies will be chosen as the research sample. This is because they have the experience of using the services before and will provide information and feedbacks regarding their expectation and experience.

The questionnaire will be administered by using drop-off collect techniques. The interview schedule will be constructed and piloted before actual data collection. A total of 800 consumers will be selected. Data from Selangor and Federal Territories that includes consumers in urban and rural areas will be collected. Selangor and

Federal Territories are selected because the areas become the economic centres for the country and many sectors including tourism is located there.

7. Measurement Items

Generally, all construct measures in the literature will be directly employed but necessary modification and adaptation will be made for any unsuitable items to suit the local context and purpose of study (Gu et al., 2008). Only scales that have reliability coefficient of Cronbach Alpha above the acceptable level of 0.7 or item factor loading above 0.5 will be employed as suggested by Nunally (1978). In addition, this study will adopt 5-point Likert scale because it is more reliable and can produce interval data that provides a greater volume of data than other scales (Cooper and Schindler, 2006).

The employee service quality construct will be adapted and adopted from Brady & Cronin (2001), Parasuraman et al., (1988) and Alhelalat et al., (2017). Scales for facilities, food and beverages come from Albattat et al., (2018). Perceived price comes from Eid & El-Gohary (2015) and Ryu & Han (2010). Measurement scales for facilities and physical environment will be adopted and adapted from Battour et al., (2014, 2017); Eid & El-Gohary (2015) and Oh (1999). The SSQ scale will be adapted from Parasuraman et al. (1988) [30] and Muhammad et al. 2016 [6] with some modification. Scales for customer satisfaction come from Oliver, (1980) and Susskind et al., (2003). Loyalty scales come from Oliver (1997) and perceived risk by Wang (2016). In addition, MS 2016:2015 will also be referred to for the scales for instance ground transfer.

8. Data Analysis

Qualitative data will be analyzed to generate an insight into the research problem and to assist in the interpretation of the quantitative results. Quantitative data analysis will be done according to two-step approach: (1) estimating the measurement model; (2) analyzing the model and estimating path coefficient. The analysis will be done by using SPSS and SEM AMOS. SPSS is for data entry and basic analysis. SEM AMOS if for model development and hypothesis analysis.

9. Conclusion

This research will offer several contributions in terms of empirical, theoretical, and managerial. Empirically, several constructs will be examined namely service staff, facilities, physical environment, halal food and beverages, ground transfer, perceived price, and service quality In addition, the role of perceived risk as moderating variable will also be examined. Theoretically, Expectancy Disconfirmation Theory by Oliver (1980) and Apostle Model developed by Jones & Sasser (1995) will be applied. Managerially, the findings of research will benefit the hospitality industry particularly Muslim Friendly Hotel in terms of various aspects of business to focus on to satisfy customers. However, this research is cross sectional study and within the context of Muslim Friendly Hotels in Malaysia. Future study can apply qualitative method and longitudinal research to discover more information about the industry.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Springboarding on IoE for Future Proofing Halal Industry

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Abstract

Halal Industry has expanded beyond food and beverage industry to encompass growing industries such as pharmaceutical, cosmetics, consumer goods, fashion, tourism, media and entertainment plus other services. Drivers of this economy include a third of the world population, comprising of young affluent tech savvy Muslims, and non-Muslims who are passionate about green economy. The increased interest in halal is brought on by the whole philosophy behind halal production. Specifically, halal is a new paradigm to global issues such as food safety, environmental awareness, economic sustainability and animal welfare. Integrating the different dimensions of halal economy for future proofing thus needs a new approach which can be afforded by the application of Internet of Everything (IoE). The IoE concept is based on the idea of all-round connectivity, intelligence and cognition. It means that intelligent internet connections are not restricted by Internet of Things (IoT). The IoE way of life depicts the world in which a multitude of devices, machines and conventional objects are perpetually interacting, giving them comprehensive networking opportunities, thus making them smarter. IoE is the connections between people, things, data and processes combined into a common interrelated system, the goal of which is to improve experiences and decision making. A halal ecosystem that is fortified with the implementation of IoE will ensure that halal stakeholders are abreast with present and future situations and are enabled to make timely and more effective decisions thereby future proofing their businesses and ensure sustainability of the halal industry and preserve the societal well-being.

Keywords: Halal; Internet of Everything; IoE; Future Proofing; Halal Industry

1. Introduction

To Muslims, halal and haram are fundamental issues as it directly affects them and societal well-being; halal means 'permissible for consumption and use', whilst haram 'is anything that is unlawful or forbidden' (Qaraḍāwī, 1994). With reference to the verse, "O mankind, eat whatever that is on earth (that is) lawful and good, do not follow the footsteps of Satan. Indeed, he is to you a clear enemy", it is undisputable that halal is meant for everyone, Muslims and non-Muslims (Quran 2:168). Halal is not confined to the product offered but covers everything and all stages of production; starting from source of raw material, production process and premises, every aspects of logistics, to the distribution of products to end consumers (Che Man and Sazili, 2010). Whilst halal means permissible (according to Islamic law), tayyib (ethical, safe, clean, nutritious, and quality) is primarily concerned about food safety measures (Sani and Dahlan, 2015).

Once a marginal sector, the vibrant halal industry now influences every aspect of the global supply chain. No other significant market segment has this much potential in growth and worldwide value. Halal economy has continued its rate of accelerated growth despite the paralysing disruption caused by COVID-19 pandemic and its associated restrictions. This is attested when the State of the Global Islamic Economy Report 2020/2021 reported that the global consumption of halal goods and services is expected to grow at 3.1% annually to reach USD2.4 trillion by 2024. GIER 2020/2021 also surmised that Malaysia is expected to continue to lead in the coming years, as it had done so for the past 8 consecutive years (GIER 2020/2021). As mentioned at the World Halal Business Conference 2021by Mr Abdul Rasheed Ghaffour, Deputy Governor of Bank Negara Malaysia, the rise in halal economy is driven both by the fast-growing Muslim population and the rising trend on ethical consumerism (BIS, 2021).

There is rising global awareness, that halal is not just about religion but a new paradigm to global issues such as food safety, environmental awareness, economic sustainability and animal welfare. There is also an upsurge demand for halal products by non-Muslims, as a lifestyle choice, as halal industry promotes animal welfare, social responsibility, environment friendly, stewardship to earth, economic and social justice, and ethical investment (Pacific, 2010). To obtain and maintain validity of a company's halal certification, they must continuously ensure

that their production is free from animal cruelty, environmental degradation and in promoting green marketing (Aoun and Tournois, 2015).

Coincidentally, the Sustainable Development Goals of the UN Global Compact have a lot in common with halal values. Indeed, the philosophy of halalan-toyyiban propagates good, pure, and wholesome elements in consumption and in parallel upholds responsible production processes that addresses SDG12 (ensure sustainable consumption and production patterns). Due to the comprehensive nature of halal industry, halal economy encourages inclusive economic development with the potential to create economic security, greater and better employment prospects, and ultimately improvements of the environments for a sustainable societal well-being. This condition is aligned with SDG8 which is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

The resulting lockdowns imposed by COVID-19 pandemic caused a major disruption to the global supply chain of raw materials which adversely affected supplies and further hampered SMEs efforts to survive, remain sustainable, and expand beyond their country's border (UNCTAD, 2022). The ongoing war between Russia and Ukraine has also added greater burden to the global supply chain and consequently endangering the world's food security of even large economies such as United Kingdom (The Straits Times, 2022). Although small and medium enterprises (SMEs) are struggling to keep up with the rapid development of technology required for communications, transactions and marketing they do realise that it is now mandatory. Some governments are also giving assistance to their local SMEs to upscale their internet accessibility and digital marketing as well as providing funds for upgrading of their production equipment and machinery.

While the halal industry is becoming one of the most competitive and fast-moving sectors in the world, this sector is still heavily reliant on an uninterrupted halal supply chain, plagued by issues pertaining to halal integrity, and lack of standardised global standard. To stay relevant in the halal industry during this difficult economic climate, many businesses and other halal stakeholders are starting to invest in halal-related products, by driving innovation and creating solutions for global Muslim communities, whilst leveraging their own governments' halal initiatives. IR4.0 technology such as fintech, data science, and biotech have all been impacted by halal innovation, as has logistics and the use of blockchain for a more traceable supply chain. These initiatives can be traced to countries like Malaysia, Indonesia, Turkey, OIC countries and halal meat exporting countries. Countries who have targeted the halal tourism market has also extended service via tourism apps that leveraged on IR4.0 technology such as augmented reality and virtual reality to offer out-off the world experience.

Mohd Fadzillah, K. (2022) in his article stated that "Innovation is needed in the ever demanding and fast-growing halal sector, which is why technology is a large factor for the progress of most halal industry developments moving forward". Clearly, it is now the time that halal stakeholders take a serious look into the application of Internet of Everything (IoE) to the halal ecosystem. IoE is the connections between people, things, data and processes combined into a common interrelated system, the aim of which is to improve experiences and make smarter decisions. The effective and efficient integration of the different dimensions of halal economy can only be afforded by the application of IoE, as its model is based on the idea of all-round connectivity, intelligence and cognition. The IoE is a concept that extends the Internet of Things (IoT) which emphasise on machine-to-machine (M2M) communications to describe a more complex system that also encompasses people and processes. The IoE, also includes user-generated communications and interactions associated with the global entirety of networked devices. This interactive and totally connected system thus make IoE conducive to be used for halal ecosystem and addresses many issues that was previously thought to be unmanageable if taken on a global basis.

This study, is a preliminary literature review about the feasibility of using IoE as a springboard to future proof halal economy thereby realise a more conducive global halal ecosystem that will transverse issues regarding halal production compliance, halal certification recognition, lack of standardised halal standards, disruption of halal supply chain, halal integrity and traceability. In other words, if IoE is implemented in a holistic manner to the halal ecosystem would it provide a solution to the pertaining issues plaguing the industry and simultaneously be acceptable to all Muslims and nations? A methodological approach based on literature review will be applied to achieve the objective set. This study hopes to shed light to the current situation faced by the halal industry and enable stakeholders to grasp the implications and impact of using IoE as a facilitator for future proofing a dynamic halal industry thus enabling it to forecast impending crisis and competently function during man-made and natural disasters and ensure sustainability and continued growth.

2. Literature Review

While SDG12 (ensure sustainable consumption and production patterns) is addressed and aligned with the philosophy of halalan-toyyiban that propagates good, pure, and wholesome elements in consumption and upholds responsible production processes, SDG8 objective is to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all (United Nations Sustainable Development Goals). These two SDGs can be attained through halal economy which has seen continued growth and has the potential to narrow the income gap between different societal classes, in so doing result in inclusive development for all.

Halal stakeholders should seek an alternative solution to address prevailing yet persistent halal issues and consider the opportune provided by the application of Internet of Everything (IoE) to the universal halal ecosystem. Such innovative efforts will also future proof the halal ecosystem against disruptive worldwide crisis and ensure sustainability and development of the halal economy.

2.1 Halal Economy

Rising demand for halal products and services among affluent Muslim millennials is mirrored by the largest expansion in over a decade for halal sales with Muslim spend projected to grow by 3.1% per annum to reach USD2.4 trillion by 2024 (GIER 2020/2021). Despite the catastrophic chaos brought by COVID-19 that also resulted in the disruption of global supply chains, the Islamic economy has continued to develop led by an acceleration in digital transformation, and increased government focus on food security-related investments. The drivers of the global Islamic economy continue to be reinforced by a large and growing affluent Muslim population, an increasing adherence to Islamic ethical values impacting consumption, digital connectivity, a growing number of national strategies dedicated to halal products and service development, and businesses pressured to maintain growth momentum through new markets and diversification including the emergence of non-Muslim nations and consumers (GIER 2019/2020; Azam and Abdullah, 2020). Countries continue to build more robust Islamic economy ecosystems with Malaysia currently leading the overall Global Islamic Economy Indicator (GIEI) ranking for the eighth consecutive year, Saudi Arabia moved up to second place, followed by the UAE and Indonesia (GIER 2020/2021).

Figure 1 demonstrates the reach of halal industry that covers various business sectors with revenues of each sector increasing from 2017 till 2023. However, these figures have been scaled down due to impact of COVID-19.



Figure 1. Global Islamic Economy
Source: GIER 2019/2020

2.2 Halal Ecosystem and Stakeholders

The Halal Ecosystem is defined as "A network of components involved in the growth cycle and delivery of halal products or services and contributes to the overall halal socio-economy. Each component in the ecosystem has its own unique activities that are interrelated with each other, creating a constant evolving relationship towards sustainability" (msiahalaldirectory.com). The State of the Global Islamic Economy Report 2020/2021 (GIER 2020/2021), highlighted that Muslims' expenditure had breached USD2.02 trillion and based on the infrastructure, support and policies implemented, Malaysia has been placed as the leading country best-positioned to capitalise on Islamic Economy, for eight consecutive years. Recognised as leading the global halal ecosystem, Malaysia's halal exports are expected to reach $9.6 billion in 2022, according to the Halal Development Corporation (HDC), with exports in the first quarter up 100% on last year signalling strong growth ahead. In 2021, exports rose by 19% to $8.3 billion. (SalaamGateway, 2022).

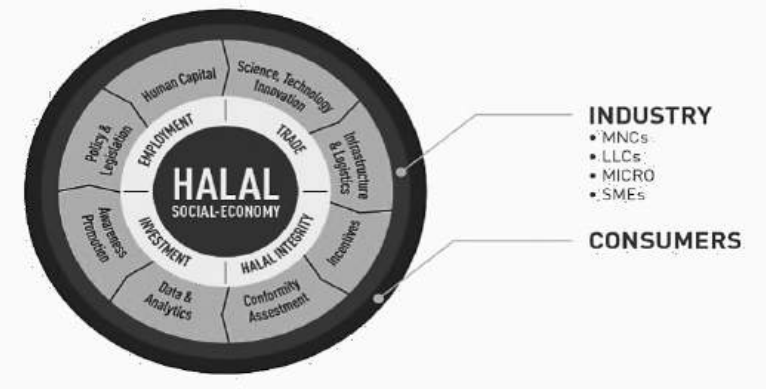


Figure 2**.** Malaysia's Halal Ecosystem
Source: Adapted from Halal Industry Master Plan 2030, msiahalaldirectory.com

2.3 Challenges and Opportunities

2.3.1 Challenges (Elasrag, 2015; Masood and Abd Rahim, 2021)

i. Due to the inconsistencies of *halal* regulations and transparency across the globe, in addition to the numerous differing *halal* certification in circulation, companies face obstacles which hinder their access to rewarding *halal* markets. The most predominant issue that businesses dread is the lack of a single *halal* standards manual and *halal* certification, coupled with multiple trademarks and logos.
   a. These issues do not include the cost of setting-up and operating abroad, costs of having multiple *halal* certificates per product for different country, not to mention the confusion, as a result of having to maintain, monitor and apply the numerous *halal* certificates
ii. Many HCBs have differing set of criteria, that they ascribe to when assessing companies for *halal* certification, due to the absence of any viable international schemes to accredit *halal* certification bodies (HCBs)
   a. Majority of *halal* food is produced in Non-Muslim countries, and is certified by independent HCB's that operate with little regulatory oversight.
iii. Halal integrity issues such as contamination, falsification of documents and etc. are encountered almost on a daily basis

2.3.2 Challenges (Elasrag, 2015; Masood and Abd Rahim, 2021)

i. OIC countries, that have expertise in *halal* food processes, have an opportunity to develop partnerships with non-OIC countries eager to strengthen their *halal* capabilities.
ii. An opportunity to develop tracking / traceability technology to ensure *halal* integrity,
iii. With the dawn of the evolving IR4.0 technology, IoE has the potential to upscale the whole *halal* industry ecosystem
iv. An increased demand for hormone free meat.
v. Halal food has the opportunity to be the global standard for safe, wholesome, humane food if producers fully adhered to the concept of *halal* and *tayyib*
   - There is an increased global demand for organic and natural food which is starting to appear among Muslim consumers, especially the younger millennials
   - Included in this is the potential of developing premier innovative *halal* brands
vi. Develop strong brands.
   - Product quality, marketing messaging, packaging and overall communication can be greatly enhanced, providing an opportunity for existing brands to enhance further and new players to differentiate through powerful branding strategy
vii. Investment opportunities in Halal food value chain integration.

2.4 Internet of Everything (IoE)

The Internet is a vast network that connects computers all over the world enabling sharing of information and communication from anywhere with an Internet connection. Leonard Kleinrock came up with the initial idea of the Internet in his article "Information Flow in Large Communication Nets" in 1961 (Bay, 2021). Then in 1962, J.C.R. Licklider said that "the future of computing will be in the form of a huge intergalactic computer network connecting people from all over the world" (Britannica). Today, this intergalactic computer network provides us

with a platform for shopping, communicating, socialising, teaching, learning and entertainment, and has become indispensable.

If anything, the pandemic has taught us that digital platforms offer viable options to continue working and communicating virtually without requiring physical presence. The Department of Statistics Malaysia reported that the ecommerce income by establishments recorded an income generation of RM279bil that in the third quarter of 2021 which is equivalent to 17.1% increase year on year. This suggests that the metaverse, if and when blended well with business strategy and social ideals, will endure the test of time, just like what happened to the ecommerce "dot-com to dot-gone" phenomenon (Murali Raman, 2022).

2.4.1 Internet of Everything (IoE)

- The Internet of Things (IoT) describes the network of physical objects (things) that are implanted with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet, independently, within the network devoid of human action. Whilst, IoE is based on the concept of all-round connectivity, intelligence and cognition whereby the pillars, comprising of people, things, data and processes, are connected to each other seamlessly and combined into a common interrelated system. IoE is aimed at improving individual experiences and enabling smarter decision making (Augur, 2018). Thereby, IoT is a part of IoE which is more comprehensive.
- The IoT, as part of IoE, has many advantages including access to information anytime, anywhere at real-time, hence, making it convenient for individuals to do their work without physically being present in their office. Human efforts can also be minimized as the devices of IoT interact and communicate (M2M) and complete certain tasks without human interaction. IoT also leads to time and cost saving since data packets can be transferred, at a faster rate, over a connected network. However, IoT has certain disadvantages such as data breach, privacy issues, unemployment, and dependability that can result in indolence.
-

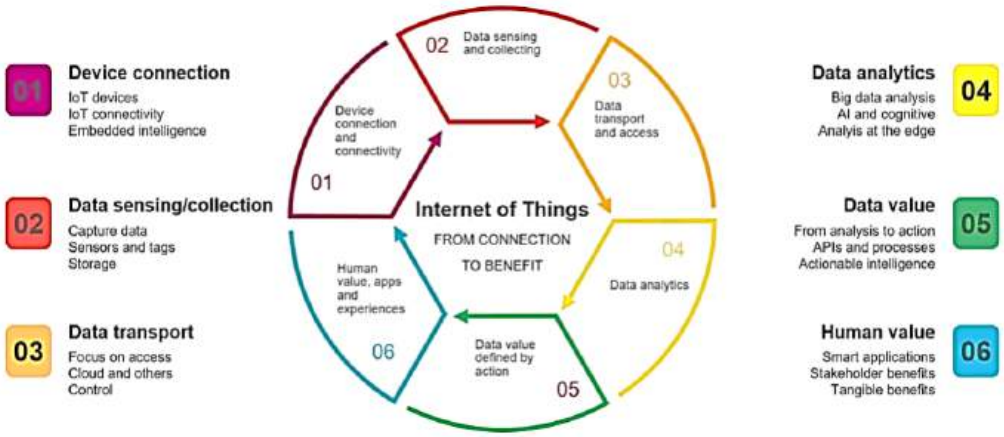


Figure 3. IoT – from connection to benefits
Source: Digital transformation and technologies through the human prism *i-SCOOP*

- Subsequently, IoE technology will enable the use of relevant information to facilitate richer informed decision making, leading towards more effective action taken, thereby providing new capabilities and richer experiences. Devices are furnished with digital features and linked to a shared network of other items/devices, people and processes, in order to generate and exchange valuable data and information, therefore expediting pertinent decision-making (Di Martino, 2018; Sakovich, 2019). Decentralization and leading edge decision making is enabled as data is processed not in a single center, but in numerous distributed nodes. The process of digital transformation leverage on cloud computing, fog computing, Artificial Intelligence (AI), machine learning (ML), IoT, Big Data (BD), Block Chain (BC), and etc.

2.4.2 Interaction between Pillars of IoE

To increase revenue, save costs and improve efficiencies, experiences and create better engagement, industry players and stakeholders need to keep update about the constantly changing business ecosystem. Digital transformation of the ecosystem will enable this to happen, as establishments will be adaptable and adequately agile to tackle the challenges and seize opportunities that is logical and delivers benefits. IoE requires advanced capabilities within the area of information sharing beyond that of IoT. Real-time data, retrieved from diverse and heterogeneous IoE environments, from simple sensors to complex robotic devices, and from autonomous service agents to human actors, will be analysed almost instantaneously (Raj, 2018). AI, incorporated into smart devices,

provides the increasing utilisation of innovative IoE-based applications, where things and people interact applicably, within a social background and multi-user environment (Miraz, 2018). Processes, the core of IoE, represent network "connections" and real-time data/information flows among IoE nodes (Langley, 2021; Miraz, 2018). The results are smart and intelligent insights that are combined in real-time and working in harmony (Masoud, 2019; Vandebroek 2016). IoE is far beyond IoT context disruptions, as it addresses the public and organizational needs for more data and actionable information. Actions and interactions within the IoE environment create and expand knowledge in a transcending process through which the four pillars acquire new knowledge and interfaces, that are generated in knowledge-creation cycles (Nonaka, 2015).

The interactions between the four pillars of IoE are as below:

- People: People gives insights via websites, applications or connected devices they use; AI algorithms and other smart technologies analyze these data to grasp human issues and deliver relevant content accordingly to assist them to quickly solve problems or make decisions.
- Things: Various physical items embedded with sensors and actuators generate data on their status and send it to the needed destination across the network.
- Data: Raw data is summarized, classified and analyzed. Information retrieved is used to control various systems and empower intelligent solutions.
- Processes: Different processes based on artificial intelligence, machine learning, social networks or other technologies ensure that the right information is sent to the right person at the right time

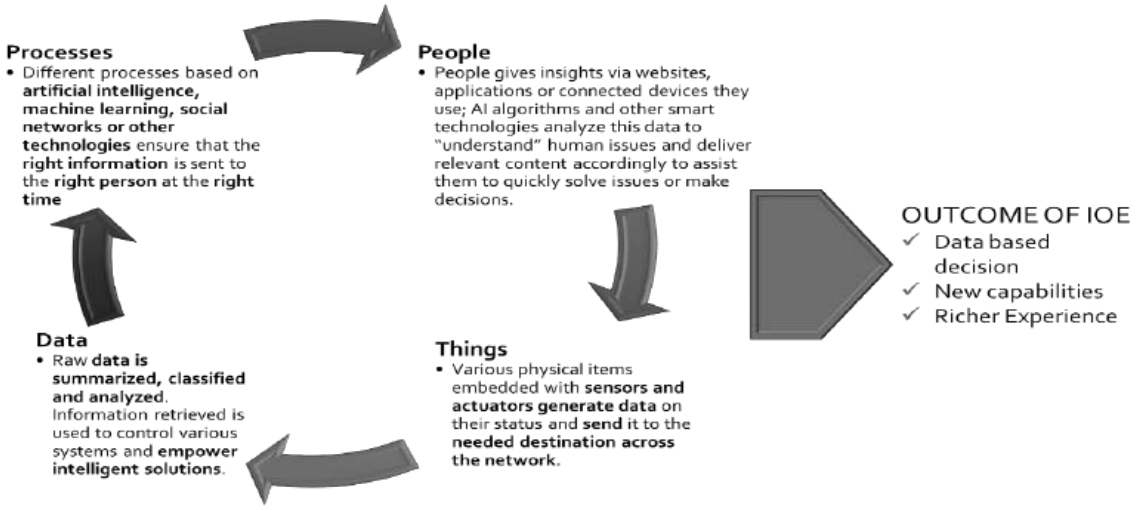


Figure 4. Interaction between Pillars of IoE

3. Discussion

As mentioned in the literature review, the halal ecosystem a dynamic all-encompassing infrastructure, consists of a network of components that are linked in an eternal progressing connection, whereby each component has its own unique activities that are interrelated with each other, creating a constant evolving relationship (Figure 5a). Whilst IoE comprises of people, IoT, data and processes, that are connected to each other seamlessly and combined into a common interrelated system. Each pillar of IoT has its own set of activities where the output (information) is shared back and integrated into the ecosystem to enable decision makers (consumers, producers, supporting agencies) to make better and opportune judgement.

Borrowing from article published by Farias da Costa (2021) Figure 5b illustrate the IoE ecosystem that would be viable to be implemented within the halal ecosystem. Sensors are planted in the devices or machines (manufacturing line, logistics, retailers, computers), and the interconnected world will enable M2M processes to take place. The data generated from M2M process is first stored and secured using blockchain, shared and relayed to a station for analysis using big data analytics and AI technology. The required information is then presented to the industry players (MNCs, LLCs, SMEs and Micro enterprises), agencies (JAKIM, HDCs, MOF, NPRA, MITI and etc.) and also consumers (consumers and users), in a timely manner, who will ultimately use the processed information to make the necessary decision by accessing the internet or app. The processes that have taken place would involve P2P as well as P2M and vice-versa.

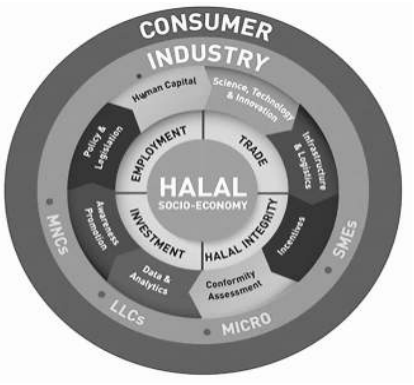


Figure 5a. Halal Ecosystem



Figure 5b. IoE Ecosystem

The prevailing challenges of inconsistencies of halal regulations and transparency, differing halal certification across the globe, coupled with lack of single universal halal certifying body, can partly be resolved with the application of IoE. The interconnectedness provided in real-time, with information securely stored and made available by IoE, will greatly assist stakeholders within the halal ecosystem. Industry players will have almost immediate access to halal/ Shariah compliant resources (information, raw materials, talent, expertise, finance) and be able to make informed decisions to address current and future problems. For example, information with regards to halal compliance of the resources they need, such as halal certification verification, can easily be recovered, or information on halal export requirements of importing country is easily accessible. Actors within the halal supply chain will also have an added advantage in that timely relevant information are conveyed to them and assist them to strategise accordingly thereby avoid disrupting the supply chain; saving time and costs. Consumers and end users can also obtain accurate information of the halal product they would like to purchase as they are assured of the halal integrity of the said product, in that way effectively influencing consumers' behaviour in a positive manner. This added assurance will bode well for halal companies and assist them in increasing customer loyalty and company's brand value.

4. Conclusion and Implications

Once a disregarded sector, the halal industry is now recognized globally as one of the most competitive and fast-moving sectors in the world with much unrealized growth potential. There is also a rising appreciation internationally, that halal is aligned with SDG 8 and 12, and a new paradigm solution to global issues such as food safety, environmental awareness, economic sustainability and animal welfare.

However, the halal industry which is heavily reliant on an uninterrupted halal supply chain, is plagued by issues pertaining to preserving halal integrity throughout the supply chain and logistics management, in addition to the lack of standardised halal standard and global halal certification body. The stated challenges have continued to hamper the expansion of domestic halal industries beyond national borders.

The application of Internet of Everything (IoE) to the halal ecosystem may provide such a solution. The halal ecosystem also consists of the same elements as that of IoE which is things (devices/equipment/machines), people (industry players, governing agencies, consumers, end-users), processes (logistics, production, transactions, communications, marketing) and data (halal standards, import/export requirements, suppliers, ingredients, etc.).

The pandemic and other world crisis has not only accelerated digital transformation but revealed that all stakeholders are willing to adopt it, as it became a necessity for continued trade and transaction, seeing that it provides a means for communications, interconnectedness and accessibility. Many businesses had even resorted to investing more into transforming their business activities digitally in order to not only deliver an uninterrupted supply of product to the users but to continue remaining relevant in the industry. In fact, some business sectors (food and beverage, cosmetics, pharmaceuticals) have already implemented IoE up to a certain degree. The same can thus be used for the halal industry if it wants to continue to expand and avoid major disruptions. The capacity and capability of having IoE implemented into the halal ecosystem will be invaluable and future proof the halal industry, though much work needs to be undertaken by the various stakeholders to ensure the viability, sustainability and expansion of the halal industry.

Regardless of the future, we need to be mindful that like any other technology, including the initial humble beginnings of the Internet, IoE is yet another enabler. Though there remain numerous possibilities, options and clear value propositions, its use for business and in society in general, should take several aspects into consideration. Issues such as security, privacy, cost, and access to proper infrastructure must also be addressed to avoid stolen data and incorrect information and even identity thefts from occurring.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022
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The Comprehensive Mapping of Islamic Tourism in The Last 10 Years

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Abstract

This study aims to view and study related to halal tourism in the last 10 years using previous articles. 29 articles on the journal-specific scopus database were reviewed using the structured literature review method. By using a bibliometric and narative approach to literature, this research focuses on the number of documents per year, journals, publishers, authors, and article citations. The results showed an increase in the number of studies on halal tourism, the Journal of Islamic Marketing as the top journal, Routledge as the top publisher, followed by Elsevier and Emerald. Battour M and Han H et al as top authors who have focused on studying this field. And interestingly, halal tourism study articles have received significant citations. It was noted that the top 7 articles received citations of more than 100 citations. Although research in the field of Islamic tourism has grown with an increasing trend, researchers have not conducted enough studies on this topic, especially in the last 10 years.

Keywords: Islamic Tourism; Halal Tourism; Content analysis

1. Introduction

The tourism industry has grown rapidly over the past few decades, and has proven to be one of the most popular and promising industries globally (Ho et al., 2009; Shi et al., 2017; Zhao, 2018), and is one of the important sectors and is recognized as a driver of economic growth, even more so with the emergence of halal and Islamic tourism as a new tourism business idea around the world (Prayag, 2020). Halal tourism is a relatively new term in the academic literature, this is indicated by the first paper on this topic appearing in 2010 (Battour et al., 2010). In previous studies, "Islamic tourism" was the most widely used term in various studies (Henderson, 2009). The definition of Islamic tourism refers to travel undertaken for religious purposes and pilgrimages, which are associated with acts of faith related to the Islamic religion (El-Gohary, 2016). A prime example is the pilgrimage to Mecca. And currently halal tourism is a growing segment and has interesting potential (Vargas-Sánchez & Moral-Moral, 2018). In addition, the encouragement in Islam travel is carried out to be grateful for the majesty and glorify Allah (Boğan, 2020). In line with the above halal or Islamic tourism has become a topic of great interest in recent years, with studies conducted in the United States, Malaysia, Indonesia, Turkey, Iran, Saudi Arabia and Japan among other countries and contexts (Suban et al., 2021). The Global Muslim Travel Index (2019) reports that the Muslim travel sector is expected to contribute US$300 billion to the world economy by 2026 with more than 230 million Muslim travelers expected to embark on local and international travel by 2026.

2. Contribution of Islamic Tourism

This clearly shows that the Muslim tourist market will make a significant contribution to the local and international tourism market. And in line with what Haq and Wong (2010) stated, this Islamic tourism will have an impact on goals, economy, socio-culture and religion. Although research in the field of Islamic tourism is growing with an increasing trend, researchers have not conducted sufficient studies on this topic (Yagmur et al., 2019). and is a young field and still lacking in the field of academic research (Vargas-Sánchez & Moral-Moral, 2018). Through comprehensive mapping on the data of the last 10 years, it is possible to spread positive news for prospective researchers related to sharia tourism in the future and for countries that will develop sharia tourism.

3. Literature Review

A study on Islamic/halal tourism was conducted in 2004 (Al-Hamarneh & Steiner, 2004) which was linked to the attacks on September 11, 2001 in the USA. Furthermore, studies on Islamic/halal continue to emerge and develop to this day. The term n various countries (geographical scope) which includes Malaysia, Singapore, Japan, Middle Eastern, Australia, India, Taiwan, Thailand, Turkey, USA, and New Zealand and develop by linking it with terms and conditions. the halal, hospitality, management, trending, religious, Muslim friendly, Muslim, supplier, development, OIC, Islamic Pilgrimage, and volunteer segments, and have had an impact on the economy, socio-cultural and environmental (Rasul, 2019). The explanation above shows that studies in this field have been carried out not only in Muslim countries but also in non-Muslim countries. Halal tourism is a new product in the tourism industry, and allows for improvements in this market segment (Chandra, 2014). Several Muslim and non-Muslim countries have started to apply the concept of halal tourism as a new tourism product to increase the number of tourists (Yagmur et al., 2019). Previous research has also examined halal tourism through review studies Vargas-Sánchez & Moral-Moral (2018) has studied the state of the art halal tourism. Next Vargas-Sánchez & Moral-Moral (2019) has also discussed halal tourism based on the views of experts. Sofyan et al (2022) reviewing crisis and disaster management for halal tourism through systematic reviews. Rasul (2019), Halal tourism trends, opportunities and challenges. Boğan & Sarıışık (2018), Conceptual and practical challenges in halal tourism. Halal tourism trend today : study in Asian countries (Samori et al., 2016). Review Islamic tourism (Henderson, 2009), dan Halal food, certification and Halal tourism associated with halal food and certification in Malaysia and Singapore (Henderson, 2016). Religious tourism (Rashid, 2018). Halal and Islamic tourism (Suban et al., 2021). Halal tourism (Mohsin et al., 2016). Evaluation halal turism (Yagmur et al., 2019). Halalification turism (Khan & Callanan, 2017).

4. Methodology

We collected articles for analysis in this study using the keyword "halal tourism" using data from the Scopus database for special journals. From the initial search results obtained 70 articles. The systematic review mechanism in data collection can be seen in Figure 1 below.

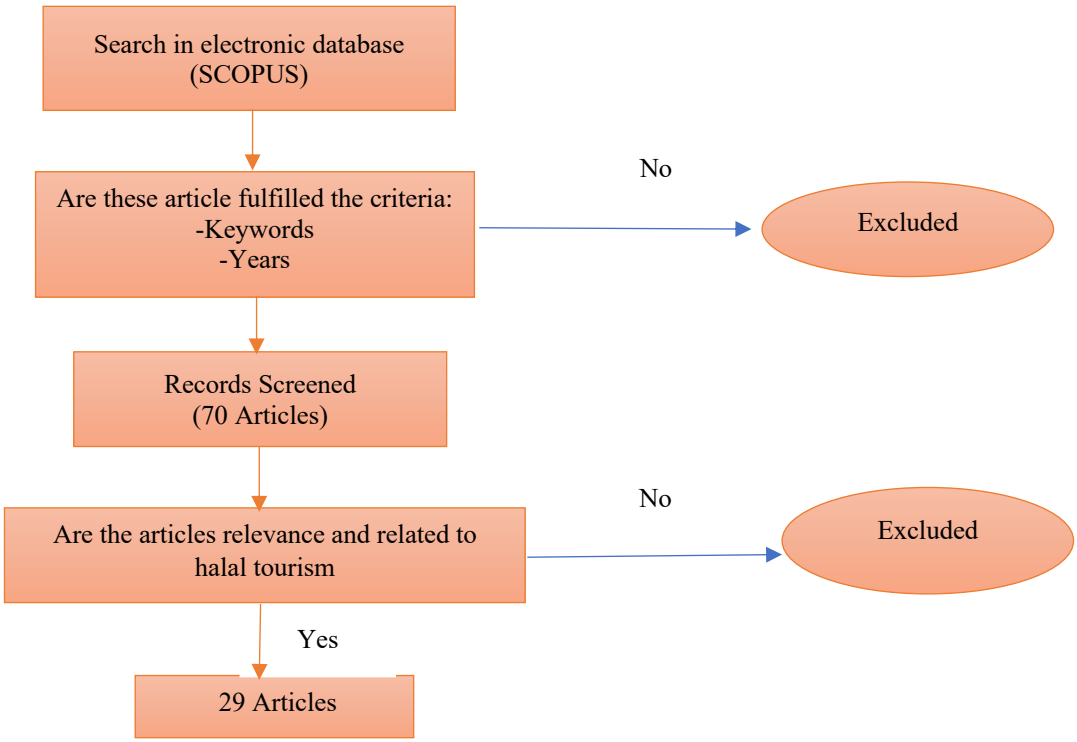


Figure 1. Data collection mechanism.

5. Result and Discussion

5.1 Publication Output, Journal, and Publisher

From 29 articles reviewed, research that examines halal tourism continues to be carried out to this day. From the table, it can be seen that 2022 and 2019 are the years with the highest number of articles, namely 5 articles (34.48%), and 4 articles in 2021 (13.79%), respectively. The number of articles published each year can be seen in Table 1.

Tabel 1. The number of documents.

Year	No. of studies
2003	1
2009	1
2010	2
2011	1
2012	1
2014	1
2015	3
2016	1
2017	1
2018	1
2019	5
2020	2
2021	4
2022	5
Total	**29**

Table 2 shows journals that have published halal tourism articles. Journal of Marketing Islamic is the most published journal with 4 articles (13.79%), followed by Current Issues in Tourism, International Journal of Tourism Research, Journal of Travel Research, Tourism Management 3 articles each (41.38%), followed by other journals that can be seen in Table 2.

Tabel 2. The most dominant journals.

Journal	No. of studies
Journal of Islamic Marketing	4
Current Issues in Tourism	3
International Journal of Tourism Research	3
Journal of Travel Research	3
Tourism Management	3
International Journal of Environmental Research and Public Health	2
Journal of Travel and Tourism Marketing	2
Sustainability (Switzerland)	2
Tourism Recreation Research	2
Journal of Destination Marketing and Management	1
Journal of Hospitality and Tourism Management	1
Journal of Hospitality Marketing and Management	1
Tourism Analysis	1
Tourism and Hospitality Research	1
Total	**29**

Table 3 shows the publisher published in this study. Routledge is the publisher that publishes the most studies on halal tourism with 6 articles (20.69%), then Elsevier with 5 articles (17.24%), Emerald with 4 articles (13.79%), and followed by other publishers.

Tabel 3. The most dominant publisher.

Publisher	No. of studies
Elsevier	5
Emerald	4
John Wiley and Sons	1
MDPI	2
MDPI AG	2
Routledge	6
SAGE	3
Springer	1
Taylor and Francis	2
Others	3
Total	**29**

5.2 Authors, and Cited Documents

Battour, M is the most productive author in studying studies in this field with a total of 8 articles (27.59%), then Han H. et al with 6 articles (20.69%), and followed by other researchers. The authors and the number of articles written can be seen in Table 4.

Tabel 4. The most dominant authors.

Author	No. of studies
Al-Ansi A et al	3
Battour M	8
Chua B.-L. et al	1
Eid R.	4
Han H. et al	6
Henderson J.C.	4
Jeaheng Y	2
Zamani-Farahani H	1
Total	**29**

Table 5 shows the number of citations for each article in this study. It was recorded that 7 articles received citations of more than 100 citations, with "Islamic tourism and managing tourism development in Islamic societies: The cases of Iran and Saudi Arabia" as the article that received the most citations, namely 207 citations.

Tabel 5. Top 10 cited documents.

No	Title	Cited
1	Islamic tourism and managing tourism development in islamic societies: The cases of Iran and Saudi Arabia	207
2	The role of Islamic religiosity on the relationship between perceived value and tourist satisfaction	182
3	Managing tourism and Islam in Peninsular Malaysia	160
4	The impact of destination attributes on Muslim tourist's choice	142
5	Integrating Muslim Customer Perceived Value, Satisfaction, Loyalty and Retention in the Tourism Industry: An empirical study	116
6	Sharia-Compliant Hotels	116
7	Exploring halal-friendly destination attributes in South Korea: Perceptions and behaviors of Muslim travelers toward a non-Muslim destination	103
8	Muslim Tourist Perceived Value in the Hospitality and Tourism Industry	95
9	Islamic tourism: an empirical examination of travel motivation and satisfaction in Malaysia	92
10	Role of halal-friendly destination performances, value, satisfaction, and trust in generating destination image and loyalty	82

This study has examined halal tourism in 5 groups, namely Publication Output, Journal, Publisher, Authors, and Cited Documents. Studies on halal tourism are conducted every year with the highest number of documents in 2022 as many as 6 articles. Furthermore, from the journal group as many as 14 journals have been pleased to publish articles with "Journal of Islamic Marketing" as the top journal journal. For the publisher group, it appears that a number of large publishers have been listed in this study with Routledge, Elsevier and Emerald as the top publishers respectively. This study shows a number of authors have contributed and ranks Battour M as the most prolific writer with 8 articles. In terms of citations, it can be seen that 7 articles have been cited with the number of citations being more than 100 citations. This shows the great interest of researchers in studying halal tourism.

6. Conclusion

Halal tourism studies are predicted to increase, this is shown in 2022 there will be an increase in studies from the previous year. This increase is also in line with the number of citations from published articles, where 7 articles have been cited more than 100 citations. Battour M, Han H. et al, Henderson J.C, Eid R, Al-Ansi A et al are the authors who have focused on studying halal tourism, with Battour M as the most productive author. Furthermore, in this study Routledge and the Journal of Islamic Marketing as the top publisher and top journal.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Development of Halal Food in Muslim Minority Countries

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Abstract

This study aims to explore the development of halal food in Muslim minority countries in the last 5 years. A total of 29 articles on the Scopus database published from 2018 to 2022 were investigated using the structured literature review method includes bibliometric approach to explore information about articles per year, journals, publishers, authors, citation documents, and countries. The results revealed a downward trend in the development of halal food studies in Muslim minority countries, the Journal of Islamic Marketing and Emerald as the top journal and publisher, Bashir A. M. is the most productive author with 2 articles have received citations of more than 40 citations, and as many as 14 Muslim minority countries have concerns on halal food by placing South Africa followed by Spain, Thailand and Japan were the top countries in the number of studies. Although research on halal food has developed extensively, however, there is no specific study focus on halal food in Muslim minority countries.

Keywords: Halal food; Halal industry; Minority countries; Systematic review

1. Introduction

The awareness and development of halal market has increased over the past few years through efforts initiated by scholars and business policymakers (Jafari & Scott, 2014), while currently the interest in halal market has gone global (Al-Ansi et al., 2019). It means, the halal business has grown in many countries in the world. Studies on halal have been widely carried out which are associated with the topics of food, Malaysia, certification, Islam, market, attitude, consumer behavior, religiosity, purchase intention (Secinaro & Calandra, 2020). The halal market is not related to food sector but also pharmaceuticals, cosmetics, tourism, media, recreation which discussed across disciplines such as logistics, marketing, branding and financing (Naeem et al., 2019). However, in this study the authors focus on halal food. The halal food market is a huge and become rapidly promising business (Iranmanesh et al., 2021). Muslims around the world have special requirements when consuming food and beverages (Susanty et al., 2022). It is stated in the Qur'anic verse of Al-Baqarah 172 that every Muslims should consume halal

food/drinks and avoid haram (prohibited) things. These clearly confirmed that no other options for every Muslim except consuming halal food.

Moreover, the link between food and religion is inseparable (Feeley-Harnik, 1995), and food plays an important role in consumer life (Naeem et al., 2019). According to a report by Dinar Standard (2020), the food and beverage (F&B) market for halal goods is valued at $1.4 billion and is expected to grow by 6.9% by 2023. The halal food market is dominating the world food market, as Muslims need to consume halal food, regardless of whether they live in the social order of the Muslim majority or minority (Razzaque & Chaudhry, 2013). Despite this rapid growth, Haleem et al. (2020) found that research on halal economics is not sufficient. Research on halal food has been widely carried out in Muslim-majority countries such as Malaysia, Indonesia, Pakistan with a total of 217 articles and has also been carried out in Muslim minority countries such as the United Kingdom, China, Australia, United States of America, Brazil, and Japan (Secinaro & Calandra, 2020). However, it has not been found out how is the development of halal food in Muslim minority countries. Muslims in minority countries also feel it is important to know about halal food.

1.1 Reasons for research in minority countries

This is in accordance with religious orders and provides health benefits. Therefore, this study will explore the development of halal food in Muslim minority countries specifically in the last 5 years. Muslims in minority countries also feel it is important to know about halal food. This is in accordance with religious teachings and provides health benefits.

2. Literature review

The study of halal food has appeared in 2003 which began with a discussion about halal and halal food laws in the food industry in the United State (Regenstein et al., 2003), and also a book that discusses halal food production (Riaz & Chaudry, 2003). The State of the Global Islamic Economy Report (Reuters & Standard, 2014) reports that the halal food market is one of the largest consumer markets in the world. This is also stated in the reports that Muslim communities spend 16.6 percent of total global food expenditure, indicating that the halal food market is one of the largest food markets in the world (Ab Talib et al., 2016). The emergence of halal food in the global market is closely related to the growth of the global Muslim population (Abdul-Talib & Abd-Razak, 2013; Lever & Miele, 2012; Regenstein et al., 2003), which is predicted to experience a population increase of 35 percent, from 1.6 billion in 2010 to 2.2 billion by 2030 (Center, 2011). The growth of the halal food market is also supported by wide acceptance among non-Muslim consumers who consider halal food to be a safe, hygienic, quality, and healthy product (Aziz & Chok, 2013; Rezai et al., 2012). This is supported by previous studies that have shown significant growth in halal food markets in various non-Muslim countries in Europe, South America, Africa, North America, Oceania, and Asia Pacific countries (Job, 2015; Iranmanesh et al., 2021; Kabir, 2015; Lever & Miele, 2012; Sherwani et al., 2018). Studies in the field of halal food have now been widely associated with, halal certification, Islam, halal market, attitude, consumer behavior, religiosity, purchase intention (Secinaro & Calandra, 2020).

3. Methodology

Data collection began with searching using the keyword "halal food", in the title and keyword in the Scopus database from 2018 - 2022 which was utilized in journals, and obtained 89 articles. The database in Scopus includes most of the journals indexed in WoS (Mongeon & Paul-Hus, 2016). Furthermore, the search is specific to relevance, linkages with halal food in Muslim minority countries, reading abstracts and conclusions, obtained 29 articles. The authors used conceptual analysis and bibliometric analysis to obtain solid and robust results (Della Corte et al., 2018), and narrative literature. The investigation proceeds to analyze documents per year, journals, publishers, authors, citations of documents and countries. The data collection mechanism can be seen in Figure 1 below.

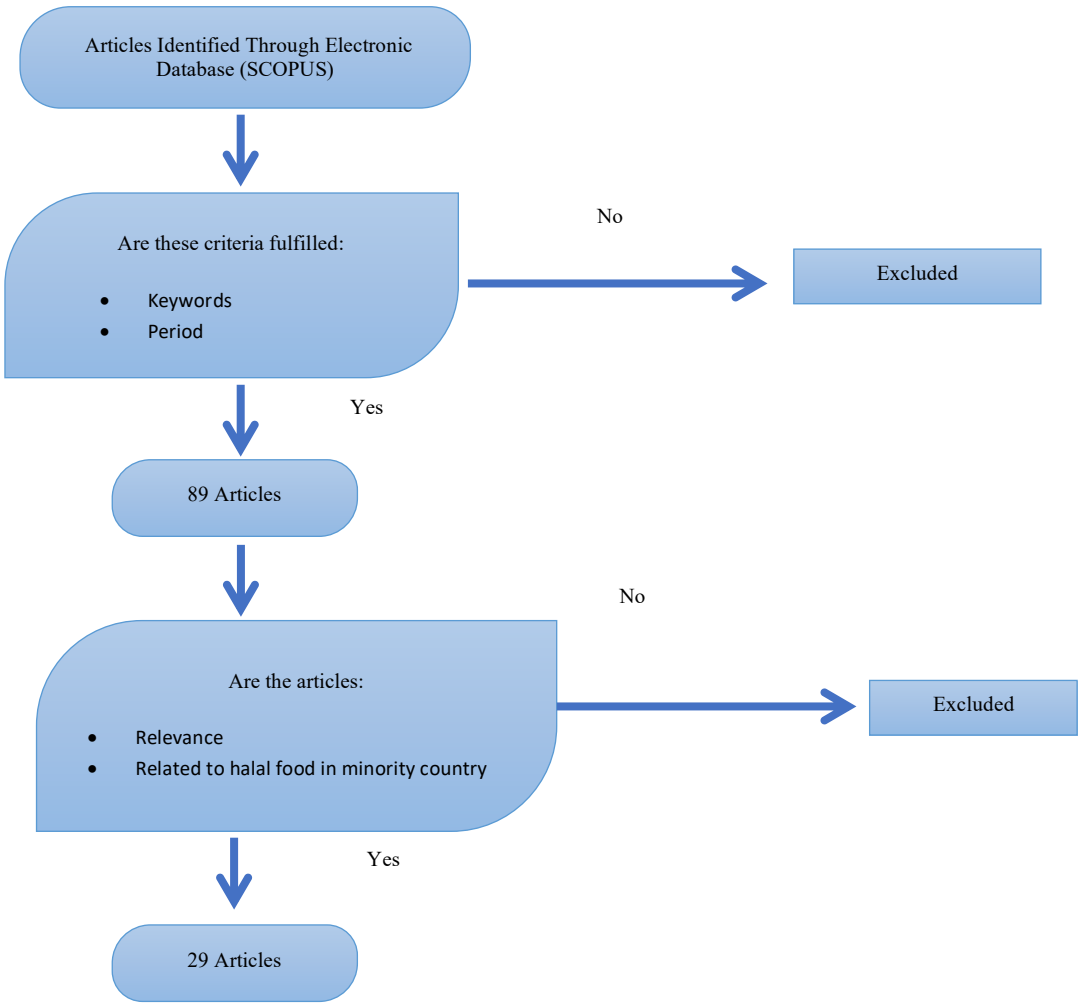


Figure 1. Data collection mechanism.

4. Result

There are 29 articles devoted to halal food in Muslim minority countries. The distribution of article publications from 2018-2022 is shown in table 1. The most publications were carried out in 2019 with 10 articles (34.48%), followed by 2018 with 6 articles (20.68%), in 2020 and 2021 with 5 articles each (34.48%), and in 2022 with 3 articles (10.34%).

Table 1. The number of documents on halal food in Muslim minority countries.

Year	No. of studies
2022	3
2021	5
2020	5
2019	10
2018	6
Total	29

Furthermore, of the 29 articles published from 2018-2022, as many as 10 articles (34.48%) were published in the Journal of Islamic Marketing, then the Journal of Food Product Marketing as many as 3 articles (10.34%), the British Food Journal and the International Food and Agribusiness Management Review were 2 articles each (13.79 %), and the remaining 12 journals were 1 article each (41.38 %). The distribution of the number of articles published in the journal is shown in Table 2

Table 2. Distribution of journal publication.

Journal	No. of studies
Journal of Islamic Marketing	10
Journal of Food Products Marketing	3
British Food Journal	2
International Food and Agribusiness Management Review	2
Journal of Strategic Marketing	1
Journal of Travel and Tourism Marketing	1
RAE Revista de Administracao de Empresas	1
Transportation Research Part E: Logistics and Transportation Review	1
Journal of Hospitality and Tourism Education	1
International Journal on Food System Dynamics	1
International Journal of Procurement Management	1
International Journal of Consumer Studies	1
Current Issues in Tourism	1
Corporate Social Responsibility and Environmental Management	1
African Journal of Hospitality, Tourism and Leisure	1
African Journal of Business and Economic Research	1
Total	29

Furthermore, of the 29 articles selected, 12 articles (41.38%) were published by Emerald publishing, 5 articles were published by Routledge (17.24%), 2 articles each by Taylor and Francis and the International Food and Agribusiness Management Association (13.79%), and the remaining 1 (27.59%), and the publisher distribution of 29 articles can be seen in Table 3.

Table 3. The distibution of number of studies in publisher.

Publisher	No. of studies
Emerald	12
Routledge	5
Taylor and Francis	2
International Food and Agribusiness Management Association	2
Adonis & Abbey	1
Africa Journals	1
John Wiley and Sons	1
Willey-Blackwell	1
Inderscience	1
CENTMA Research	1
Fundacao Getulio Vargas	1
Elsevier	1
Total	29

The number of authors who study halal food in Muslim minority countries can be seen in Table 4 below.

Table 4. The most dominant authors.

Author	No. of studies
Bashir, A.M.	5
Wilkins, S	2
Pradana, M.	2
Bhoola, S.	1
De Boni, A	1
Firdaus, F.S	1
Fuseini, A	1
Ijaz, A.	1
Jeaheng, Y.	1
Kawata, Y	1
Kwag, S.I.	1
Meixner, O.	1
Mumuni, A.G	1
Riesz, L.	1
Roberts-Lombard	1
Secinaro, S	1
Stepman, E.	1
Syukur, M	1
Takeshita, S.	1
Wannasupchue, W	1
Yang, S.-H.	1
Yazawa, A.	1
Zulfakar, M.H	1

From Table 4, it can be seen that Bashir, A. M. is an author who writes a lot of halal food in Muslim minority countries with 5 articles (17.24%), followed by Wilkin, S. and Pradana, M. with 2 articles each (13.79%), and other authors with 1 article each (68.96%). The distribution of authors is shown in Table 4.

Table 5. Top 10 cited documents.

No	Title	Cited
1	Factors affecting consumers' intention towards purchasing halal food in South Africa: a structural equation modelling	61
2	Halal-friendly hotels: impact of halal-friendly attributes on guest purchase behaviors in the Thailand hotel industry	41
3	Institutional forces on Australian halal meat supply chain (AHMSC) operations	28
4	The acceptance of halal food in non-Muslim countries: Effects of religious identity, national identification, consumer ethnocentrism and consumer cosmopolitanism	26
5	Effect of halal awareness, halal logo and attitude on foreign consumers' purchase intention	22
6	Non-Muslims' acceptance of imported products with halal logo: A case study of Malaysia and Japan	17
7	Religious identity, community and religious minorities' search efforts for religiously sanctioned food: The case of halal food in non-Muslim majority markets	17
8	Italian halal food market development: drivers and obstacles from experts' opinions	10
9	Product standardisation in the food service industry: post-purchase attitudes and repurchase intentions of non-Muslims after consuming halal food	9
10	An explorative study with reference to Cape Town of South Africa	8

Table 5 shows the number of citations from halal food articles in Muslim minority countries. An article entitled: "Factors affecting consumers' intention towards purchasing halal food in South Africa: a structural equation modeling" is the article with the highest number of citations at 61 citations. The distribution of the number of citations from 30 articles of each can be seen in Table 5.

Halal food studies in Muslim minority countries have expanded in 14 countries. South Africa is the top halal food in Muslim minority countries with 6 articles (20.69%), followed by Spain, Thailand and Japan with 3 articles each (31.03%). Furthermore, the distribution of halal food studies in Muslim minority countries can be seen in Table 6

Table 6. Muslim minority countries.

Country	No. of studies
South Africa	6
Spanyol	3
Thailand	3
Japan	3
United Kingdom	2
Italia	2
Canada, Spain and the United Kingdom	2
South Korea	2
Australia	1
Austria	1
America	1
Belgium	1
France	1
Taiwan	1
Total	29

5. Discussion and Conclusion

From the results of the review, it can be seen that 2019 was the year of the most articles studying halal food in Muslim minority countries (10 articles), although there was a decrease in the number of articles in the following year, researchers still pay attention and concern in the development of halal food, especially in Muslim minority countries. The results of the study have also placed the Journal of Islamic Marketing as the top one journal out of 16 journals that contributed. Furthermore, based on data obtained by Emerald, it is the top publisher in the distribution publisher with a total of 12 articles. Bashir, A.M is the most prolific author in the development of halal food in minority countries with a total of 5 articles. Articles with the title "Factors affecting consumers' intention towards purchasing halal food in South Africa: a structural equation modeling" and "Halal-friendly hotels: impact of halal-friendly attributes on guest purchase behaviors in the Thailand hotel industry" were the articles that received the most citations, namely 61 and 41 citations. There are 14 Muslim minority countries that also study halal food by placing South Africa followed by Spain, Thailand and Japan as the top countries in the number of studies.

In this study, researchers used bibliometric methods and literature review to study the development of halal food in Muslim minority countries. A number of identifications were carried out related to the number of documents per year, the most journals, publishers, productive authors and the number of citations from articles in

the period 2018 to 2022 in the 30 documents /articles collected. Several important points have been obtained from this study. The number of documents per year, although it has decreased, researchers have shown concern and concern in the development of halal food in Muslim minority countries. 16 reputable journals are recorded to have contributed by placing the Journal of Islamic Marketing as the top journal. 12 publishers are known to have supported the development with Emerald and Routledge occupying the top position, there is an author (Bashir, A.M) who is very prolific, and the published articles have received significant citations from researchers. A total of 14 Muslim minority countries have been concerned with halal food by placing South Africa followed by Spain, Thailand and Japan as the top countries in the number of studies.

It is hoped that further research can explore related to halal food or the halal food segment that has been carried out in minority countries. It is necessary to add the VOSviewer software application to obtain additional more complex data related to halal food in the minority country.

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Consumer Purchase Intention of Halal Cosmetic: A Systematic Literature Review

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Abstract

This study aims to examine relevant research on consumer purchases in halal cosmetics. A total of 18 studies relating to top-level journals have been identified by the recommended method of systematic literature review. Bibliometric and narrative literature approaches are used to explore information related to the number of documents per year, publishers, journals, theories, methods, countries, institutions and antecedent of purchase intention. The results showed a downward trend in the number of studies in the field of consumer purchases in halal cosmetics. Emerald and the Journal of Islamic Marketing are top publishers and journals. Theory of reasoned action and Theory of planned behavior are theories that are still predominantly used. SEM-AMOS and PLS-SEM are widely used analytical tools. Malaysia and Indonesia still occupy the top positions in this study. Furthermore, a number of institutions have contributed to this study, and interestingly in this study it was found that several institutions from Muslim minority countries have taken part, namely India, China and Canada. Apart from the importance of the halal cosmetics market for producers and consumers, in the existing literature there is little research on halal cosmetic products.

Keywords: Quantitative; Halal Cosmetics; Literature review

1. Introduction

The word halal comes from Arabic which means 'allowed', while the word haram, means forbidden or unlawful (Alam & Sayuti, 2011; Wilson & Liu, 2010). The word halal has been associated with many segments in various research articles. The rapidly growing popularity of halal today is inseparable from the religious spirit and the belief that halal is cleaner, healthier and tastier (Al-Harran & Low, 2008). The Halal study is not only focused on food but extends to all consumptions, such as toiletries, pharmaceuticals, cosmetics and services including finance, investment, and business (Abd Rahman et al., 2015).

In this study, authors focused on cosmetic halal. The cosmetics and personal care sector has emerged as one of the most prominent and fastest growing markets (Abd Rahman et al., 2015). Awareness of the importance of halal medicines and cosmetic products has increased the demand of 2.4 billion Muslim consumers' worldwide

(Sugibayashi et al., 2019). According to a report by Thomson Reuters (2019), the halal cosmetics industry sector has the highest growth opportunity of 6.8% when compared to other halal industry sectors in 2024. Furthermore, the global halal market is expected to expand at a compound annual growth rate of 6.8% until 2024 (Trent, 2019).

Besides the large Muslim population that shows high loyalty to halal products, it turns out that halal cosmetics bring a wider market appeal among non-Muslim consumers, who associate halal cosmetics with ethical consumerism and stricter quality assurance standards (Sugibayashi et al., 2019). In addition, for non-Muslims, halalness can be a bridge in terms of suitability and quality received in trade transactions with Muslims (Hashim & Mat Hashim, 2013; Yusuf et al., 2017).

Despite the importance of the halal cosmetics market for producers and consumers, the existing literature focuses on halal food products, and there is little research on halal cosmetic products (Ireland & Rajabzadeh, 2011; Mukhtar & Butt, 2012; Teng & Jusoh, 2013). Muslim consumers around the world today are increasingly emphasizing Islamic 'sensitivity', including sensitivity in the cosmetic products market (Aoun & Tournois, 2015). Sensitivity here emphasizes about buying. According to Ajzen and Fishbein (1980) intention is considered an important factor in the relationship between attitude and behavior. Purchase intention is the consumer's thoughts, desires, and interests in a product that will lead to the act of purchasing an informed product (Belch & Belch, 2014). In research studies that examine the relationship between halal cosmetic and purchase intention/consumer purchases have been carried out before, but still few. Therefore, this study will examine the halal cosmetic associated with consumer purchase.

2. Literature Review

Halal cosmetic products are an innovation and revolution in the cosmetics industry, because they are characterized by high quality, follow halal compliance and meet strict scientific guidelines (Khan et al., 2020). Cosmetic and personal care products have emerged as the leading and fastest growing segment today (Shahid et al., 2018). This development is in line with the large Muslim population with the emergence of awareness of halal products, plus the interest in the use of halal cosmetics from non-Muslims who use the reasons of safety, cleanliness and quality of halal products. Researchers also take part in promoting and reviewing halal products and the reasons for using/purchasing halal products. This huge market opportunity allows both Muslim and non-Muslim consumers to purchase halal cosmetic products. Purchasing behavior according to Haque (2018) is defined as the power of consumers to make decisions in purchasing any product and service available in the market.

Understanding the behavior of buyers, especially halal cosmetic products, can help managers in making decisions and increasing company sales. Studies on halal cosmetics have been carried out in the last 10 years, both through qualitative and quantitative approaches. Studies with a qualitative approach have been carried out (Annabi & Ibidapo-Obe, 2017; Aoun & Tournois, 2015; Hashim & Mat Hashim, 2013; Herjanto et al., 2022; Shahid et al., 2018; Sugibayashi et al., 2019), studies with a quantitative approach have been carried out (Abd Rahman et al., 2015; Briliana & Mursito, 2017; Handriana et al., 2020; Haque et al., 2018; Isaac et al., 2019; Khan et al., 2020), however, the studies carried out are widely associated with purchase intentions, while purchasing decisions are still few. In a quantitative approach, a study conducted by Herjanto et al (2022) was found which conducted an analysis with a systematic review that examined halal cosmetic consumption with data taken from 2010-2021, the results of their research mapped antesedents, best authors, publications, affiliation, country, theory, contexts and methods.

3. Methodology

This section presents the steps and procedures for conducting a systematic literature review. We started the process by analyzing all the literature on intention to buy halal cosmetics. After the relevant articles are analyzed according to predetermined criteria, then the literature is summarized and concluded. The methodology applied is in accordance with the method developed by Fauzi (2022). However, considering the number of articles selected as many as 18 articles, the authors conduct a critical study in this case which includes information related to the number of documents per year, publishers, journals, theories, methods, countries, institutions and factors that become antecedents of purchase intention. The next stage of the data collection process can be seen in Figure 1.

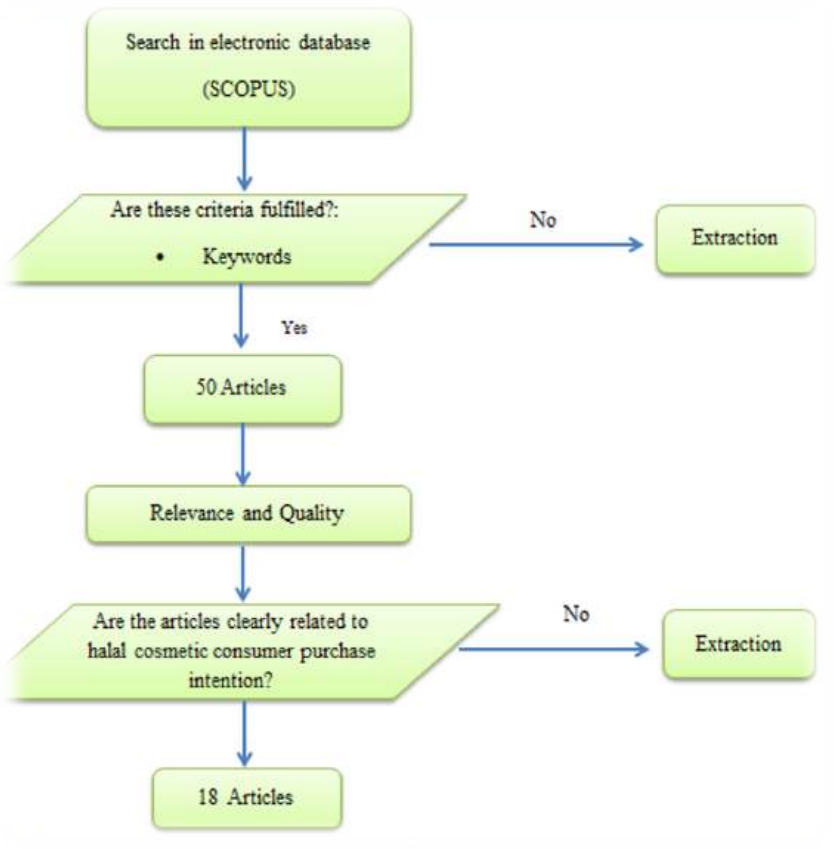


Figure 1. Data collection mechanism.

4. Result

4.1 Publication Output, Publisher and Journals

In this study, there are 18 articles that discuss Consumer Purchase of Halal Cosmetic. The distribution of articles on each year is shown in Table 1. 2021 was a productive year for authors with 6 articles (33.33%), followed by 2020 with 4 articles (22.22%), and in 2018 with 2 articles (11.11%). The number of articles per year can be seen in Table 1.

Table 1. The number of documents consumer purchase of halal cosmetic.

Years	No. of Studies
2013	1
2015	1
2016	1
2017	1
2018	2
2019	1
2020	4
2021	6
2022	1
Total	**18**

From 18 articles discussing Consumer Purchase of Halal Cosmetic, it is known that Emerald is the top one of publishers with a total of 11 articles (61.11%), the distribution of publishers is shown in Table 2.

Table 2. The most dominant publisher.

Publisher	No. of Studies
Emerald	11
Growing Science	1
Kolej University Islam Sultan Azlan Shah	1
Korea Distribution Science Association (KODISA)	1
MDPI AG	1
National Cheng Kung University	1
University of Tehran, College of Farabi	1
Others	1
Total	**18**

From 18 articles, the Journal of Islamic Marketing is the top journal that publishes 10 articles (55.55%), then the distribution of publication journals is shown in Table 3.

Table 3. The most dominant publication of journals.

Publisher	No. of Studies
Journal of Islamic Marketing	10
Asia Pacific Management Review	1
Cosmetics	1
Global Journal Al-Thaqafah	1
Iranian journal of Management Studies	1
Journal of Asian Finance, Economics and Business	1
Management Science Letters	1
Measuring Business Excellence	1
Pertanika Journal of Social Science and Humanities	1
Total	**18**

4.2 Theory, Method, Countries, and Institutions

Theory of reasoned action is a theory that is widely used in this study with a total of 7 articles (38.89%), then the theory of planned behavior as many as 5 articles (27.78%), then the distribution of theories in this study is shown in Table 4.

Table 4. Theories of studies.

Theory	No. of Studies
Theory of reasoned action	7
Theory of planned behaviour	5
SOR model	1
ELM Theory	1
Diffusion of innovation theory	1
RBV Theory	1
Not specified	2
Total	**18**

SEM-AMOS is an analytical method that is widely used in this study with the number of articles using it as many as 8 articles (44.44%), followed by PLS-SEM analysis as many as 5 articles (27.78%), the distribution of analysis used is shown in Table 5.

Table 5. Methods of studies.

Method	No. of Studies
PLS-SEM	5
SEM-AMOS	8
SMART-PLS	1
Others	4
Total	**18**

In Table 6, it can be seen that Malaysia is the first-ranked country in studying Consumer Purchase of Halal Cosmetic with 8 articles (44.44%), Indonesia in second place with 6 articles (33.33%), then India with 3 articles (16.67%), and Pakistan with 1 article (5.55%).

Table 6. Countries of consumer purchase of halal cosmetic.

Country	No. of Studies
Malaysia	8
Indonesia	6
India	3
Pakistan	1
Total	**18**

In Table 7, it can be seen that each institution contributes an average of 1 article to the study of Consumer Purchase of Halal Cosmetic. Only University Putra Malaysia contributed 2 articles.

Table 7. The most dominant institutions of studies.

Institution	Country	No. of Studies
University Putra Malaysia	Malaysia	2
Universiti Kebangsaan Malaysia	Malaysia	1
Politeknik Nilai	Malaysia	1
International Islamic University Malaysia	Malaysia	1
Multimedia University	Malaysia	1
University Malaya	Malaysia	1
Universiti Malaysia Terengganu	Malaysia	1
President University	Indonesia	1
Universitas Jenderal Soedirman	Indonesia	1
Universitas Airlangga	Indonesia	1
STIEPARI Semarang	Indonesia	1
Trisakti School of Management	Indonesia	1
Universitas Islam Indonesia	Indonesia	1
Gitarattan International Business School	India	1
Jaipuria Institute of Management	India	1
Shandong Jianzhu University	China	1
Canadore College	Canada	1
Total		**18**

In Table 8, it can be seen from the 18 articles that we have reviewed, we found 6 categories of antecedents which are variables that affect the purchase intention of halal cosmetics. This category consists of psychological, cognitive, halal-related factors, marketing, spirituality, and situation.

Table 8. Antecedents of purchase intention on halal cosmetics.

Antecedents	Variables
Psychology	Attitude (Affective and Cognitive), Trust, Hedonic Shopping, Utilitarian Shopping,
Cognitive	Halal Perception, perceived behavioral control, Perceived Value
Halal Related Factors	Certification, Logo, Knowledge, Orientation, Ingredient safety,
Marketing	Brand Image, Brand Awareness, Brand Loyalty, Advertisement, Product Characteristic, Consume Innovativeness, eWOM Quality, eWOM Valence, eWOM Consistency, eWOM Quantity
Spirituality	Religiosity, Religious Belief, Religious Knowledge, Religious Commitment, Religious Orientation
Situation	Subjective Norm, Social Influence, Normative Believe, Self Eficacy

5. Discussion and Conclusion

From the results of the investigation, it was found that the researchers' attention to the study of Consumer Purchase of Halal Cosmetic experienced growth that was correlated with the peak of growth in 2021 and decreased in 2022. There are 7 known publishers in this study, and Emerald is the top publisher with 11 articles. A total of 9 journals were aimed at by researchers to publish the results of their research with Journal of Islamic Marketing as the top journal. Researchers have also studied using several theoretical approaches, but it is recognized that the commonly used theoretical approaches are the theory of reasoned action and the theory of planned behavior. The analytical techniques used by the researchers are still dominated by SEM-AMOS and PLS-SEM. Studies on this field are predominantly carried out in Malaysia and Indonesia. There are 17 institutions that have contributed to the study of this field, and there are non-Muslim institutions from India, China, and Canada that have also contributed.

This study focuses on exploring, publication output, publishers, journals, theories, methods, countries and institutions in the field of consumer purchase of Halal Cosmetic studies. Using a bibliometric and narrative approach to the literature, the results were obtained that the development of articles fluctuated in this study with a peak in the number of articles in 2021 and decreased in 2022. From this study, Emerald and the Journal of Islamic Marketing are top publishers and top journals. Theory of Reasoned Action and Theory of Planned

Behavior are widely used theories but in this study researchers have also used RBV. SEM-AMOS and PLS-SEM are widely used analytical tools. Studies in this field are widely carried out in Malaysia and Indonesia. Interestingly, in this study, it was found that several institutions from Muslim minority countries have taken part, namely India, China and Canada.

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Factors Influencing the Acceleration Process of Halal Product Development in E-Commerce

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Abstract

This study aims to analyze the acceleration of halal culinary development in e-commerce in Medan City. Factors related to the acceleration process need to be explored. The method used is descriptive qualitative. By analyzing the patterns that have been done by the SMEs, a proposed framework could be drawn. By using e-commerce appropriately in this digital era, it is able to increase the development of the halal culinary business where the majority of Medan residents are Muslim and realize that consuming halal food is an obligation, not a habit. The proposed model will hopefully give impact the increasing demand for halal food products, lifestyle, and the advancement of digitalization. SMEs could take advantage and expand their business potential with the acceleration process related to halal products.

Keywords: e-commerce; digitalization; halal food; acceleration

1. Introduction

The halal industry is one of the growing industries and has tremendous potential in the world. This industry refers to Shariah-compliant principles and requirements. The emergence of the halal industry aims to meet the requirements of products and services that are in accordance with Islamic sharia. Uniquely, this industry has developed in both Muslim and non-Muslim countries. The Muslim population alone has reached 24.7 percent of the total global population and that number will continue to increase to 30 percent by 2050 (Pew Research Center, 2015). This reality shows that the halal industry is believed to have greater opportunities in the future because of its expanding market share. It can be concluded that the demand for halal industrial products will continue to increase.

The growth of the world halal market has caused several countries to be interested in entering the halal industry, especially the halal food and beverage industry, through efforts to obtain halal certificates. Along with the development of the Muslim population, the demand for their consumption, including halal products, will be even greater. In the State of the Global Islamic Economy Report 2020/2021, it is estimated that the Muslim population

spends USD 2.02 trillion on food, pharmaceuticals, cosmetics, fashion, travel, and media/recreation sectors which are influenced by Islamic ethics on ethical consumption needs. This expenditure grew 3.2% in 2018, it is expected to reach USD 2.4 trillion by 2024. The report also states that the consumption value of food—the most consumed halal product—to reach USD 1.17 trillion and will reach USD 1, 38 trillion by 2024 (Dinar Standard, 2020). The potential demand for halal products will be even greater in line with the wider awareness of consumers that the term halal is not only a demand for religious obedience but is also synonymous with products that have better quality and have a positive impact on humans life and the environment.

This condition is certainly a huge opportunity for halal product manufacturers. This great demand requires them to compete to provide products that are not only of high quality but also in accordance with sharia guidelines. Thus, their income potential will be greater. Some companies that get halal certification experience an increase in the sales aspect. Sales of KFC, Burger King, and Taco Bell, for example, increased by 20 percent after their products were certified halal (Aday and Yener, 2014).

Indonesia is first ranked in e-commerce development (kemkominfo.go.id; 2019), and the Culinary Subsector is the largest contributor to the GDP of the Creative Economy in Indonesia (Kompas.com; 2021). Furthermore, it is known that the majority of Indonesian people are Muslim. As the country with the largest Muslim population in the world, Indonesia has the potential to become the largest player in the Islamic economy and finance in the world. This can be seen from the population and the level of religiosity of the community, the consumption, and trade of halal products which continues to increase, as well as the growing ecosystem that supports the growth of the industry, including from the regulatory aspect.

In recent years, the government has strongly encouraged economic growth from the trade sector by supporting the development of the halal industry in every community activity. So that some industries produces halal product. Based on the coherence of these facts, it is certain that the halal food business and halal industrial products provide long-term opportunities for Indonesia. In addition, the term halal is also well known in the business industry such as halal tourism, halal fashion, and so on.

This development was marked by the emergence of The Halal Boom. The increasing development of halal products is due to the increasing consumption patterns of Muslims who are increasingly concerned about the halalness of a product. Not only the form of the product, from the value to the halal content, but it is also an ingredient that is taken into account by consumers. For example, the rise of halal cosmetic products in recent years (Al-Ansi, 2019; Aziz, 2013; Ela Safira, 2019).

Technological developments that affect the world in every activity help and facilitate economic activities, especially the digital economy through e-commerce. E-commerce provides access opportunities by anyone and anywhere so that it leads to convenience in the buying and selling transaction process and can reach a wider market share as a result of the form of internet users. Statista 2019 data shows internet users in Indonesia in 2018 as many as 95.2 million, growing 13.3% from 2017 which was 84 million users. In the following year, internet users in Indonesia will increase with an average growth of 10.2% in the 2018-2023 period. In 2019 the number of internet users in Indonesia is projected to grow by 12.6% compared to 2018, which is 107.2 million users. By 2023, the number of internet users in Indonesia is projected to reach 150 million users. Statista also mentions that the most popular online activities in Indonesia are social media and mobile messaging. The most widely used social network is Facebook, with users reaching 48% of the population. Furthermore, Indonesia is the Third Largest Internet User in Asia. The projection data for internet users in 2017-2023 is shown in Figure 1 below. Therefore, the present study aims to conceptualize halal products in the culinary context based on e-commerce.

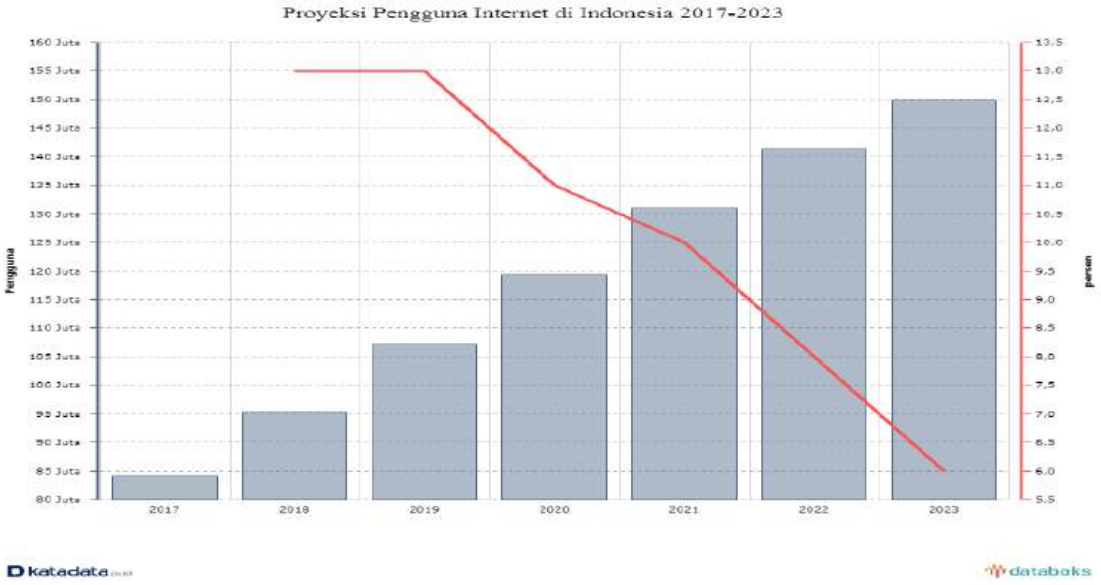


Figure. 1. Internet Users in Indonesia

2. Literature Review

The growing halal industry is not only in Islamic countries. Indonesia is a country that is in the 4th position in halal products. Currently, the government has also been trying to enter the domestic market.

2.1 The term Halal Product

Before exploring further, we must know clearly what the definition of halal is. Halal is a Quranic term that signifies what is allowed, permissible, permitted, or lawful (Ali, 2020). Moreover, a halal product is defined as a product where the material procurement, processing, storage, packaging, distribution, sales, and presentation processes are carried out with a halal process. A product is said to be halal if it has passed the testing of a certified body. In Indonesia itself, the Indonesian Ulema Council is the body that conducts inspections and publications of halal certificates for food, medicine, and cosmetic products circulating under the auspices of the ministry of religion. However, effective as of March 1, 2022, the regulation of Law Number 33 of 2014 concerning Halal Product Assurance and Government Regulation Number 39 of 2021 concerning the Implementation of the Halal Product Assurance Sector has decided that there are three parties involved in the halal certification process, namely MUI, BPJPH, and the Indonesian Legal Aid Institute. Halal Examiner (LPH) (voaindonesia, 2022). BPJH functions as a representative of the government that has administrative authority to issue halal certification, after a halal decree has been issued by the Indonesian Ulema Council. Meanwhile, LPH has the task of scientifically checking the halalness of a product by checking the content of the substances in it. Furthermore, The authority of the Indonesian Ulema Council is in the area of religion, namely determining the halalness of a product according to Islamic law. Later it will be decided through the MUI Fatwa Commission so that a halal decision is produced.

2.2 Development Of Halal Product Opportunities in The World

The results of the study (Ab Talib et al., 2017) concluded that there is a relationship between halal food certification and business performance. This means that halal product certification also affects the business performance of a company both in terms of sales/ financial and operational. Sales of KFC, Burger King, and Taco Bell, for example, increased by 20 percent after their products were certified halal (Yener, 2014). Besides that, religious knowledge has a significant positive effect on the halal label. However, religious knowledge has a significant negative effect on a person's purchase intention of online food products (Al-Banna, 2019).

Not only Muslim consumers, but non-Muslim consumers also have an interest in buying halal food by shopping online. Non-Muslim consumers think that buying halal food online can avoid perceived risks, and increase trust and confidence levels (Cruz & Billanes, 2021).

2.3 The Emerging Issue of Halal Products in E-Commerce

Indonesia is first ranked in e-commerce development (kemkominfo.go.id; 2019), and the Culinary Subsector is the largest contributor to the GDP of the Creative Economy in Indonesia (Kompas.com; 2021). E-commerce is the latest trend after the COVID-19 Pandemic. The COVID-19 pandemic has provided a new lifestyle alteration for the people of the world, especially in Indonesia. E-Commerce is an alternative solution to meeting daily needs which are part of the routine of life. E-Commerce must be used optimally to support the development of halal products. The optimization of e-commerce halal products includes the fulfillment of halal-guaranteed product quality, management of Islamic business, the implications of resource empowerment, Islamic business ethics, Muslim consumer behavior, and business capital (Utami, P., & A., 2019).

3. Method

This research is a type of qualitative research. The method used in this research is a literature review study from various sources. The data used is secondary data from various sources such as journals, websites, and reports from various parties such as the Central Statistics Agency (BPS) and MUI. Furthermore, this study uses descriptive analysis. The data obtained were analyzed descriptively. Thus, the data obtained were then analyzed and interpreted in order to answer the research questions.

4. Result and Discussion

The results and discussion of the research are divided into two categories, namely a). potential demand for halal culinary products in the city of Medan; and b) conceptualization of the factors that influence the acceleration of the development of halal culinary products in e-commerce.

4.1 Potential Demand for Halal Culinary Products in Medan City

Based on the descriptive analysis conducted in this study, it is known that there is still a great opportunity for Indonesia to become a producing country for halal products such as culinary/food and beverage, fashion, and tourism. In particular, as a country with the largest Muslim majority population in the world, Indonesia has a large potential market share for halal products.The preference of Muslims who are aware of halal products will feel the need for these products to be consumed in meeting their daily needs, causing a strong dependence on halal products so that people will look for the product in question anywhere as well as contributions from Islamic organizations that hold activities / events using halal products so as to increase the amount of market demand so that producers will compete to fulfill them. The potential demand for the global halal product market is divided into several types of sectors as follows.

Table 1. Potential Global Halal Product Market Demand

Sector Type	Predicted Value 2024 (USD, billion)	Indonesia Position
Fashion Sector	402	3
Halal Food and Beverages Sector	1,97	1
Halal Pharmaceutical Sector	134	4
Halal Cosmetics Sector	95	2

Source ; Dinar Standard (2020)

Based on Table 1 presented, it can be seen that there is a potential market demand for halal products. This certainly shows that the potential for the development of the halal industry will be even greater. Not only in the country but also in countries where the Muslim population is a minority, not only the Muslim community but also non-Muslims. Furthermore, in the city of Medan, public consumption expenditure has continued to increase in the last three years. The average monthly per capita expenditure of the people of Medan City is shown in Table 2 below.

Table 2. Average Monthly Expenditure per Capita by Commodity Group and Residential Area

	Average Monthly Expenditure per Capita by Commodity Group and Residential Area (IDR)		
Item Group	**2019**	**2020**	**2021**
Food	576322.00	598246.00	607812.00
Rice	77945.00	78432.00	79496.00
Tubers	5423.00	5854.00	6354.00
Fish/Shrimp/Squid/Scallop	67859.00	68302.00	72939.00
Meat	21743.00	21914.00	23425.00
Eggs and Milk	32924.00	36143.00	35621.00
Vegetables	41229.00	50502.00	54526.00
Nuts	7606.00	7914.00	8637.00
Fruits	25889.00	27877.00	25453.00
Oil and Coconut	16985.00	18239.00	19572.00
Drink Ingredients	15171.00	16818.00	16554.00
Spices	9174.00	9899.00	10437.00
Other Consumption	6196.00	5962.00	7011.00
Prepared Food and Beverages	170625.00	171262.00	166496.00
Cigarette	77553.00	79128.00	81289.00
Not Food	487641.00	526008.00	534905.00
Housing and Household Facilities	237309.00	248333.00	266349.00
Various Commodities and Services	129397.00	143394.00	142308.00
Clothing, Footwear and Headgear	38020.00	38825.00	33606.00
Durable Commodity	36550.00	38350.00	39623.00
Taxes, Charges and Insurance	34446.00	42606.00	43715.00
Party and Ceremony/ Feast Supplies	11919.00	14500.00	9304.00
Amount	1063963.00	1124254.00	1142717.00

Source ; BPS, National Socio-Economic Survey (Susenas) (2022)

Based on Table 2 above, it can be seen that the average consumption expenditure of the people of Medan City from 2019 to 2021 has increased. In line with the increase in consumption, the demand for halal food also increases. Based on data State of the Global Islamic Economy Report2020-2021, it is known that market size Sharia economy in the halal industry reached USD 2.2 trillion in 2019 for food, pharmaceutical, cosmetic, fashion, tourism, and others. This number increased by 3.2% compared to 2018 (https://kemenperin.go.id/artikel/22883/Kemenperin-Kukuhkan-Eksistensi-Industri-Halal-Indonesia-di-Expo-2020-Dubai).

4.2 Conceptualization of the Factors Affecting the Acceleration of the Development of Halal Culinary Products in E-Commerce

Based on the research, the author classifies two factors areas influencing the acceleration process of halal product development in e-commerce, namely internal factors and external factors. The conceptualization that was built can be seen as shown in Table 3 below.

Table 3. Conceptualization of Factors Affecting Acceleration Development of Halal Culinary Products in E-Commerce

Internal	Acceleration Factors Product Development Halal Culinary on E-Commerce	External
Information system		Marketing Strategy
Information quality of company		
Halal logo		Government
Trustworthy		

4.2.1 Internal Factor

4.2.1.1 Information system

An information system is a system that provides various information technologies (IT) such as computers, software, communication systems, databases, the Internet, mobile devices so forth, to perform specific tasks, and interact with and inform various actors in different organizations or social contexts (Boell & Cecez-Kecmanovic, 2015). The author divides information systems into two categories of factors, namely information systems as internal factors and information systems as internal factors. In this case, the internal factor information system is the provision of websites, e-commerce, and various websites provided by the company. Meanwhile, the external factor information system consists of various information systems about a company through ranking websites such as tripadvisor.com, halaltrip.com, and so on. In line with the advancement of internet technology, e-Tourism has become an important platform for promotional, marketing, and product development of tourism products and services. It provides traveling information, halal food, prayer time, religious places, etc. (Samsi et al., 2016).

4.2.1.2 Information quality of the company

Information quality is an important factor in e-commerce which is part of the dimensions of the Information System (IS). (DeLone & McLean, 2003; Zakiah et al., 2016). Companies that will sell their products or services on the internet must ensure that the information provided on the website is of quality and in accordance with the information needed by consumers. For example, selling halal food products in e-commerce must include the composite embodied in the food ingredients needed, the location where the food is produced, and the halal label on the product.

4.2.1.3 Halal logo

The halal logo is a certification issued by MUI, BPJPH, and the Halal Inspection Agency (LPH). The halal logo is an important indicator in reaching consumer trust. Based on research results, 80% of Muslim consumers will check the halal logo before purchasing a product (Hamel et al., 2007). Furthermore, Hamel (2007) explains that the most important halal logo is first seen from the text/ typography, colors, Islamic elements, and circle patterns.

4.2.1.4 Trust

Consumer confidence in a product will cause the consumer to have an interest in buying back the product. Even repeated buying behavior is a form of consumer loyalty to a product. Based on research results (Cahyati, 2015), consumer trust has a positive and significant effect on consumer loyalty in buying a product.

4.2.2 External Factors

4.2.2.1 Marketing Strategy

a. Relationship Marketing aims to create good relationships between companies and consumers so that companies can survive in the long term of intense competition (Andreas. Hatane. Ritzky & Brahmana, 2013, p. 2). The community creates a good relationship between the company and consumers through marketing management, thus helping to strengthen the company's relationship with consumers and maintain the company's sustainability in the future.
b. Community Marketing is a marketing strategy to jointly develop existing businesses in the community. Where everyone who is incorporated in it has a goal to market not only their products but also the products of other community members. For example, the community in question is IHC (International Halal Community).
c. Marketing communication which is a process involving the public so that it will convince and change a person's behavior or attitude towards something by using the AIDA model (attention, interest, desire, action).

Table 4 AIDA Model

Stage	Target
Attention	Demonstrate tangible benefits or value in order to get the attention of the target communication
Interest	Build target attention through
	Further explanation of the benefits logically and emotionally
Desire	Build desire with give additional supporting details and answer potential questions
Action	Motivating to take steps
	Next through closing with interesting activities to take action

4.2.2.2 Government

Supporting factors from external sources in an effort to accelerate the development of halal products are government assistance in providing literacy on the benefits of consuming halal products and through the Trade and Tourism Offices which also encourage the promotion and development of halal products as a whole in an effort to attract consumers of halal products in e-commerce.

5. Conclusion

This study concludes that halal food and beverage products still require more in-depth research. This is due to the fact that halal food and drink are very important because it directly enters our bodies as humans, and are related to our adherence to religion. God said in 168th verse of the Surah Bakara as following: "O ye people! Eat of what is on earth, lawful and good; and do not follow the footsteps of the Satan, for he is to you an avowed enemy" (Boğan & Sarıışık, 2019).

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Analysis of Factors Affecting the Development of Halal Industry in Indonesia

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Abstract

This study aims to analyze the effect of inflation, Indonesia's economic growth, and world economic growth on the development of the halal industry in Indonesia. The data used in this study are monthly for the period 2004: 1-2019: 4 taken from the Otoritas Jasa Keuangan (OJK), Bank Indonesia (BI), and the World Bank. The estimation tool used in this study is the Vector Error Correction Model (VECM) using Eviews 9. The results show that in the short-term, inflation has a significant and positive effect on the development of the halal industry in Indonesia. Indonesia's economic growth has a significant and negative impact on the development of the halal industry in Indonesia, and world economic growth has a significant and positive effect on the development of the halal industry in Indonesia. Meanwhile, in the long-term, inflation and Indonesia's economic growth have a significant and positive impact on the development of the halal industry in Indonesia, and World economic growth has a significant and negative effect on the development of the halal industry in Indonesia. The findings suggest that Indonesia takes a bottom-up approach in promoting the development of halal industry. Hence, the development of halal industry in Indonesia still depends on the society movement along with the government commitment in developing halal industry in Indonesia.

Keywords: Halal Development; Inflation; Indonesian Economic Growth; World Economic Growth; Vector Error Correction Model (VECM)

1. Introduction

The industrial sector is one of the economic sources which currently cannot be separated from economic life. Along with the times, industrial development has begun to change from a simple stage to the present the halal industry in the industrial era 4.0, whose development has greatly increased in the world in recent years. The global halal industry can be said to be one of the sectors capable of increasing economic growth. This is evidenced by the State of Global Islamic Economic 2019, global halal industry is estimated to reach around USD 2.2 trillion (excluding the Islamic financial sector). The global halal industry is estimated to increase at an annual rate of 5.2 percent, so that this industry is predicted to be worth USD 3.2 trillion in 2024. In addition, Islamic financial assets were recorded to have reached USD 2.5 trillion in 2018.

Table 1. Total Revenue (2018) and Estimated Income (2024) in Each Halal Industry Sector

Sector	Total Revenue in 2018 ($)	Estimated Income in 2024 ($)
Halal Food	1.369 Billion	1.972 Billion
Modest Fashion	283 Billion	402 Billion
Media & Recreation	220 Billion	309 Billion
Muslim-Friendly Travel	189 Billion	274 Billion
Halal Pharmaceuticals	92 Billion	134 Billion
Halal Cosmetics	64 Billion	95 Billion
Islamic Finance (Assets)	2.524 Billion	3.472 Billion

Source : State of Global Islamic Economy Report 2019-2020

According to Table 1, the Islamic finance sector has the largest income among other sectors. In addition, the development of the Sharia economy in Indonesia affects the level of demand for Sharia products. The global

market in the halal industrial sector is very high. Islamic banks also play an important role in developing Micro, Small & Medium Enterprises (Gilani et al., 2016). Sharia banks can provide Sharia financing products that are suitable for their needs, competitive, and easily accessible to Micro, Small & Medium Enterprises players engaged in the halal food industry.

The development and improvement of the halal food industry cannot be separated from the important roles that are interrelated with one another. Therefore, there is a need for the integrity of the government, society, and Islamic financial institutions to increase the competitiveness of Micro, Small & Medium Enterprises in the halal food industry sector in order to increase economic growth in Indonesia. In addition, the majority of Indonesia's population is Muslim; logically, the development of the halal industry will be even greater in Indonesia compared to other countries.

The financial sector is believed to be one of the most important sectors in supporting economic growth. This is based on Schumpeter (1911), which states that the development of the financial sector has an important role in economic growth. According to Bencivengan and Smith (1991), which strengthens the statement, it states that the development of the financial sector is a strategic factor (one of the influencing factors) that can encourage economic growth in the long term. This is because the development of the financial sector with its progress can assist small businesses in developing existing businesses so as to move the microeconomic sector within the trade circle.

Based on the above description, the inflation rate, Indonesian economic growth and world economic growth have great potential for Islamic financing, which is Islamic financing as a proxy to measure the development of the halal industry in Indonesia. Economic growth has a positive and significant impact on Islamic finance in the short and long term (Farahani and Sadr, 2012). In a research journal conducted by Furqani and Mulyany (2009), it is said that economic growth (GDP) has a positive and significant effect on Islamic financing in the long term. Also, there is a significant relationship between economic growth and the development of Islamic finance in the short and long term (Abduh and Omar, 2012).

While, Andres, Hernando, and Salido (2002) suggest that there is an effect of inflation on economic growth through interactions with financial markets. However, from the results of research conducted by Iqbal and Nawaz (2010), it is said that high inflation will harm economic growth. This makes interested in adding the inflation variable to the study. Based on several theories found in previous studies, which will have a good impact on the development of the halal industry by using proxies for Islamic financing, so this research aims to analyze the factors that affect the growth of the Halal Industry in Indonesia.

2. Literature Review

2.1 Islamic Financing

The purpose of Islamic banking is following the principles of Sharia transactions. It shows that the activities carried out by Islamic banking can provide benefits for all parties, so that products in Islamic banking should be products that can provide services and can also increase economic growth, such as providing working capital financing. There are four possible approaches that can explain the causal relationship between finance and growth, namely:

a. The supply-leading hypothesis
   This theory generally assumes that the financial sector drives economic growth. This theory is basically looking for the relationship between finance and economic development. Adherents of this theory believe that the existence of the financial sector which acts as an intermediary institution between those who are excess capital (surplus unit) and those who lack capital (deficit unit) will provide efficient allocation of funding sources that will drive economic sectors in the future, the growth process.
b. The demand-following hypothesis
   The thinking developed by Robinson (1952) suggests that the development of the financial sector follows economic growth or entrepreneurial activity, which will encourage the growth of the financial sector. If the economic sector progresses, the demand for banking products and services will also increase, so that the banking sector will automatically increase as well.
c. The feedback hypothesis
   This hypothesis describes a two-way relationship or mutual influence between the financial development sector and economic growth. This hypothesis states that a country with good financial sector development will encourage a high economic expansion level through technological advances and product and service innovation (Schumpeter, 1912).
d. The neutrality hypothesis
   In contrast to the previous view, the neutrality hypothesis sees that there is no significant causal relationship between financial sector development and economic growth. The relationship between the two is neutral. In other words, financial sector development and economic growth are independent of each other (Lucas, 1988).

2.2 Economic Growth

In Adam Smiths's book entitled "An Inquiry into the Nature and Causes Wealth of Nation (1776)," Adam Smith argued that the process of economic growth was divided into two main aspects, namely total output growth and population growth. There are three main components in achieving the total output growth: natural resources, human resources, and available capital goods (Sukirno, 2006). Based on population growth, Adam Smith argues that the population will increase if the wage level exceeds the minimum wage. The growth rate in the capital stock and the growth in output determine the rate of growth in the demand for labor.

The theory of economic growth, according to Harrod-Domar, aims to explain the conditions that must be met to achieve economic growth in the long run (Sukirno, 2006). According to Jingan (2003), Harrod and Domar's investment played an important role in economic development. In theory, to grow economic growth, it requires capital formation as an additional stock of capital. Capital formation is considered an expenditure that can support the production of goods because it can foster effectiveness throughout society—the more investments that are carried out, the faster the economic growth (Todaro, 2006). Beside that supply and demand play an important role in determining the output of an economy. Therefore, the main component of the growth theory is the production function, which is the basis of supply, and the consumption function, which is based on demand.

2.3 Inflation

There are three kinds of theories that discuss inflation, namely quantity theory, Keynesian theory, and structuralist theory.

a. Quantity Theory
   According to this theory, inflation occurs due to increased money supply and public expectations regarding future price increases. Even though there is an increase in price, it is not followed by the rise in the amount of money in circulation, and it cannot be said to be inflation. Inflation will only occur if the amount of money in circulation has increased. Meanwhile, regarding the effect of public expectations on price increases, there are three possibilities that can occur due to inflation, namely (1) when the public has not predicted a price increase that will happen in the future, (2) When the public starts to realize that inflation has occurred and estimates that there is an increase in prices in the future, (3) when there has been hyperinflation where people have started to lose confidence in the value of the currency. The increased velocity of circulation marked this situation.
b. Keynesian Theory
   According to the Keynesian theory, inflation occurs because of the behavior of people who want to have a high level of desire that exceeds the limit of their economic capacity, so that people's demand for goods will exceed the amount available. People belonging to this group will endeavor to obtain additional funds beyond their financial ability to fulfill their wishes. This situation causes an inflationary gap. This seizure process is finally translating into a situation where the public's demand for goods always exceeds the number of goods available (Boediono, 1985).
c. Structuralist Theory
   This theory discusses the rigidity of the economic structure when there is inflation in the long run that occurs in developing countries. According to structuralist theory, the rigidity or inelasticity that arises is due to import revenues and the rigidity of foodstuffs supply in developing countries. The result of this rigidity is an increase in other prices resulting in inflation.

3. Research methodology

Data used in this study are secondary data with time period from January 2004 – December 2019 obtained from various sources, namely Financial Services Authority, Bank Indonesia and World Bank. In processing the collected secondary data, the author uses several statistical tools, such as Microsoft Excel 2010 and E-views 9.0. Microsoft Excel 2010 is used for data processing related to table creation and analysis, while E-views 9.0 is used for data processing. The analysis method used in this research is the Co-Integration Test and the Vector Error Correction Model (VECM) to see the relationship between three independent variables and the dependent variable in the short and long term.

The variables used in the research and their operational definitions are as follows:

a. Economic growth
   Economic growth is one measure that can describe the standard of living. The economic growth variable used is Indonesia's annual economic growth as the measurement tool chosen in the public sector. The data used in this study are real GDP data from January 2004 – December 2019 period.
b. Islamic Financing
   Islamic financing is one of the important instruments in developing Micro, Small & Medium Enterprises businesses carried out by entrepreneurs. Islamic financing is used based on the type of use and business

category consisting of working capital, investment and consumption. In developing Micro, Small & Medium Enterprises businesses through Islamic financing, this will also trigger economic growth. The purpose of this Islamic financing variable is a description of the development of the halal industry in Indonesia. Variables are taken from the period of January 2004 – December 2019.

c. Inflation

In this study, the variables used in calculating the rate of inflation in food are the Consumer Price Index (CPI) with the base year 2010. CPI is a statistical data calculation of the average price of goods and services consumed by the public at large in a country. The inflation rate in the CPI is a fluctuation of changes from the previous year. Variables are taken from the period of January 2004 - December 2019.

d. Global Economic Growth

In this study, the global economic growth variable is a control variable in controlling the movement of the supply level. The variable used is real GDP from January 2004 - December 2019 period.

To make it easier to find out the data, it will be explained in the summary table of the following operational definitions:

Table 2. Operational Variables

No.	Abbreviation	Variable	Unit	Source
1.	LNISFN	Islamic Financing	Percent (%)	Otoritas Jasa Keuangan
2.	INF	Inflation	Inflation Rate = $\frac{INFt-INFt-1}{INFt-1}$ x 100% Percent (%)	Bank Indonesia
3.	GDPI	Gross Domestic Product Indonesia	$GDP_{t-growth}$= $\frac{GDPt-GDPt-1}{GDPt-1}$ x 100% Percent (%)	World Bank
4.	GDPW	Gross Domestic Product World	$GDP_{t-growth}$= $\frac{GDPt-GDPt-1}{GDPt-1}$ x 100% Percent (%)	World Bank

4. Result and Analysis

4.1 Empirical Results

a. Unit Root Test

This test uses Eviews-9, in the guide, if the ADF t-statistic is smaller than the alpha value of 5% (0.05), then H0 is rejected, H1 is accepted, which means it does not contain a unit root and the data is stationary.

Table 3. Unit Root Test-Level

Method	Level		
	T-stat	Prob	Note
Levin, Lin & Chu	-2.42527	0.0076	Stationary
Im, Pesaran & Shin	-2.33391	0.0098	Stationary
ADF	17.8839	0.0221	Stationary
PP	31.9832	0.0001	Stationary

Source: Data Processed

Based on table 3, it can be seen that all variables used in this study through 4 methods, namely Levin, Lin & Chu, Im, Pesar & Shin W-stat, ADF, and PP are stationary at the level, where the probability value of each method is less than 5 % which means that H0 is rejected. H1 is accepted, which means the data is stationary.

b. Lag Length Criteria

After performing the unit root test, the next step will be a lag length test. The optimum lag test is needed to reduce autocorrelation in the VAR model. The optimal lag testing on the VAR model will be recommended using the Final Prediction Error (FPE), Akaike Information Criterion (AIC), Schwarz Criterion (SC), and Hannan-Quin (HQ). Optimization occurs when a certain lag has the most stars sign.

Table 4. Lag Length Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	283.0744	NA	0.000237	3.006015	3.074126	3.033603
1	1384.230	3247.316*	7.35e-12*	-14.28513*	-13.94458*	-14.14719*

Source: Data Processed

Based on table 4, the researcher chose lag 1, and there was the most stars sign, which means that lag 1 passed each test, so this lag was also selected as the optimal lag based on the criteria. Thus, it can be ascertained that the optimal lag used in this study is lag 1 because it is free from white noise and has fulfilled the classical assumption test.

c. StabilityVAR Model Test

In the stability of the VAR estimation test, the root characteristic of the polynomial will be tested. The VAR system is said to be stable if all roots have a modulus of less than 1. In the table below, the VAR model is stable at its optimum lag, namely 1. So, the VAR estimation to be estimated for IRF and FEVD analysis is valid.

Table 5. Test of VAR Stability

Root	Modulus
0.992673	0.992673
0.969528	0.969528
0.939572 – 0.067543i	0.941997
0.939572 + 0.067543i	0.941997

Source: Data Processed

d. Co-Integration Test

The determination of cointegration can be seen from the trace value and max-eigen statistics. When the trace and max-eigen statistics are higher than the critical value (5%), this indicates a cointegration in the model. If in this test, there is no cointegration, it is recommended to use the VAR (Vector Autoregression) method.

Table 6. Co-Integration Test

Hypothesized No. of CE (s)	Eigenvalue	Trace Statistic	0.05 Critical Value	Prob**
None *	0.408830	131.6803	47.85613	0.0000
At most 1*	0.084860	31.80639	29.79707	0.0290
At most 2	0.046805	14.95746	15.49471	0.0601
At most 3 *	0.030319	5.849753	3.841466	0.0156
Hypothesized No. of CE (s)	Eigenvalue	Max-Eigen Statistic	0.05 Critical Value	Prob**
None *	0.408830	99.87394	27.58434	0.0000
At most 1	0.084860	16.84894	21.13162	0.1792
At most 2	0.046805	9.107704	14.26460	0.2773
At most 3 *	0.030319	5.849753	3.841466	0.0156

Source: Data Processed

Based on table 6, it can be seen that the trace statistical value and the maximum eigenvalue at r = 0 are higher than the critical value with a significant level of 5%. It shows H_0, which states that no cointegration is rejected, and H_1, which states that there is cointegration accepted. In conclusion, the study results indicate that the movement of all variables has a relationship between stability and a long-term relationship. In other words, in any short-term relationship, all the variables also adjust in the long-term.

e. Granger's Causality Test

This test is conducted to determine and prove the direction of the short-term relationship between variables and the reciprocal relationship between variables.

Table 7. Pairwise Granger Causality Tests

Null Hypothesis	Obs	F-Statistic	Prob.
GDPI does not Granger Cause LNISFN	191	3.16389	0.0769
LNISFN does not Granger Cause GDPI		9.67625	0.0022
GDPW does not Granger Cause LNISFN	191	2.97762	0.0861
LNISFN does not Granger Cause GDPW		0.00560	0.9404
INF does not Granger Cause LNISFN	191	10.7293	0.0013
LNISFN does not Granger Cause INF		4.32210	0.0390
GDPW does not Granger Cause GDPI	191	6.49143	0.0116
GDPI does not Granger Cause GDPW		3.20159	0.0752
INF does not Granger Cause GDPI	191	8.07386	0.0050
GDPI does not Granger Cause INF		5.12647	0.0247
INF does not Granger Cause GDPW	191	4.66985	0.0320
GDPW does not Granger Cause INF		4.21706	0.0414

Source: Data Processed

Table 7 shows that those who have a causal relationship have a probability value smaller than α 0.05 so that H_0 will be rejected, which means that a variable will affect other variables. In the table above, the following results are obtained:

1. GDPI variable does not significantly affect LNISFN variable with a probability value of 0.0769 so that it accepts H_0, while LNISFN variable significantly affects GDPI variable with a probability value of 0.0022 so it rejects H_0. It can be concluded that there is a unidirectional causality between GDPI and LNISFN variables.
2. GDPW variable does not significantly affect LNISFN variable with a probability value of 0.0861 so that it accepts H_0, while LNISFN variable does not significantly affect GDPW variable with a probability value of 0.9404 so it accepts H_0. It can be concluded that there is no one-way or two-way causality between GDPW and LNISFN variables.
3. INF variable significantly affects LNISFN variable with a probability value of 0.0013 so that it rejects H_0, while the LNISFN variable significantly affects the INF variable with a probability value of 0.0390 so it rejects H_0. It can be concluded that there is a two-way causality between the INF and LNISFN variables.
4. GDPW variable significantly affects GDPI variable with a probability value of 0.0116 so it rejects H_0, while GDPI variable does not significantly affect GDPW variable with a probability value of 0.0752 so it accepts H_0. It can be concluded that there is a unidirectional causality between GDPW and GDPI variables.
5. INF variable significantly affects GDPI variable with a probability value of 0.0050 so it rejects H_0, while GDPI variable significantly affects INF variable with a probability value of 0.0247 so it rejects H_0. It can be concluded that there is a two-way causality between INF and GDPI variables.
6. INF variable significantly affects GDPW variable with a probability value of 0.0320 so it rejects H_0, while GDPW variable significantly affects INF variable with a probability value of 0.0414 so it rejects H_0. It can be concluded that there is a bidirectional causality between INF and GDPW variables.

f. Vector Error Correction Model Estimation

After carrying out several steps, namely the data stationarity test, the determination of the lag length, co-integration test, and VECM stability and the fact that there are three cointegration ranks at the 0.05 level in this study, the model to be used is VECM (Vector Error Correction Model). The results of data processing at VECM will get a short and long term relationship between the dependent variable (LNISFN) and the variable (INF, GDPI, GDPW). In this study using lag 1 based on the lag length criteria. The table below shows the short-term and long-term relationship between Islamic Financing (LNISFN) as the dependent variable and other variables as independent variables; here are the results:

Table 8. VECM Model in Short Term

Short Term		
Variable	**Coefficient**	**T-Statistic**
CointEq1	-0.008885	[-5.83432]
D(LNISFN(-1))	0.214198	[3.15465]
D(GDPI(-1))	-0.290864	[-1.09875]
D(GDPW(-1))	0.023062	[0.28636]
D(INF(-1))	0.000389	[0.31216]

Source: Data Processed

From table 8, it can be explained that in a short-term relationship, inflation at lag 1 has a positive effect of 0.000389. It means that if there is an increase in inflation in the previous month, it will increase the Islamic Financing assets by 0.000389 units.

The next significant variable is world economic growth at lag 1, which has a positive effect of 0.023062. It explains that the increase in world economic growth in the previous month will increase Islamic Financing assets by 0.023062 units.

The last variable is Indonesia's economic growth at lag 1, which has a negative effect around 0.290864. It explains that the increase in Indonesia's economic growth in the previous month will reduce Islamic Financing assets by 0.290864 units.

Table 9. VECM Model Factors Influencing LNISFN in Long Term

Long Term		
Variable	**Coefficient**	**T-Statistic**
GDPI (-1)	5.442951	[2.77337]
GDPW (-1)	-4.585316	[-6.02290]
INF (-1)	0.289557	[11.7126]

Source: Data Processed

Meanwhile, in the long-term estimation, the GDPI variable has a positive impact on Islamic Financing (LNISFN), which is 5.442951 percent. It means that if there is an increase in Indonesia's national income (GDPI), it will cause Islamic Financing (growth of the halal industry) to increase by 5.442951 percent in the long-term.

The inflation variable (INF) also has a positive impact on Islamic Financing (LNISFN), which is 0.289557 percent. It means that if there is an increase in inflation (INF), it will cause Islamic Financing Financing (growth of the halal industry) to increase by 0.289557 percent in the long-term.

The world national income variable (GDPW) has a negative impact on the development of the halal industry in Indonesia, amounting to 4.585316 percent. It means that any increase in the development of world national income will reduce the development of halal in Indonesia by 4.585316 percent in the long-term.

g. Impulse Response Function (IRF)

Impulse Response Function can provide an overview of the response of a variable in the future to disturbances or shocks to other variables. Thus, the duration of the effect of a shock or variable on other variables until the effect is lost or returns to the equilibrium point can be seen from here. This test shows how long it takes for one variable to respond to a shock to another. The IRF (Impulse Response Function) analysis is as follows:

1. LNISFN Response on GDPI

The first IRF analysis is determined to explain LNISFN (Islamic Financing) based on constant prices, namely, the response of LNISFN to GDPI (Indonesia's Gross Domestic Product) in Indonesia. The responses given by LNISFN to GDPI in 10 periods are as follows.

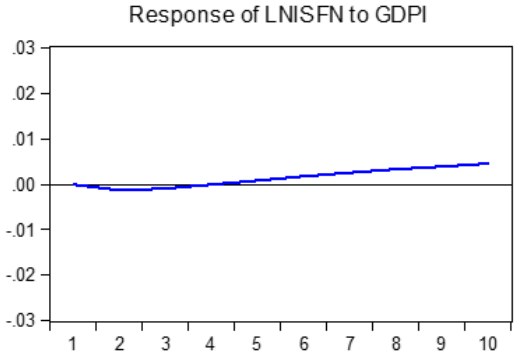


Figure 1. Response of LNISFN to GDPI

Figure 1 shows that the response of LNISFN (Islamic Financing) to the shock variable GDPI (Indonesia's Gross Domestic Product) experienced a positive response. However, in the second, third and fourth periods of GDPI shocks responded negatively. From the fifth period to the tenth period, the response returned to normal.

2. LNISFN Response on GDPW

The second IRF analysis is determined to explain LNISFN (Islamic Financing) based on constant prices, namely, the response of LNISFN to GDPW (Gross Domestic Product World). The responses given by LNISFN to GDPI in 10 periods are as follows.

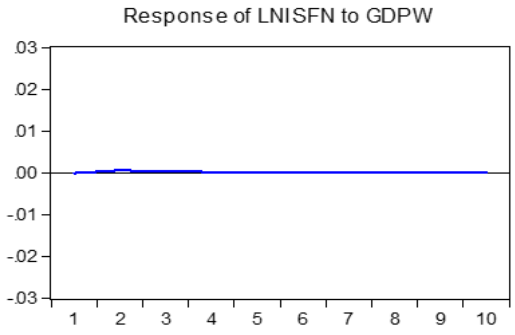


Figure 2. Response of LNISFN to GDPW

Figure 2 shows that LNISFN began to respond to GDPW from the first period. On the other hand, the response tended to decrease from the third to the eighth period and increased again in the ninth and tenth periods.

3. LNISFN Response on INF

The third IRF analysis is determined to explain LNISFN (Islamic Financing) based on constant prices, namely, the response of LNISFN to INF (inflation). The responses given by LNISFN to GDPI in 10 periods are as follows.

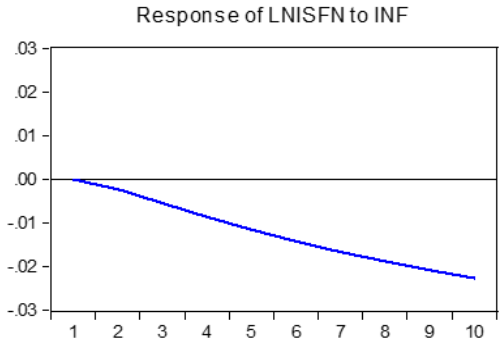


Figure 3. Response of LNISFN to INF

Figure 3 shows that LNISFN started to give negative responses to INF from the first period. From the first to the tenth period, the response was quite stable. The graph explains that the increase in inflation is pressing the halal sector.

h. Variance Decomposition

VDC (Variance Decomposition) analysis aims to measure the amount of composition or contribution of the independent variable's influence on the dependent variable. In this study, the VDC analysis focused on the effect of the independent variable (GDPI, GDPW, INF) on the dependent variable, namely LNISFN. The results of the VDC analysis are as follows:

1. LNISFN (Islamic Financing)

The LNISFN VDC analysis results explain how much contribution to form the LNISFN variable from each variable. The following will explain the contribution of variables from period 1 to period 10, as follows:

Table 10. The Result of VDC

Variance Decomposition of LNISFN					
Period	**S.E.**	**LNISFN**	**GDPI**	**GDPW**	**INF**
1	0.018299	100.0000	0.000000	0.000000	0.000000
2	0.028882	99.14751	0.212331	0.041226	0.598935
3	0.037461	97.27004	0.183052	0.032877	2.514030
4	0.045093	94.41525	0.126424	0.024719	5.433611
5	0.052278	90.89776	0.121779	0.019322	8.961139
6	0.059257	87.03870	0.181522	0.015744	12.76404
7	0.066143	83.08958	0.294749	0.013293	16.60238
8	0.072983	79.22160	0.445434	0.011563	20.32140
9	0.079798	75.53881	0.619012	0.010310	23.83187
10	0.086587	72.09642	0.804136	0.009383	27.09006

Source: Data Processed

Table 10 above explains the results of the Variance Decomposition of the LNISFN variable and how much other variables contribute to the LNISFN variable. In the first period, the LNISFN variable was influenced by the LNISFN variable itself, which was 100%. The other variables are as follows:

a) GDPI (Gross Domestic Product of Indonesia) in the second period contributed 0.21% and fluctuated until the fifth period by 0.12%. In the sixth period, the variables contributed again and increased until the tenth period was 0.80%. It means that these variables do not fully contribute to the halal industry's development throughout the period.
b) GDPW (Gross Domestic Product World) in the second period contributed 0.041% and fluctuated until the tenth period of 0.009%. It means that these variables do not make a big contribution to the halal industry's development throughout the period.
c) INF (Inflation) in the second period contributed 0.59% and increased in each period up to the tenth period, INF contributed 27.09%. It means that the inflation variable contributes to the halal industry's development.

4.2 Analysis

a. Granger's Causality Analysis

From the Granger causality analysis results, Indonesia's economic growth is directly related to the development of the halal industry. The hypothesis that can explain the above statement is the demand-following hypothesis. When the economic sector increases, the demand for banking products and services will also increase, so that the growth of the financial sector will automatically increase. Research that supports this hypothesis, namely Habibullah (2006) in his research in seven Asian countries, found that Malaysia, Myanmar, and Nepal supported the "growth-led finance" hypothesis, and only the Philippines supported the "finance-led growth" hypothesis.

Inflation has a bidirectional relationship with the halal industry's development, so the hypothesis related to this is the feedback hypothesis. This hypothesis states that inflation is a condition in which there is excess demand for goods in the economy (Lunher in Utomo, 2006). This condition will create a high level of demand for banking products and services (Levine, 1997). If banking institutions respond effectively to these requests, then this response will stimulate higher economic performance and support the growth of the halal industry. So that the level of people's purchasing power is considered in the development of the halal industry.

There is no relationship between world economic growth and the halal industry's development, so the hypothesis related to this is the neutral hypothesis. This hypothesis states that the halal industry's development sector in Indonesia is still underdeveloped, so it takes efforts to develop its functions effectively. It is contrary to the supply-leading hypothesis and demand-following hypothesis, which explains that the financial sector has a relationship to economic growth. The research that is in line with this, namely research by Al-Zubi, et al. (2006), where the results of the research show that all financial indicators are not significant and have no effect on economic growth.

b. VECM in Short Term

In the short term, the estimation results show that inflation affects the development of the halal industry with a positive relationship of 0.000389. This positive relationship occurs because of the high level of public demand (purchasing power) for halal products based on the quantity theory which explains the occurrence of inflation caused by the high demand for a good or service and society's expectations of future price increases. In other words, the society is aware of an increase in prices with each increase in the consumption of halal products so that the inflation rate has a positive impact on the development of the halal industry.

Another important variable in short-term estimation is Indonesia's economic growth. This variable has a negative relationship with the halal industry's development with a value of -0.290864. It happens because the development of the halal industry in Indonesia has not become a trend, so that Indonesia's economic growth has not been able to encourage the development of the halal industry in the short-term. It is in line with Farhani and Dastan (2013) research, which states that the relationship between economic growth and the development of the halal industry is still very weak in the short term.

As for the world economic growth variable in the short-term, it affects the halal industry's development by 0.023062. It happens because the development of the halal industry has become a trend in the world. According to the Halal Industry Development Cooperation (HDC), it is clear that halal products are currently the main value of the supply chain in various industrial sectors as well as halal products have great potential to develop the financial sector both globally and domestically from the real sector.

c. VECM in Long Term

In the long-term, the variable of economic growth in Indonesia and the variable of inflation have an impact on the development of the halal industry with coefficients of 5.442951 and 0.289557 respectively.

Indonesia's economic growth has a positive impact on the development of the halal industry. This positive relationship occurs because economic growth in Indonesia encourages the development of the halal industry and becomes a trend for people in Indonesia in the long-term. It is in line with the feedback hypothesis which explains the relationship between the financial sector and economic growth. This variable is also proven by researchers Furqani and Mulyany (2009), stating that any increase in GDP can cause Islamic banking to develop in the long-term.

In line with the research conducted by Abduh and Azmi Omar (2010), it is stated that there is a significant relationship in the short and long term between the development of Islamic finance and economic growth. As well as reinforced by research by Zirek, Celebi, and Hassan (2016) stated that there is a significant positive relationship to Islamic finance and economic growth in the long-term.

Inflation has a positive impact on the development of the halal industry in the long-term. This positive relationship occurs because the government can elaborate and consider inflation (purchasing power) as an indicator of increasing the development of the halal industry in Indonesia in the long-term. Researchers Andres, Hernando, and Salido (2002) also state that inflation affects economic growth through financial markets

interactions. In line with Nurdin (2017) research, which states that inflation has a positive influence on the development of the halal industry.

And finally, world economic growth has a negative impact on the development of the halal industry in the long-term. This negative relationship occurs because the development of ecosystems in Indonesia is still not well developed. As well as a shift in the world's sharia economy, which initially encouraged the development of the halal industry in the financial sector and now the focus is on the real sector. So that there is no strong integration carried out by the Indonesian government to create the benefit of the people for the development of the halal industry.

d. IRF Analysis

IRF shows the response to changes from one variable to another. In this study, the IRF graph varies from one variable to another. The following is an explanation of each variable.

For the variables of Indonesia's economic growth and world economic growth, a positive relationship in the short-term triggers the development of Islamic Financing in the growth of the halal industry. It is in line with the demand-following hypothesis put forward by Robinson (1952), which states that the development of the financial sector follows economic growth. Which is if the economic sector has increased, then the development of the financial sector will also increase.

In this graph, the development of the halal industry gives a negative response to inflation. It proves that the development of the halal industry is still very sensitive to shocks caused by inflation. For Islamic banking, this can trigger a level of financing risk so that the higher the inflation, the distribution of financing will decrease. It is in line with Dahlan's (2014) statement that there is a negative influence between inflation and Islamic Financing.

e. FEVD Analysis

The summary results of the FEVD as the dependent variable of LNISFN show that the inflation variable is a variable that makes a significant contribution to the development of the halal industry in Indonesia. The contribution to inflation of 27.09% was followed by Indonesia's economic growth of 0.8% and world economic growth of 0.009%.

Based on the analysis, inflation is the variable that most contributes to the development of the halal industry. It happens because inflation (purchasing power) is considered as the level of people's purchasing power that increases in demand for halal products to support the growth of the halal industry in Indonesia. As for the impact of the increase in inflation, the government must make the right decision in maintaining the strength of the rupiah so as not to disrupt Indonesia's economic growth. In other words, the high contribution of inflation to the halal industry in Indonesia must be accompanied by government action in regulating the balance to not affect the income earned.

5. Conclusion and recommendation

This research aims to analyze factors that affecting the halal industry development in Indonesia in the short term and long term. Based on findings in this research, it can be concluded several things about the factors that affecting the halal industry development in Indonesia.

In short term, inflation has a significant and positive impact on the halal industry's development in Indonesia in the short-term. It means that there is a level of awareness of the Indonesian people in consuming halal products to encourage the halal industry's development and make the halal industry a trend or lifestyle in Indonesia. Indonesia's economic growth has a negative impact on the development of the halal industry in Indonesia because the halal industry in Indonesia has not yet become a lifestyle trend. That is why Indonesia's economic growth has not been able to encourage the halal industry's development. The world economic growth has a significant impact on the halal industry's development because the world's halal industry has its own halal lifestyle trend, thus encouraging the growth of the halal industry in Indonesia.

In the long term, inflation has a significant impact on the development of the halal industry in Indonesia in the long-term. It happens because of the Indonesian people's awareness as Muslims in consuming halal products to encourage the development of the halal industry and make the halal industry a trend of halal lifestyle in Indonesia. Beside that, the government can elaborate and consider inflation (purchasing power) as an indicator of increasing the development of the halal industry in Indonesia in the long-term. Indonesia's economic growth has a significant impact on the development of the halal industry in Indonesia in the long-term. It happens because of an increase in Indonesia's economic growth to encourage the growth of the halal industry in Indonesia. World economic growth has a negative impact on the development of the halal industry. It happens because there is no strong integration between the Indonesian government and outsiders in developing the halal industry. And the world's halal industry has its own trend that focuses on the real sector.

In other words, the Indonesian people take a bottom-up approach in increasing the development of halal industry itself. The development of halal industry in Indonesia still depends on the society and need the encouragement from the government in developing halal industry in Indonesia.

Based on the result of the research, there are some recommendation for government to develop halal industry in Indonesia:

1. The inflation rate has a significant impact on the growth of the halal industry in Indonesia. The government, as the decision-maker in monetary policy, can stabilize excess inflation fluctuation.
2. National income in Indonesia has a significant impact on the growth of the halal industry in Indonesia. The government should motivate society to raise awareness in using halal products in Indonesia.
3. World national income does not show a significant impact on the growth of the halal industry in Indonesia. It needs the role of the government that should work together with society and outsiders in developing the halal industry.

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Halal Certification in Halal-Meat Based Products

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Abstract

Halal meat industry is expected to grow exponentially and since the early 2000s, Malaysia has established procedures and standards for halal certification. It poses a huge challenge protect its Muslim consumers assurance on halal meat-based products includes all elements and processes along include halal certification procedure and practice. The purpose of this study to discuss on halal certificate implementation mainly focus on meat-based products in Malaysia. The data and information for this study were collected using qualitative methods with descriptive analysis using inductive strategies to track and collect scientific material. The study's findings are expected to add current knowledge and understanding on implementation on halal certification in Malaysia and it will be benefiting halal industry players, customers and government. In conclusion, this study can be a new platform and source of reference, especially for industry, authorities, and other agency bodies to provide detailed information and framework to highlight on halal certificate in meat-based industry in Malaysia. In fact, halal certification is one of the prerequisites for entering the global halal market because it able to provide recognition of quality and safe product through the concept of *halalan toyyiban* for the entire meta-based supply chain, from farm to fork.

Keywords: Halal certification practice; Halal; Meat-based industry

1. Introduction

The halal industry involves halal foods and products has seen rapid growth recently, and it is no longer only identified as a religious symbol, but it is also highly correlated with excellence in quality assurance and lifestyle choice, and it is not only good for religious protection (Muhammad et al., 2020). By the year 2030, the halal industry is predicted to expand rapidly as the population of affluent Muslims worldwide has been projected to reach by 29%. Being an integral part of the halal industry, the integrity of halal assurance on products are very crucial to focus on because it related to the establishment of social wellbeing as one strategies trust in Shared Prosperity Vision 2030, to protect not only Muslim consumer but also non-Muslim consumer (Sungit et al., 2020). Besides, Muslims nowadays have become increasingly concerned about the halal status of products they consume such as from meat based. Proper description on halal status and halal certification are important for customers to make informed decisions and to promote fair commerce, especially in the halal meat-based industry (Nakyinsige et al., 2012).

According to Zahara, Logaiswari, Suraya and Kalthom (2021), currently, the public's attention has been drawn to concerns on halal integrity and ethical values conduct by halal governance agencies to ensure the halal status of meat-based products in halal market. The nature of the meat-based industry poses a huge challenge for

authorities in Malaysia to protect its Muslim consumers from haram and unsafe consumption of meat-based products. The community has been made aware of the presence of non-halal imported meat which used fake halal labels via the meat cartel's distribution mechanism. It was said that this scenario had occurred for the past forty years lack effective enforcement or monitoring from the halal governance agencies (Yaacob et al., 2016). The arrest of a 1,500-ton illegal meat cartel smuggling organization from four foreign nations, notably China, Ukraine, Brazil, and Argentina, stunned Malaysia towards the end of 2020 (Ariffin et al., 2021). The issues and controversies in halal meat-based industry has been discovered, and this criminal case has piqued the interest of several parties because it is thought to have operated in Malaysia for many years. This issue had provoked a public outcry that demand justice to be meted out an irresponsible miscreant who have been involved in feeding Malaysians fake halal meat. The polemics and anxieties on this scandal led to research on halal certification to ensure implementation so that the products released are believed to be safe, nutritious and with quality.

This issue is further exacerbated because consumers put their trust in Jabatan Kemajuan Islam Malaysia (JAKIM) also known as Malaysian Department of Islamic Development, halal logo and as key regulatory bodies in monitoring the quality assurance to safeguard the halal product integrity from farm to fork. According to Baharuddin & Ismail (2018), halal meat is meat from a permissible animal that has been slaughtered in a Shariah-compliant manner. Furthermore, meat imported from other countries with the halal logo recognized by JAKIM and does not violate halal standards and is safe for customers. The meat production must meet industry, economic, and manufacturing needs, as well as government health standards, without negatively impacting Islamic religious requirements derived from the Qur'an and Hadiths (Shahdan et al., 2017). According to Ministry of Agriculture and Food Industries, meat demand is expected to increase from 1.4 million tons in 2010 to 1.8 million tons in 2020 with a growth of 2.4% per annum. As a result, it shows that Malaysia became one of the significant Muslim countries involve in halal meat productions.

The purpose of this research is to understand the nature of halal certification practice in Malaysian meat-based products due to concern to protect the interests of all Muslim and non-Muslim customers and meet their needs. Many non-Muslim consumers in Malaysia have started to purchase and consume halal products because they know it is a healthy choice and this situation gave rise to a wider halal-conscious community in the country (Aliff et al., 2015) and (Ilyas Masudin et al., 2021).

1.2 Halal Meat-Based Industry in Malaysia

Malaysia has aspired to be a competitive global halal food hub since 2010. To achieve this goal, the Halal Development Corporation (HDC) recommends that the country's halal food industry have at least 10,000 halal food firms that are competitive and internationally marketed (Noor & Wahid, 2015). In general, the meat industry in Malaysia involves two main commodities, namely the production of beef, buffalo, mutton and sheep (Ministry of Agriculture and Food Industries, 2021). Furthermore, according to Ministry of Agriculture and Food Industries (2021) in 2019, there were 657,407 cows, 101,695 buffaloes, 312,571 goats and 121,677 sheep with a farm value of RM1,751.90 million. During the same period, the import value of live ruminant livestock was RM158.80 million, and meat RM2,67.87 million, compared to the export value of RM87.31 million. The shortage of supply of live ruminant livestock and meat in the country requires drastic action with a comprehensive approach to increase ruminant production to the required level.

However, demand for halal meat-based products will continue to increase with the increase in the country's population estimated to reach 32.6 million in 2019. Food production needs to be mobilized with more focus to meet the country's food needs. Due to this reason, Malaysia's meat-based production contributes significantly to the nation's economic development as well as the global economy. Over the last decades, issues in the halal meat-based industry have been studied from various perspectives for instance on attributes of halal products, awareness of halal products, consumer perception, and consumer behavior when purchasing halal meat-based products and it reflects the important of halal certification as it provide recognition of quality and assurance. For example, only halal meat-based products endorsed by JAKIM certified bodies are allowed for imports into the country for consumption by the Muslims. Consumers usually associate halal logo on the products as a warranty for their cleanness*, najs-free* (filth-free), and *thoyyib* (Tieman, 2011).

2. Literature Review

2.1 Definition of Halal

The word 'halal' is from the Arabic language which means that all things and actions that are permissible, allowed and lawful according to Shariah (i.e., Islamic law) and it refers to part of the Islamic beliefs (Rejeb, 2018). It is an obligation that should be fulfil by every Muslims. Meanwhile, the opposite of halal is haram which means prohibited (for use or for consumption).

Besides, the concept of *halalan tayyiban* helps determine all the physical and spiritual benefits of food to mankind. In this context, *halalan tayyiban* can be defined as foods that are permissible to eat (halal) and can benefit the human body (Zainal Arifin et al, 2021). In other words, *halalan tayyiban* food meets two criteria which is, it's halal and obtained from a halal source and it is a quality food that benefits people who consume it. Both the concepts of halal and *thoyyib* cover the aspects of nutrition, quality, and safety, not only for the Muslim society but also for all humankind; the term *thoyyib* also include aspects of the impacts of the use or the consumption of the matter.

Zabiha or *Dhabihah* or the killing of animals for Muslim use, must follow the requirements stated in the Quran and Hadith (Sharifah & Zaidatul, 2012). Not all ingredients are permissible for Muslims to eat. Allah SWT told all Muslims in the Qur'an to take only what is good and Halal. Allah S.W.T said in the Quran:

ۖ لَّهُمْ حِلٌّ وَطَعَامُكُمْ لَّكُمْ حِلٌّ الْكِتَابَ أُوتُوا الَّذِينَ وَطَعَامُ

Meaning: "This day [all] good foods have been made lawful, and the food of those who were given the Scripture is lawful for you, and your food is lawful for them."

(Surah Al-Mai'dah: 5)

Regardless of philosophical differences, the acts and aspects of halal meat- based production could be categorized into three parts (Shahdan et al, 2016):

- Acts of sacrifice (slaughtering), which are also considered as acts of worship and obedience in Islam.
- The species, ages, and physical conditions of the animals.
- Animal handling before, during, and after the slaughter, these considerations frame Halal meat poultry production.

2.2 Halal Certification in Malaysia

The Malaysian government has gazetted through the Malaysian Halal Standards (MS 1500:2009) in order for the *halal* and *tayyib* aspects are used by the halal industries. Halal certification is the process of approving goods or services in accordance with Islamic law. A process of halal certification and verification is viewed as a critical aspect in giving confidence to Muslim customers on halal quality. They need to follow the standards in the production of halal products as the Government wants a halal product manufacturer in Malaysia to respond to a higher competition for halal products worldwide. According to Buang & Mahmod (2012), in Malaysia only the JAKIM and JAIS halal logos are authorised to use on any product or service area. The application can be made to either JAKIM or JAIS to get halal certification for goods that will be sold locally as well as exported to other countries. JAKIM has recognized 84 Islamic bodies from 46 countries that follow the same halal certificate requirements as Malaysia on 1st December 2021 (JAKIM, 2020).

Moreover, the e-Halal system was created in February 2006 to allow halal certification applications to be submitted online. The goal of this system is to increase halal certification process productivity, give priority to industry halal certification applications, and serve as a database of companies, businesses, restaurants, hotels, and products (Muhammad et al, 2020). The e-Halal system was renamed MYeHALAL in April 2014, and it now divides halal applications into nine categories which are food and beverage products, cosmetics product, pharmaceuticals, food premises, consumer goods, logistics, slaughterhouses (under the monitoring and supervision of JAKIM for domestic as well as international products), OEM and medical devices (MPPHM, 2020).

2.3 JAKIM as Halal Certification Bodies in Malaysia

JAKIM is Malaysia's legally mandated competent authority for halal certification. To halal certification, JAKIM must determine the halal status of the product at every stage and process by conducting an official inspection to determine how the halal status of the raw materials is maintained and managed at all times. Its duties include the implementation of the halal certification system and ownership of the Malaysia halal logo. Since the amending of the Trade Description Act in 2011, JAKIM has been the exclusive halal certification authority in Malaysia, certifying both local and exported products. It is also the regulating body in Malaysia, monitoring and enforcing halal standards.

Furthermore, according to Buang & Mahmod (2012), JAKIM must determine the halal status of the product at every stage and process involved in order to get halal certification by conducting an official site inspection on the factories to check how the halal status of the raw material is maintained.

2.4 Halal Certification in Halal Meat-Based Products

Malaysia has enacted a series of laws regulating the halal industry. Effective law enforcement is critical to guarantee that halal producers follow the laws' requirements and, more critically, to increase Muslim customers' faith in halal meat products (Rahman et al., 2018). As a result, halal meat-based industry players must comply with this guideline to obtain halal certification of their meat-based products. JAKIM published Malaysian Halal Certification Procedure Manual in 2005, and it was recently amended in 2014. It gives JAKIM the authority to carry out its role as the halal certification body.

MPPHM includes halal certification criteria for JAKIM and MAIN inspection officers. MPPHM includes information on halal certification application methods, certification process, and financial levied, in addition to defining the terms and requirements for halal certification. It's worth mentioning that the halal certification procedures and standards have been updated and reformed for simpler study and reference by inspection authorities and the industry (Rahman et al., 2018). Figure 1.0 below shows the process involve in getting halal certification (MPPHM, 2020).

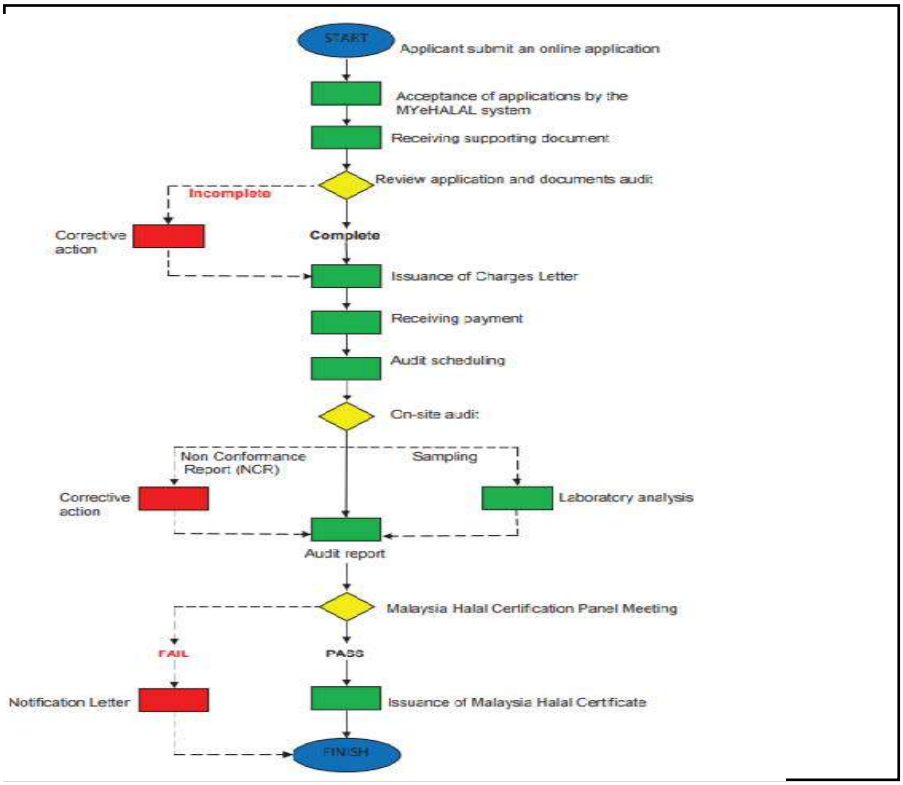


Figure 1.0: Flow chart of halal certification process in Malaysia

According to MS1500:2019 Halal Food - General Guidelines (Third Revision), there are eight general requirements as stated in clause 4 which is management responsibility, premises and facilities, devices, utensils, machines, processing aids and equipment, hygiene, sanitation and food safety, processing of halal food, storage, transportation, display, sale and serving of halal food, packaging and labelling, legal requirements (Department of Standards Malaysia, 2019). The Food Act of 1983, as well as laws such as the Food Regulations of 1985 and the Food Hygiene Regulations of 2009, protecting customers by guaranteeing that any food supplied does not include dangerous materials in terms of food preparation and safe to consume (Rahman et al, 2018). This law was created to ensure that food safety control is more secure and maintained among the food industry as well as food preparation is also protected from things that are harmful to consumers.

3. Methodology

This study employs content analysis where an inductive strategy is used in tracking and gathering relevant materials related to the concept of halal certificate practise and meat-based industry. The information obtained is from various sources such as books, journals, articles newspapers and magazines. This information is collected and screened and analyzed using contents analysis. Content analysis resulted when the researcher had the goal of conducting a literature review. By analysing the opinions of scholars, researchers, as well as reporters in

disseminating information the analytical approach was used to develop understanding on of halal certificate in Malaysia meat-based industry.

4. Important of Halal Certification

Academic scholars and industry players state that the halal certification is important to make sure the product is free of toxins and contamination, include no dangerous ingredients, and be clear of fraud in terms of weight, quality, expiry date, ingredient, and name (Ariffin et al., 2021), (Nakyinsige et al., 2012), (Zulfakar et al., 2014), (Ngah et al., 2014) and (Yaacob et al., 2021). The consumer's sensitivity was affected by issue of halal meat-based industry and the halal meat market will drop due to the loss of trust especially the Muslim consumers in Malaysia. The meat-based industry must follow and comply with halal certification process to build consumers trust and interest. The worst part is the potential lack of trust by consumers in Malaysia towards the halal certification authorities, especially JAKIM. A low level of assurance in the halal meat products in halal meat-based industry would have adverse impacts on consumers' confidence in consuming the products which will lead to low producers' sales, as well as might jeopardize the credibility and status of JAKIM halal certificate, which is supposed to preserve the halal, *thoyyib* and well-being of Muslim consumers. Thus, the halal certificate practice is important to fulfill the quality and requirement in halal meat-based industry. The growing Muslim population throughout the world encourages the growth of the halal meta based industry since all Muslim customers are obligated to seek out halal products and services. Many years previously, Malaysia will establish a worldwide halal centre to produce and promote the important of halal goods and services. Because Muslims constitute most of the Malaysia's population, our government readily promotes the halal market. Malaysia is well-known for its high degree of sensitivity in terms of halal and haram issues.

5. Conclusion

Majority food crime issues involving meat products are meat adulteration, mislabelling of meat-based products, and meat manipulation, such as beef manipulation with buffalo meat in sausage production. In addition, the exchange of prohibited meat for halal such as pork is exchanged for beef, dog meat is exchanged with mutton and the meat of animals that are not slaughtered. But there is limited study on halal certification practice on meat production since a lot of issue about meat was hit the halal industry in Malaysia.

A proper regulatory framework is very important to manage halal meat safety and quality throughout the halal meat-based industry supply chain. Primarily, the issues of halal certification and compliances are related to product safety and quality assurance. Halal meat-based products must comply with the standards and regulations to ensure the food's safety and quality throughout the supply chain process. In order to get the halal certification, the entire supply chain starting from the farm to fork must be halal. A proper regulatory framework governs and controls the halal meat supply chain from raw material, production, packaging, transportation, and storage until the halal meat products reach the end user. However, due to a lack of enforcement and monitoring from the local authorities, the non-conformity of regulations may affect the halal status, safety and quality. It is also noted that the industry players of halal meat lack understanding and exposure to the proper flow of halal meat based regulatory framework. Thus, the improvement of the halal operation in the halal meat-based industry can be facilitated with awareness and readiness from the stakeholders involved in the industry.

The study's findings are expected to add current knowledge on the practices about halal certification in meat-based industry and it will be benefiting both industry players and government. This study will provide improvements on halal certification practices where several methods can be used to ensure that the products marketed are guaranteed halal by comply with the halal certification practice. Other than that, this study also provides recommendations to the government in providing improvements on aspects of enforcement to the authorities which can be refined in more depth. Moreover, this study provides recommendations to meat-based industry in providing improvements on standard operation procedure.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Towards a Muslim Friendly Destination: Innovation Implementation in Kampungstay Desa Murni, Pahang

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Abstract

A Muslim-friendly destination is not only a great attraction for Muslim tourists but also a popular destination for tourists from different religions that keen to explore the uniqueness of Islam. The growing interest among tourists offered an opportunity to change the current scene of the tourism industry in Malaysia, especially for the homestay program, a door to cultural tourism products. Indeed, the Muslim-friendly destination concept has contributed to the income generation of the tourism industry in Malaysia. However, the challenging environment has forced businesses to innovate in order to remain globally competitive in line with the development of the homestay program. Interestingly, the literature review analysis revealed that innovation is pivotal in the development of homestay program. Therefore, this study highlights the innovation implementation in homestay program that directly contribute to the concept of Muslim-friendly homestay. An in-depth interview conducted with the selected homestay coordinator uncover that the innovation includes three elements, namely privacy and safety, facility and environment, and cleanliness and comfort. This outcome is beneficial to the industry stakeholders as it serves as a benchmark for them in planning the strategies for homestay program development. Moreover, the Muslim-friendly homestay concept in Malaysia has contributed greatly to the growth of cultural tourism. It can be concluded that the implementation of the innovation is mutually beneficial, i.e., for Muslim homestay operators and tourists from Malaysia and around the world.

Keywords: Muslim-friendly destination; innovation; homestay program; rural tourism

1. Introduction

Innovation is economically profitable and creates a competitive advantage as well as can have a positive impact on business performance. This is crucial in the tourism sector as well, which is one of the most competitive industries in the economy (Backman et al., 2017). This growth includes rural tourism, which is regarded as having great potential as a travel destination due to the originality and distinctiveness of its own goods, which include the natural beauty, the diversity of customs, and the local culture (Mapjabil & Ismail, 2015). This is consistent with the idea of a homestay program as a form of cultural tourism, which is also some of the most popular accommodations in Malaysia.

The homestay program was initiated in 1995 with the intention of giving tourists unique experiences, such as accommodation, food and beverage services, cultural interactions, and local products (Ramele & Yamazaki, 2020; Suffarruddin et al., 2021). Each homestay program has a distinctive offering, and they are urged to develop to satisfy tourists' demands. Accordingly, various new economic generation activities ought to be highlighted in order to help companies come up with creative survival plans (Quaye & Mensah 2018). To help the government reach its goal of making the country one of the top tourist destinations for Muslims, efforts are being made to make the homestay program one of the Muslim-friendly destinations (Bernama, 2022). Therefore, industry players should constantly innovate in order to remain globally competitive and be more sensitive to the emergence of new government policies and initiatives to ensure that the innovations implemented are in line with national goals. This involves making an effort to maintain Malaysia at the forefront as a Muslim-friendly destination while being the first choice for tourists.

However, based on previous studies, the focus on implementing innovations in the tourism industry is limited (Sakdiyakorn & Sivarak, 2016; Suffarruddin et al., 2021). Similar to Malaysia, no studies of innovation were found that focus on components of Muslim-friendly destinations; instead, research on innovation in homestay program only related to specific areas, such as Sarawak (Keling & Entebang, 2017) and Kedah (Suffarruddin et al., 2021; Hashim et al., 2015). Therefore, the purpose of this study is to investigate the implementation of innovations in homestay program that directly contribute to the concept of Muslim-friendly destinations.

2. Literature Review

2.1 Development of the Malaysian Homestay Program

In Malaysia, the Ministry of Tourism, Arts and Culture Malaysia (MOTAC) created a homestay program as a tourism product that provides tourists with the chance to experience a new way of life and culture (Ahmad et al., 2014). Tourists participate in the homestay program by staying with foster families, interacting, and learning about rural communities' cultures (MOTAC, 2022). Each homestay program is managed by a coordinator, who works with the participants to carry it out. Participants are homestay operators, rural enterprises, and communities (Keling & Entebang, 2017), while coordinators are in charge of overseeing the operations of each homestay program (Mapjabil et al., 2017).

The most prevalent services provided by the homestay program are lodging, experiences through rural activity packages, and SME businesses (Suffarruddin et al., 2021; Aziz & Othman, 2015). Tourists are accommodated by the operators, staying with the hosts and experiencing family life (Kunjuraman & Hussin, 2017). The rural experience package encompasses culture, lifestyle, economic activities, recreation, and the natural environment (MOTAC, 2022). SME businesses refer to goods created by the community and marketed to tourists (Ismail, 2015).

According to information from MOTAC (2020), there were 115% more tourist arrivals in 2019 than there were in 2011. This growth demonstrates how the homestay program is becoming a more sought-after vacation spot for both domestic and international tourists. Based on these successes, the government now has the chance to make good on its promises to continue making Malaysia the best Muslim-friendly destination for tourists.

2.2 Muslim Friendly Destination

The most crucial factor in developing innovation for a destination is the singularity of the tourist's experience Nowadays, the concept of Shariah and Muslim-friendly tourism has become a trend in the global economy, as well as the main tourist attractions that can be offered in the tourism market (Santoso et al., 2021). This includes all aspects, including accommodation, food and beverage, finance, and lifestyle products. According to Jalasi et al. (2020), for most Muslims, adherence to religious principles is the most important thing when it comes to travel accommodation. As Muslims, they must follow the halal and haram rules in all aspects of their lives as Muslims, including when they travel. Many nations are beginning to provide their tourism products with a focus on the new lifestyle trends.

A Muslim-friendly destination is not only a great attraction for Muslim tourists but also a popular destination for tourists of other religions who want to learn about the uniqueness of Islam. The growing interest of tourists provides an opportunity to change the current scene of the tourism industry in Malaysia, especially for the homestay program, a doorway to cultural tourism products. In fact, the Muslim-friendly homestay industry has contributed to the revenue generation of the tourism industry in Malaysia. Accordingly, homestay operators should therefore be more innovative in their accommodation offerings to be comparable with other Muslim-friendly accommodations. Based on Rashidi et al. (2015) study of the homestay program in Selangor, several criteria for an Islamic built environment were identified to be considered, applied, and practiced. These include the quality of accommodation in terms of facilities and needs of tourists, the cleanliness and hygiene of the homestays and the surrounding environment, and the safety of the homestays and tourists.

Since such studies are still limited, this suggests that previous researchers have not taken accurate measurements to assess the criteria of Muslim-friendly destinations in the homestay program. Therefore, this chapter highlights the innovation implementation in homestay program that directly contribute to the concept of Muslim-friendly homestay.

3. Research Methodology

To achieve the objective of exploring the innovation implementation in homestay program that directly contribute to the concept of Muslim-friendly homestay, a qualitative approach was used through an in-depth semi-structured face-to-face interview method to gather more information (Creswell 2014). This method is also consistent with what previous researchers have proposed to answer the question of how and why innovations are implemented (Sakdiyakorn & Sivarak 2016), especially in homestay program (Hashim et al. 2015).

Therefore, Kampungstay Desa Murni was selected based on several criteria including (i) has been established for more than ten years; (ii) has at least ten registered operators; (iii) still operating and actively accepting tourists; and (iv) show a good performance on tourists' arrival.

In this study, the coordinator is responsible for answering all questions because he has more information about the development of homestay program. In addition, a coordinator was appointed because of their extensive experience in village administration and played a role in improving the local economy (Mapjabil et al. 2017). The

interviews conducted were recorded. Then, the data were analyzed using the content analysis technique and manually categorized according to the appropriate themes and subthemes.

4. Research Finding

Based on the interviews, it was discovered that three criteria—privacy and safety, facility and environment, and cleanliness and comfort—can be used to classify the implementation of innovations relating to Muslim-friendly destinations.

4.1 Privacy and Safety

References The most significant innovation is the introduction of the idea of kampungstay in an effort to bring hospitality tourism in line with Muslim-friendly destinations. This innovation is a way of thinking about lodging for tourists who remain apart from the host. According to the coordinator,

> *"Over time, after 5 to 10 years, the accommodation has changed towards kampungstay. A number of rooms were constructed next to the homestay"*
> *"We have built a house that has eight rooms. When tourists come with families or more people, they can stay there"*

The findings demonstrate that the majority of homestay operators have created the idea of this type of accommodation by renting out either a room or a house to tourists. The coordinator explained how this innovation was adopted gradually,

> *" The site of this kampungstay has just one green building there in 2010. Then the traditional houses, cabins and pools were slowly built and finally completed in 2016. By raising the available capital over seven years, it is now possible to get 40 rooms"*
> *"Wooden rooms come in a variety of styles and even take the form of cabins. Standard and family rooms are available. As a result, tourists can select the style of room they prefer."*

One of the expectations from many tourists is this innovation. Especially Muslims, who prefer to stay in a kampungstay because they want privacy. This proves that the innovation of making homestays as Muslim-friendly destinations has been able to diversify the types of accommodations that are more attractive.

Additionally, one of the improvements that some operators have implemented is the enhancement of the bathroom in each room. The coordinator has mentioned,

> *"Having a bathroom in the room will make it easier for tourists to utilise it"*

Without having to share it with the host or other tourists, the tourists can use the bathroom in solitude. The coordinator also addressed this improvement as an effort to maintain religious boundaries regarding aurat between tourists and the host family. This is based on the statement,

> *"Tourists feel less comfortable walking in and out because the restroom is outside. If it is in the room, they can go to the bathroom anytime without having to walk far and have more privacy"*

This shows that this innovation not only provides a more private accommodation but can also protect the relationship between hosts and tourists, as well as the safety of all parties involved.

4.2 Facility and Environment

Providing complete facilities and a comfortable environment is an important aspect of tourist accommodation. The addition of air conditioning to the rooms is one of the improvements done to homestays. The coordinator claims that many hosts have adopted this idea to improve comfort, particularly for tourists from other countries who are exposed to different weather. The coordinator mentions,

> *"Operators install their own air conditioners depending on their capabilities. Almost 80% of the rooms have air conditioning, which is typically preferred by local and international tourists"*

In addition, host family operators have implemented a number of initiatives for tourists' comfort, including the installation of water heaters, and providing refrigerators, mineral water, kettle and coffee. They want to make

sure that the rooms are complete with necessary things and make it easier for tourists to prepare their own drinks like in a hotel.

4.3 Cleanliness and Comfort

Footnotes It was also mentioned that the homestay program has focused on enhancing the cleanliness of the rooms to promote tourist comfort and ensure a conducive environment. The coordinator's statement that,

> *"The room conditions for the tourists should be better than those of the operator itself"*
> *"Every entrepreneur has mastered the art of folding and arranging sheets. They put it into practice, and the space became more organised and tidier.*

Additionally, the coordinator mentioned how much better the cleaning was. Operators were able to supply towels and blankets that were both spotless and of excellent quality. As reported by the coordinator,

> *"The most crucial factor is that the room is clean; it doesn't have to be a five-star room. In the beginning, we just offered simple accommodations. After being sent to hygiene training sessions, operators will now always ensure that the blankets are clean, the sheets and towels are always changed, and the carpets are not dusty"*

Operators are responsible for more frequent cleaning, including washing and replacing equipment in the room. It is said that these initiatives could give tourists more comfortable ventilation. This can raise the standard of the accommodation, making them happier and more entertaining for tourists. The coordinator further emphasised,

> *"More frequently, the restrooms are checked to ensure that they are always clean and odour-free. New soaps should be used instead of the current ones.*

5. Discussion

According to the study, the main issue highlighted in the homestay program is the operators' readiness to implement innovation in order to satisfy the requirements of a Muslim-friendly destination. The study's findings demonstrate that the homestay innovation priorities a number of elements, including privacy and safety, facility and environment, cleanliness and comfort, that are congruent with the concept of Islam. Additionally, it was discovered that communication (muamalat) between the host and the tourist is the main maslahah (issue) that prompted the implementation of this innovation. The result showed that because they must share areas like toilets and space, tourists struggle to protect their safety and privacy. This covers the issue of gender segregation among tourists and hosts, which causes privacy invasion and limited mobility. The host should also be concerned about the safety of the tourists. To prevent immorality (maksiat), the accommodation's environment needs to be secure and peaceful.

In order to create a comfortable environment, proper facilities are also crucial. Multiple amenities in a single space might help keep communication between tourists and hosts to a minimum. This also helps to develop and maintain an Islamic environment in the eyes of tourists. The same holds true for matters of hygiene, where the host must be aware of the ideal level of cleanliness (nazhofah) for tourists. It can be difficult for the host to stress cleanliness when offering accommodations, especially when it comes to the bathroom because it represents the purification of the soul (tazkiyatun nafs). In general, the initiatives of the operators focus more on the awareness level to create an environment of Muslim-friendly destinations that are the top choice for tourists.

6. Conclusion

In conclusion, in order to design a Muslim-friendly destination, the criteria of this Islamic environment must be taken into considered, applied, and practised. Three factors go into making a place Muslim-friendly destination including privacy (sirriyyah) and safety (salaamah), facility and environment (biiah), and cleanliness (nazhofah) and comfort. With an environment in Muamalat, Taaruf, Tazkiyatun Nafs, Aurah, and Ikhtilat, the host is encouraged by these parameters to be more creative in attracting tourists to the homestay program. The outcome is advantageous for the market participants since it gives them a baseline against which to establish their development plans for the homestay program. Additionally, Malaysia's Muslim-friendly homestay model has made a substantial contribution to the expansion of cultural tourism. It may be said that the innovation's implementation benefits Muslim homestay operators as well as tourists from Malaysia and other countries.

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Abstrak

Pemilihan makanan halal merupakan aspek penting yang perlu diambil kira dalam kehidupan setiap pengguna Muslim. Justeru, kefahaman yang baik terhadap aspek-aspek pemilihan makanan diperlukan bagi memastikan umat Islam mengambil produk makanan yang mematuhi syariah. Berikutan kemunculan isu "Buy Muslim First" atau BMF, pengguna Muslim digalakkan untuk membeli produk keluaran Muslim. Walau bagaimanapun, kebanyakan produk keluaran Muslim tidak mempunyai logo halal. Oleh hal yang demikian, kajian ini dijalankan bagi mengenal pasti persepsi pengguna Muslim terhadap "produk berlogo halal" dan "produk Muslim" serta faktor penentu kepada pemilihannya. Kajian ini menggunakan pendekatan kualitatif. Informan dipilih dalam kalangan pelajar Universiti Utara Malaysia iaitu seramai 22 orang pelajar. Reka bentuk kajian adalah kajian tinjauan yang menggunakan kaedah temu bual sebagai kaedah pengumpulan data. Temu bual dilaksanakan secara atas talian menggunakan platform Webex. Soalan temu bual melibatkan dua konstruk utama, iaitu persepsi dan penentu kepada pemilihan. Analisis kajian menggunakan analisis tematik. Hasil kajian menunjukkan bahawa informan mempunyai kesedaran yang baik terhadap produk berlogo halal kerana majoriti mereka akan memilih produk yang mempunyai logo halal berbanding produk Muslim. Hal ini menunjukkan bahawa isu "Buy Muslim First" tidak mempengaruhi pengguna Muslim terhadap keyakinan mereka kepada produk berlogo halal. Implikasi kajian ini adalah dapat membantu usahawan Muslim dalam meningkatkan kualiti perniagaan mereka seperti memohon pensijilan halal memandangkan hasil kajian menunjukan pengguna lebih mementingkan produk yang mempunyai logo halal.

Keywords: Halal; Produk Muslim; Produk Halal; Pengguna Muslim

1. Pengenalan

Industri produk halal di Malaysia telah menunjukkan prestasi yang memberangsangkan. Ia tidak hanya fokus kepada produk pemakanan malah ia merangkumi penglibatan dalam pelbagai aspek termasuk kewangan Islam, produk gunaan, kosmetik, farmaseutikal, hospitaliti dan pelancongan (Yusoff et al., 2018). Kebanyakan pengguna terutama yang beragama Islam sedar akan kepentingan pemilihan produk yang halal. Kerajaan juga berusaha ke arah penyediaan makanan dan produk yang dijamin halal dengan mempergiatkan lagi usaha pensijilan halal dalam kalangan pengusaha.

Malaysia adalah negara multietnik yang terdiri daripada pelbagai bangsa dan agama. Walaupun majoriti rakyat Malaysia adalah Muslim, tetapi bidang pasaran produk telah dipelopori oleh bukan Muslim. Menurut laporan daripada akhbar KOSMO bertarikh 9 September 2019, data halal daripada Jabatan Kemajuan Islam Malaysia (JAKIM) menunjukkan lebih 60 peratus syarikat dan pengeluar produk yang memperoleh sijil halal adalah syarikat multinasional yang dimiliki oleh orang bukan Islam. Hal ini demikian kerana mereka sedar akan kepentingan memiliki persijilan halal yang boleh membawa produk mereka jauh ke dalam industri. Selain itu, persijilan halal JAKIM juga memastikan produk tersebut bukan sahaja menggunakan bahan yang halal, malah terjamin kebersihannya tidak kira ia keluaran syarikat milik Muslim atau bukan Muslim.

Oleh yang demikian, penekanan kepada sesuatu yang halal itu penting kerana halal merangkumi kepada semua aspek termasuk kebersihan, kualiti dan keselamatan sesuatu produk. Oleh hal yang demikian, penekanan kepada

sesuatu yang halal itu penting kerana halal merangkumi beberapa aspek lain iaitu kebersihan, kualiti dan keselamatan sesuatu produk. Sehubungan dengan itu, kerajaan Malaysia sangat menggalakkan supaya setiap produk yang layak memohon sijil halal mempunyai sijil halal JAKIM kerana ia akan menjaga integriti halal tersebut di samping memberi keyakinan kepada pengguna dalam membuat pemilihan. Sehubungan dengan itu, kerajaan Malaysia sangamenggalakkan pengeluar memohon sijil halal bagi menjaga integriti halal, di samping memberi keyakinan kepada pengguna dalam membuat pemilihan.

Apabila munculnya isu "Buy Muslim First" atau BMF, sebagai seorang Muslim, pengguna juga digalakkan untuk membantu ekonomi umat Islam dengan membeli produk keluaran Muslim. Isu yang timbul adalah kebanyakan produk keluaran Muslim tidak mempunyai sijil halal JAKIM. Oleh hal yang demikian, sejauh manakah pengguna dapat mengenal pasti kepatuhan mereka terhadap konsep halal dalam penjualan seharian terutama dalam pembelian bahan mentah. Kajian yang dijalankan ini dapat mengenal pasti persepsi pengguna Muslim terhadap konsep "produk berlogo halal" dan konsep "produk Muslim" serta faktor penentu kepada pemilihan tersebut.

Produk yang mempunyai logo halal bermaksud ia mengikut standard halal yang ditetapkan oleh JAKIM. Tujuan persijilan halal juga adalah untuk memastikan setiap pengusaha mematuhi garis panduan halal yang telah ditetapkan seperti kebersihan premis, jumlah pekerja Muslim serta penggunaan bahan mentah yang dibenarkan. Produk atau premis yang mendapat sijil halal JAKIM akan dipantau oleh pihak berkuasa. Hal ini boleh mendorong pengusaha agar sentiasa berusaha untuk mematuhi segala syarat yang telah ditetapkan oleh JAKIM berbanding dengan premis atau pengusaha yang tidak memohon pensijilan halal JAKIM kerana tiada pemantauan dilaksanakan terhadap mereka dalam soal halal terutama dari segi pembelian bahan mentah.

Selain itu, keraguan juga timbul dalam kalangan peniaga Muslim yang berniaga di pasar malam, contohnya seperti penjualan makanan "yong tau fu" iaitu sejenis produk berasaskan surimi. Produk surimi mempunyai sumber bahan kritikal iaitu enzim transglutaminase yang boleh diperolehi daripada plasma darah. Penggunaannya adalah dilarang bagi umat Islam. Sebagai contoh, pengguna tidak mengetahui status halal produk surimi yang dijual di pasar malam oleh peniaga Muslim dan pengguna hanya beranggapan bahawa penjual tersebut membelinya dari sumber yang halal, tetapi sejauh manakah kepastian tersebut berbanding dengan produk surimi yang dijual di premis makanan yang mempunyai sijil halal JAKIM seperti "Seoul Garden" yang status kehalalannya lebih diyakini. Hal ini kerana apabila premis tersebut mendapat pensijilan halal, mereka wajib mematuhi segala syarat yang ditetapkan termasuk penggunaan bahan mentah yang halal. Jika dilihat dari segi keyakinan halal, produk surimi yang dijual di premis makanan "Seoul Garden" lebih diyakini halal. Walau bagaimanapun, premis tersebut adalah milik bukan Islam.

Oleh itu, daripada contoh senario yang diberikan di atas, yang manakah menjadi pilihan pengguna dalam pemilihan atau pembelian sesuatu produk? Adakah pengguna lebih mementingkan yang berlogo halal atau lebih mementingkan pembelian daripada pengusaha Muslim? Kajian ini dilaksanakan untuk menjawab objektif berikut: 1) mengenal pasti persepsi pengguna Muslim terhadap produk berlogo halal dan produk Muslim, dan 2) mengenal pasti faktor pemilihan pengguna Muslim terhadap produk berlogo halal dan produk Muslim.

2. Metodologi

Kajian ini menggunakan pendekatan kualitatif. Reka bentuk kajian adalah kajian tinjauan. Kajian tinjauan merupakan kajian yang menghuraikan isu dan masalah dalam pelbagai perspektif terutamanya yang melibatkan pandangan, sikap, perasaan, tingkah laku serta pesepsi. Kaedah temu bual digunakan untuk proses pengumpulan data dan maklumat. Sampel kajian terdiri daripada pelajar Muslim di Universiti Utara Malaysia. Seramai 22 orang pelajar Muslim telah dipilih untuk sesi temu bual secara atas talian menggunakan platform Webex. Penyelidik memilih kaedah temu bual kerana kaedah ini dapat memperoleh maklumat dengan lebih terperinci.

Penyelidik menggunakan kaedah temu bual semi struktur yang membolehkan penyelidik menyoal dengan lebih mendalam terhadap sesuatu jawapan yang diberikan oleh informan. Terdapat dua kategori dalam soalan temu bual iaitu persepsi dan faktor pemilihan. Bagi kategori persepsi, terdapat dua soalan yang dibina iaitu persepsi terhadap produk berlogo halal dan produk Muslim serta persepsi terhadap isu "Buy Muslim First". Bagi kategori faktor pemilihan, terdapat dua soalan yang dibina iaitu faktor pemilihan kepada produk berlogo halal dan produk Muslim serta faktor yang dititik beratkan dalam proses pembelian.

Teknik persampelan yang digunakan adalah persampelan bola salji (snow ball) iaitu informan kajian diminta untuk mencadangkan subjek lain yang mempunyai ciri-ciri yang sama (Piaw, 2014). Dalam prosedur ini, penyelidik telah memilih beberapa orang pelajar Universiti Utara Malaysia untuk ditemu bual. Selepas selesai temu bual, penyelidik meminta informan tersebut untuk mencadangkan subjek lain dalam populasi yang mempunyai ciri-ciri yang sama iaitu pelajar Muslim di Universiti Utara Malaysia. Setiap sesi temu bual akan dirakam menggunakan platform Webex tersebut. Jenis analisis yang digunakan adalah analisi tematik iaitu dengan mencari tema bagi setiap kategori soalan yang dibina. Tema-tema utama telah dikenal pasti untuk dihuraikan sebagai hasil dapatan kajian.

3. Hasil Kajian dan Perbincangan

Kajian ini bertujuan untuk melihat persepsi pengguna Muslim terhadap produk berlogo halal dan produk Muslim serta faktor pemilihan pengguna Muslim terhadap produk berlogo halal dan produk Muslim. Pemahaman yang baik terhadap konsep halal akan membantu masyarakat dalam membuat pemilihan sesuatu produk. Bahagian ini akan membincangkan mengenai hasil kajian yang diperoleh daripada temu bual informan dimulai dengan:

i. Latar belakang informan
ii. Analisis persepsi informan terhadap produk berlogo halal dan produk Muslim
iii. Analisis faktor pemilihan informan terhadap produk berlogo halal dan produk Muslim.

3.1 Latar belakang informan

Kajian ini terdiri daripada 22 orang informan melibatkan pelajar Universiti Utara Malaysia daripada pelbagai bidang. Informan terdiri daripada 16 pelajar perempuan dan 6 pelajar lelaki daripada pelbagai pusat pengajian. Nama bagi setiap informan telah dirahsiakan dan digantikan dengan nombor. Jadual 1 menunjukkan latar belakang informan.

Jadual 1. Latar belakang informan.

Informan	Semester	Pengkhususan	Jantina
1	4	Pusat Pengajian Pengurusan Teknologi & Logistik	Lelaki
2	5	Pusat Pengajian Perniagaan Islam	Lelaki
3	6	Pusat Pengajian Pengurusan Perniagaan	Perempuan
4	6	Pusat Pengajian Antarabangsa	Perempuan
5	4	Pusat Pengajian Perniagaan Islam	Perempuan
6	4	Pusat Pengajian Perniagaan Islam	Perempuan
7	6	Pusat Pengajian Pengurusan Teknologi & Logistik	Perempuan
8	4	Pusat Pengajian Undang-Undang	Perempuan
9	6	Pusat Pengajian Ekonomi, Kewangan dan Perbankan	Perempuan
10	4	Pusat Pengajian Kerajaan	Lelaki
11	4	Pusat Pengajian Kerajaan	Perempuan
12	6	Pusat Pengajian Pengurusan Perniagaan	Perempuan
13	3	Pusat Pengajian Pengurusan Teknologi & Logistik	Perempuan
14	4	Pusat Pengajian Kerajaan	Perempuan
15	6	Pusat Pengajian Perniagaan Islam	Perempuan
16	4	Pusat Pengajian Psikologi Gunaan, Dasar dan Kerja Sosial	Lelaki
17	6	Pusat Pengajian Pengurusan Perniagaan	Perempuan
18	6	Pusat Pengajian Ekonomi, Kewangan dan Perbankan	Perempuan
19	6	Pusat Pengajian Ekonomi, Kewangan dan Perbankan	Perempuan
20	5	Pusat Pengajian Pengkomputeran	Lelaki
21	5	Pusat Pengajian Pengurusan Perniagaan	Lelaki
22	6	Pusat Pengajian Pengurusan Perniagaan	Perempuan

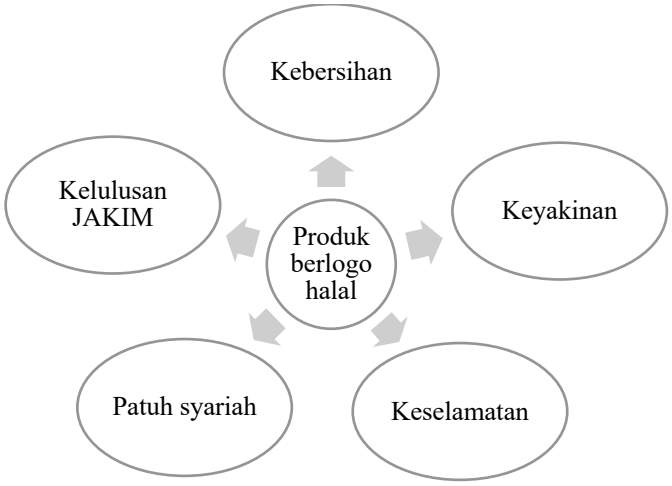
3.2 Analisis persepsi informan terhadap produk berlogo halal dan produk Muslim

Bahagian ini akan membincangkan berkenaan persepsi informan terhadap:

a) produk berlogo halal
b) produk Muslim
c) isu “Buy Muslim First”

3.2.1 Produk Berlogo Halal

Bagi produk berlogo halal, terdapat lima tema yang dikeluarkan seperti dalam rajah 1. Tema tersebut menggambarkan persepsi informan terhadap produk yang mempunyai logo halal.

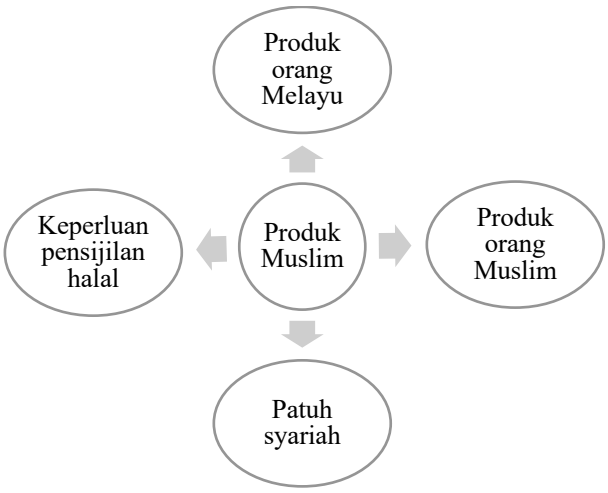


Rajah 6. Tema bagi persepsi informan terhadap produk berlogo halal.

Majoriti informan mengaitkan produk yang berlogo halal sebagai bersih, yakin dan selamat. Ia seperti yang dijelaskan dalam konsep halalan toyyiban yang melibatkan tiga elemen tersebut. Konsep halalan toyyiban bermaksud sesuatu yang memenuhi hukum syarak, bersih dan selamat. Huraian di atas jelas menunjukkan bahawa penekanan terhadap isu halal bukan sahaja melibatkan sudut syarak, malah juga dari sudut teknikal yang melibatkan kebersihan dan keselamatan. Permohonan pensijilan halal dapat memastikan sesuatu produk yang dikeluarkan tersebut memenuhi kehendak syarak. Bagi tema keyakinan dan kelulusan JAKIM pula, seperti yang kita sedia maklum, produk yang mempunyai logo halal akan dipantau oleh pihak berkuasa. Pemantauan ini menyebabkan pihak pengeluar tersebut akan cuba mematuhi piawaian yang telah ditetapkan. Hal demikian membuatkan pengguna rasa lebih yakin dengan produk yang mempunyai sijil halal JAKIM.

3.2.2 Produk Muslim

Bagi produk Muslim, terdapat empat tema yang dikeluarkan seperti dalam Rajah 2.



Rajah 7. Tema bagi persepsi informan terhadap produk Muslim

Majoriti informan mempunyai persepsi yang sama iaitu produk Muslim adalah produk yang dikeluarkan oleh orang Islam khususnya kaum Melayu. Terdapat juga informan yang mempunyai persepsi produk tersebut patuh syariah kerana ia telah dikeluarkan oleh orang Islam. Sehubungan itu, mereka yakin bahawa orang Islam akan mengikut garis panduan yang telah ditetapkan syarak. Persepsi seterusnya adalah produk Muslim perlu kepada pensijilan halal supaya dapat meluaskan lagi pasaran perniagaan. Hasil empat tema yang dikeluarkan tersebut menunjukkan terdapat informan yang lebih mementingkan produk Muslim berbanding produk yang mempunyai logo halal tetapi jumlahnya hanyalah minoriti

3.2.3 Pandangan terhadap isu "Buy Muslim First"

Kempen pembelian produk Muslim hangat dibincangkan sekitar tahun 2019 apabila timbul isu "Buy Muslim First" yang menggalakkan umat Islam untuk membeli produk keluaran Muslim sebagai tanda sokongan untuk meningkatkan ekonomi umat Islam. Kempen ini telah dilancarkan oleh beberapa pertubuhan bukan kerajaan (NGO). Walau bagaimanapun, kempen ini telah menimbulkan pelbagai reaksi kerana ada pihak yang bersetuju dan ada pihak yang menentang dengan setiapnya mempunyai hujah tersendiri. Kempen pembelian barangan Muslim tidak menjadi masalah. Pengguna mengharapkan barangan keluaran Muslim mempunyai logo halal. Mementingkan produk keluaran Muslim yang mempunyai logo halal lebih diutamakan daripada produk keluaran bukan Muslim yang mempunyai logo halal. Hal ini demikian kerana jika membantu produk keluaran orang Islam membolehkan mereka membayar zakat. Justeru ia dapat meningkatkan hasil kutipan zakat.

Walau bagaimanapun, mencari yang halal adalah tuntutan agama. Hal ini bermaksud mencari produk yang mempunyai logo halal perlu diutamakan kerana seperti yang dijelaskan sebelum ini, produk yang mempunyai logo halal akan dipantau oleh pihak berkuasa yang memaksa mereka untuk mematuhi piawaian yang telah ditetapkan dari segi pematuhan syarak, kebersihan dan keselamatan.

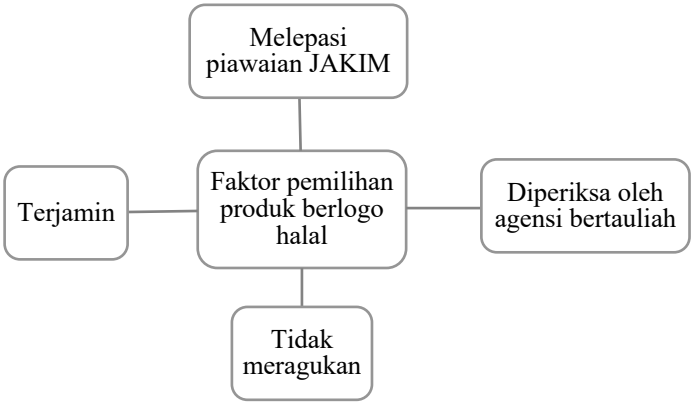
Hasil kajian menunjukkan majoriti informan menyokong usaha untuk membantu ekonomi umat Islam tetapi mereka lebih mementingkan pembelian produk berlogo halal. Setiap orang mempunyai pandangan dan pilihan tersendiri. Walau bagaimanapun, pengguna perlu bijak dalam membuat pilihan. Hasil kajian ini juga menunjukkan bahawa isu "Buy Muslim First" tidak mempengaruhi pengguna terhadap keyakinan mereka kepada produk berlogo halal. Berdasarkan kepada surah al-Baqarah ayat 168 yang bermaksud "Wahai manusia! Makanlah dari (makanan) yang halal dan baik yang terdapat di bumi, dan janganlah kamu mengikuti langkah-langkah syaitan". Ayat ini jelas menunjukkan bahawa umat Islam disuruh mencari yang halal lagi baik. Walau bagaimanapun, umat Islam perlu bersolidariti untuk membeli produk Muslim yang mempunyai sijil halal berbanding produk bukan Muslim yang mempunyai sijil halal sebagai tanda sokongan kepada ekonomi umat Islam.

3.3 Analisis faktor pemilihan informan terhadap produk berlogo halal dan produk Muslim

Bahagian ini akan membincangkan faktor pemilihan informan terhadap produk berlogo halal dan produk Muslim serta perkara yang dititik beratkan dalam pembelian.

3.3.1 Faktor pemilihan informan terhadap produk berlogo halal dan produk Muslim

Hasil kajian ini menunjukkan bawah daripada 22 informan, seramai 15 orang informan (68%) lebih mementingkan pembelian produk yang mempunyai logo halal berbanding 7 orang informan (32%) yang mementingkan produk keluaran Muslim. Antara faktor pemilihan pengguna terhadap produk berlogo halal adalah seperti rajah 3.



Rajah 3. Faktor pemilihan produk berlogo halal

Hasil kajian ini menunjukkan tiga sebab mengapa pengguna lebih mementingkan produk berlogo halal daripada produk Muslim. Sebab pertama adalah kerana sesetengah daripada mereka tidak yakin dari segi kebersihan dan penggunaan bahan mentah bagi produk yang tidak mempunyai logo halal. Sebab kedua adalah tiada pemeriksaan pihak berkuasa bagi produk yang tidak mempunyai sijil halal. Hal ini demikian kerana majoriti informan mengatakan bahawa proses untuk mendapatkan sijil halal adalah suatu proses yang rumit. Oleh itu, para pengguna lebih yakin terhadap produk berlogo halal kerana terdapat pemeriksaan oleh JAKIM dan pengeluar perlu mematuhi syarat-syarat yang telah ditetapkan. Sebab ketiga adalah berkenaan dengan cara pembuatan. Bagi

sesetengah produk Muslim yang diproses di rumah, terdapat keraguan terhadap cara pembuatan tersebut. Hasil analisis di atas jelas menunjukkan bahawa informan mempunyai persepsi yang jelas terhadap produk yang mempunyai logo halal.

Sementara itu, faktor pemilihan pengguna terhadap produk keluaran Muslim adalah pertama untuk memberi sokongan kepada produk keluaran Muslim dan kedua adalah mereka yakin dengan pembuatan hasil daripada orang Islam seperti Rajah 4.



Rajah 4. Faktor pemilihan produk Muslim

Informan yang memilih produk keluaran Muslim kerana mereka yakin terhadap pegangan ajaran Islam seseorang pengeluar Muslim. Sebagai seoarang Islam, pastinya mereka sentiasa mematuhi perintah dan larangan Allah. Terdapat informan yang menyatakan tentang keraguan mereka terhadap isu pemalsuan logo halal. Hasil dapatan ini menunjukkan hanya minoriti informan yang lebih memilih produk keluaran Muslim berbanding produk yang mempunyai logo halal. Hal ini juga menunjukkan bahawa majoriti informan mempunyai kefahaman yang baik terhadap produk yang mempunyai logo halal. Keyakinan antara faktor yang menyebabkan pemilihan yang tinggi terhadap produk yang mempunyai logo halal berbanding produk keluaran Muslim iaitu kayakinan mereka terhadap pihak berkuasa yang menjalankan pemantauan terhadap produk yang mempunyai logo halal.

Hasil analisis juga mendapati bahawa terdapat tiga perkara utama yang dititik beratkan oleh informan dalam pemilihan barang atau sesuatu produk, dimulai dengan jenama sesuatu produk, harga dan penelitian terhadap logo. Majoriti informan akan membeli barang atau produk yang menjadi kebiasaan mereka dalam menggunakannya. Kemudian, mereka akan melihat kepada harga barang tersebut. Walau pun sesetengah mereka mementingkan jenama dan harga, akhir sekali mereka tetap akan memastikan sesuatu barang tersebut mempunyai logo halal.

4. Hasil Kajian dan Perbincangan

Hasil kajian ini menunjukkan bahawa majoriti informan khususnya pelajar Muslim Universiti Utara Malaysia mempunyai kesedaran terhadap produk yang mempunyai logo halal. Hal ini juga menunjukkan bahawa mereka mempunyai kefahaman yang baik terhadap produk yang mempunyai logo halal. Keyakinan antara faktor yang menyebabkan pemilihan yang tinggi terhadap produk yang mempunyai logo halal iaitu kayakinan terhadap produk tersebut serta keyakinan terhadap pihak berkuasa.

Hasil kajian ini juga menunjukkan bahawa isu “Buy Muslim First” tidak mempengaruhi pengguna terhadap keyakinan mereka kepada produk berlogo halal. Walau bagaimanapun, pengguna digalakkan untuk membeli produk Muslim yang mempunyai sijil halal berbanding produk bukan Muslim yang mempunyai sijil halal sebagai tanda sokongan kepada ekonomi umat Islam.

Umat Islam digalakkan membantu meningkatkan perniagaan orang Islam dengan mendahulukan produk Muslim yang mempunyai logo halal berbanding produk bukan Muslim yang mempunyai logo halal seperti jenama al-Haddad, produk Ramly, ayam Bismi dan sebagainya. Bagi peniaga Muslim yang produknya layak untuk mendapat pensijilan halal, mereka sangat digalakkan untuk memohon. Ia merupakan satu usaha yang baik supaya mereka dapat meluaskan lagi pasaran produk.

Mengikut laporan akhbar Kosmo bertarikh 20 September 2020, laporan daripada Suruhanjaya Syarikat Malaysia menunjukkan sebanyak satu juta syarikat berdaftar di bawahnya dan daripada jumlah tersebut, 200,000 Perusahaan Kecik dan Sederhana (PKS) terlibat secara langsung dalam aktiviti yang berkaitan halal. Walau bagaimanapun, bilangan PKS yang mempunyai sijil halal adalah sekitar 10,000 sahaja. Jumlah tersebut menunjukkan bahawa masih terlalu rendah jumlah syarikat atau perusahaan yang memohon sijil halal.

Penghargaan

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Islamic Banking and Finance

THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Perception of Malaysian Community on the Reliability of the Adoption of Islamic Digital Banking in Mobilizing Financial Sector

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Abstract

The existence of Information and Communication Technology had paved a way to various sectors especially in financial sector. Banks have been pushed to develop digital banking to meet the needs of clients who are always on the go. During COVID-19 outbreak, digital banking is compulsory to the community in order to conduct day to day banking transaction. However, as the majority of community in Malaysia is Muslim, the need of the Shariah compliant digital banking is significant. Islamic financial sectors had been urged to join the digital banking revolution in order to be an alternative against conventional one. This study is aimed to investigate the perception of Malaysian community on the reliability of the adoption of Islamic digital banking. This study used a quantitative survey questionnaire with 150 valid respondents. The software SPSS version 26 was utilised in this study to analyse the data using descriptive analysis. The general finding of this study shows that the perception of Malaysian community from various occupational on the reliability of Islamic digital banking in mobilizing financial sector has demonstrated a favourable consequence.

Keywords: ICT; Islamic digital banking; reliablity

1. Introduction

The emergence of Information and Communication Technology ICT had paved a way to various industries and sectors to be modernized especially in financial sector. As it can be perceived deeply, ICT drastically bring

the biggest transformation toward financial management operation from traditional phase to modern phase. Technology advancement has played a significant influence in enhancing service delivery standards in the banking and finance sector. Automated Teller Machines (ATMs) and deposit machines, in their most basic form, now allow consumers to conduct banking transactions outside of normal business hours. Individuals can use online banking to check their account balances and make payments without having to visit a bank. This is progressively establishing a cashless society in which consumers no longer have to pay for all of their purchases with physical cash. As more individuals now hold mobile phones, the existence of smartphones and the internet has accelerated the digitalization of banking and finance operations and transactions. According to P.Revathi (2019), any transformation in this sector as a result of technological adoption will have a major impact on an economy's growth.

Banks have now developed digital banking to cater to consumers who are constantly on the move. Digital banking is a phenomenon to the banking and finance sectors in which positively affecting to the community for their economy development. During the COVID-19 outbreak in Malaysia, most people were forced to conduct transactions over the counter in order to prevent the infection from spreading. Most of transaction can be made through online banking in during the COVID-19 outbreak. Digital banking, in general, refers to the computerization of traditional banking services. It allows customers of the bank to use online or electronic platforms to access banking products and services. It refers to the digitization of all banking operations in order to replace the bank's physical presence and removing the need for customers to visit a branch (Haralayya, 2021). Traditionally, banking was a time-consuming process. Customers had to keep track of transactions or banking history on paper. However, digitalization has now enabled everyone to enjoy contactless banking. Digitalization has reshaped banking operations, products, and services, according to Haralayya (2021). Customers can complete transactions more quickly, accurately, and conveniently. Digital banking also has transformed the way banks communicate with their clients.

In Malaysia, financial sectors had been urged to join the digital banking revolution (Alita Sharon, 2020). The Islamic financial industry has been slower to react to new digital opportunities, and while several Islamic digital banks have been formed in recent years, they are neither as large nor as well-known as their conventional counterparts. According to Alita Sharon (2020), industry experts think that digital banking is good for Islamic banks since consumers and companies have grown smarter and more discerning as a consequence of technical improvements. Because Malaysia has a Muslim majority, the requirement for Islamic digital banking must be met as Islamic digital banking need to be complied with Shariah rulings. As Muslims, they must consider if a certain banking and financial product is Halal (permissible) or Haram (impermissible) in Islam. The adoption of Islamic digital banking is required to be in accordance with Shariah rulings and the objectives of Shariah in order to safeguard the benefit of people (*jalb al maslah*) and avoid any harm (*dar al-mafasid*) in which involve impermissible elements such as Riba (interest), Gharar (uncertainty), and Maysir (gambling) in conducting online dealings. As Allah SWT stated in holy al-Quran in surah al-Baqarah in verse 275 in which clearly stated that the practice of Riba is prohibited in Islam:

> *"Those who accept usury, on the other hand, will spring up on the Day of Resurrection as though afflicted by Satan's touch. That is because they claim that 'commerce and usury are the same thing,' but God has permitted trade while forbidding usury. Anyone ceases taking usury after receiving God's warning may preserve his previous gains—God will be his judge—but whoever returns to usury will be a permanent resident of the Fire." (Surah al-Baqarah, verse 275)*

Apart from that, the adoption of Islamic digital banking as an alternative of conventional one is enabled to help Malaysian community to sustain economic growth in the current situation. According to Surin (2021), a well-implemented digital banking system will accelerate the economy and promote greater financial inclusion. The unserved and underserved should be connected to financial service platforms that can assist them manage their cash flow, enable micro savings or deposits, provide micro-insurance to protect their fundamental requirements, and provide basic financial products to help them get through their financial difficulties. This study is aimed to investigate the perception of Malaysian community on Islamic digital banking in mobilizing financial sector toward the sustainability economics.

2. Literature review

Numerous studies have been conducted in the field of digital banking, some of which are included below with varying aims and sampling units. Basically, the digitalization of all banking and finance activities and services that were previously solely available in bank branches is referred to as digital banking. For instance, withdrawing funds, saving funds, transferring funds, and etc. Apart from that, According to Stanley Epstein (2017), Digital banking is described as the use of technology to provide smooth end-to-end (STP) processing of banking transactions/operations started by the customer, assuring optimum utility for both the client and the bank in terms

of accessibility, usefulness, and affordability. This statement has been endorsed by Melubo (2020) as he said that digital banking refers to the use of technology to provide financial services in order to enhance accessibility and affordability of services. Oanh Thi (2020) noted that digital banking is a business approach that employs a technological platform to enable banks and consumers to connect and transact. This is performed by utilising digital gadgets linked to computer software over the internet. Consumers are not required to visit physical bank branches to complete transactions, and banks are not required to meet with customers to complete transactions. Banks might very well utilise digital banking to provide additional services to their customers while reducing the costs of sending statements and performing in-branch transactions with customers. Customers increasingly want digital banking to be as interactive as social media.(Dootson, 2016). According to Alex Lipton et al. (2016) The majority of banking activities are technical and mathematical. As a result, it is ideally suited for digitization; nevertheless, legacy systems and culture prevent banks from adopting innovation as fully as they should in order to survive and prosper in the digital economy of the twenty-first century.

In the context of Islamic digital banking, Islamic banking transactions adhere to Islamic Shariah rules and regulations, also known as fiqh muamalat (Islamic rules on transactions). In the Islamic financial system, interest payments and receipts, extreme uncertainty (gharar), gambling, speculators, and illicit transactions have no place (Khan, 2010). It is a comprehensive financial framework that promotes justice and equity in the conduct of banking operations. However, Islamic banking proponents place the most emphasis on profit and loss sharing (PLS) (Zaher, 2001). A.F Riza (2019) further noted that Islamic banks provide basic financial services to Muslims in conformity with Islamic laws (Shariah). Shariah principles, or Islamic transaction laws (fiqh muamalah), are rigorously observed by Islamic banking. The rules are based on the holy Quran and Hadits, and otherwise secondary sources such as ijma' and Qiyas. As according to Muhammad Ridhwan Ab. Aziz and M. Zakirol Izat (2021), Islamic digital banking is evolving to meet Muslims' expectations for the digitalization of Islamic financial institutions' goods and services. The goods and services of Islamic financial institutions continue to challenge and adapt to the demands of clients who adopt new technology in maximising market possibilities while preventing market gaps for underserved and unserved populations. They went on to emphasise that the expansion of Islamic digital banking should be in line with Shariah's aims, which are to help society while preventing injustice in online transactions.

Bank Islam Malaysia Berhad (BIMB), a Shariah-compliant bank, has gone digital in order to satisfy the diverse needs of Malaysians. It provides both Muslim and non-Muslim customers with a comprehensive range of Shariah-compliant financial services, including as mobile banking, card services, and traditional banking. The bank created its Mobile Onboarding (MOB) and Virtual Account Opening (VAO) technologies to help with the smooth account opening procedure in order to deliver relevant services and increase its reach in today's digital environment. It also upgraded its mobile banking products and developed ezXcess, an online platform where potential customers may apply for loans (MAMBU, 2021). According to Shazni Ong (2022) The Ministry of Finance (MoF) has granted AEON Credit Service (M) Bhd and its consortium partners an Islamic digital bank licence, with operations scheduled to begin within 24 months of the approval date. According to the Licensing Framework for Digital Banks provided by Bank Negara Malaysia (BNM), the Islamic digital bank must operate within an RM3 billion asset limit and maintain a minimum capital pool of RM100 million unaffected by losses throughout its foundational period (Shazni Ong, 2022). However, the perception of reliability in the context of new technology adoption may be impacted by a variety of circumstances. The perceived usefulness and perceived ease of use of a system determine an individual's intention to use it, with intention to use functioning as a mediator of actual system utilisation. Perceived ease of use is also regarded to have a direct bearing on perceived usefulness (Davis F. D., 1985). Davis (1985) noted that Perceived usefulness is seen to be directly related to perceived ease of use. Meanwhile, Rogers' (1983) urged that the innovation diffusion theory (IDT) is one of the earliest ideas aimed at discovering what elements impact a person's decision to accept a new invention or technology. According to the idea, the acceptance of any invention is governed by five basic beliefs: relative advantage, complexity, compatibility, trialability, and observability. The key tenet of this idea is that adopting new technologies reduces uncertainty. To lessen uncertainty, individuals will seek out and synthesise knowledge on new technologies. As a result of this process, new perception on technology use emerges. An individual's worldview influences whether or not they accept or reject technology (Rogers, 1983).

Globally, there is rising worry regarding the security of internet financial services. Perceived risk indicates the consumer's view of the unpredictability of outcomes related mostly to finding and selecting product and/or service information prior to making any purchase decision. If customers see a discrepancy between their actual purchasing experiences and their purchasing goals, they may perceive a higher risk and may abandon or avoid using the product or service in issue. Because most internet services operate in an open environment, their applications and outputs are exposed to security and privacy risks such as phishing, malware, spyware, spoofing, and password sniffing, among other things. (Vivo, 1998). Customers believe that when they utilise online services such as internet banking, e-ticket booking, online shopping, and so on, their personal security may be threatened (Tan, 1999). Apart from that, digital banking is regarded as reliable on the grounds that it provides necessary information with the clients exerting the least amount of effort possible. Because of the widespread perception that advances

in technology are inherently fraught with peril, consumers are understandably anxious about the dependability of new products (Shamdasani P, 2008). The reliability and accountability of activities relating to electronic banking and electronic payment have an impact on the level of contentment experienced by clients (Roozbahani, 2015). Meanwhile, Gera (2011) claims that if clients experience active, high-quality services from an e-banking website, they will return and suggest the platform to others. Customers' loyalty to service providers may be impacted by dependability in terms of quality of service (Loonam, 2008). What dependability requires from a service provider is error-free operation and consistency in providing promised service (Saccani, 2014). Two of key e-banking's success criteria in encouraging clients to stay with this platform are timely transaction processing and an accurate billing system (Shankar, 2016). The reliability and design of the website and application in E-Banking Service Quality (EBSQ) have a favourable influence on growing e-banking loyalty, notably during COVID-19, CMR is a source of literature that supports the study approach (Ul Haq, 2020). According to Shankar and Datta's (2018) study, reliability has a favourable effect on improved consumer loyalty to e-banking. One of the most important factors of EBSQ is reliability. Based on the aforementioned descriptions from prior studies, it is possible to conclude that efficiency influences consumer loyalty while using e-banking.

Additionally, Security and privacy are two crucial components of embracing e-banking as a technological advancement. Customers are wary of making online financial transactions due to the risk of their personal information falling into the wrong hands over the internet (Sathye, 1999; Aladwani, 2006). Consumers may have reservations about the security of their online banking transactions (Gerrard, 2003). As a result of this, one may draw the conclusion that privacy and security are aspects that need to be taken into consideration by providers of online banking services. According to the findings of a research by Loonam and O'Loughlin (2008), significant components of the provision of e-banking services include web usability, trust, access, and information quality service recovery, and flexibility. A high level of service quality across all dimensions will result in satisfied customers as well as their faith in service providers. E-banking services should be utilised with extreme caution in order to guarantee a high level of information security, confidentiality, and transaction protection. These are all crucial issues that should be considered.

3. Research Methodology

In this study, the method that has been used is quantitative approach. Quantitative research aims to get a better understanding of the social environment. Quantitative approaches are used by researchers to observe conditions or events that have an impact on individuals. Quantitative research yields objective facts that may be expressed effectively using statistics and numbers (Traci Williams, 2021). This study also used a survey questionnaire since it is the most trustworthy method of gathering data. For this survey, a total of 150 valid respondents were recruited. The responders would be chosen at random from a group of related parties by the researcher. Following a thorough survey, data from respondents' responses are statistically evaluated using SPSS version 26. The Cronbach alpha was used to determine the reliability of the scale. According to Keith (2018), Cronbach's alpha is most useful for establishing scale reliability in terms of item equivalency within single-construct scales, but it provides no evidence that scales are truly unidimensional (which should be tested by other means). A Cronbach's alpha of more than 0.7 was considered acceptable, more than 0.8 was considered good, and more than 0.9 was considered exceptional.(Nunnaly, 1987). Table 1 displays the Cronbach alpha for all scales to examine the instrument's internal consistency:

Table 1. Exploratory analysis.

Cronbach's Alpha= 0.873
1. Using Islamic digital banking services would offer me a better way to keep up with my finances.
2. I feel that Islamic digital banking appears to be practical.
3. I feel that using Islamic digital banking is/would be beneficial to me as customer/potential customer.
4. I feel that Islamic digital banking services are generally safe and secured

4. Discussion and Findings

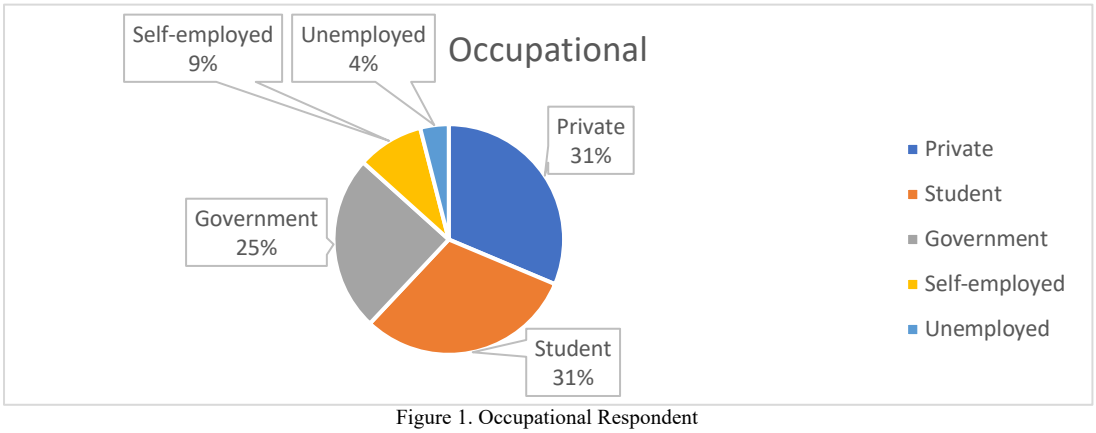


Figure 1. Occupational Respondent

Based on the Figure 1 above, there are 5 types of occupational respondent that have been taken for the findings within the study. Five of them are private sector employee, government servant, student, self-employed people and unemployed people. Pie chart above illustrated that the majority of the respondents are from student and private employee in which both 31%. Apart from that, there are 25% of the respondents work as government servant while 9% of them are self-employed. The minority of the respondents are unemployed in which proximately 4%.

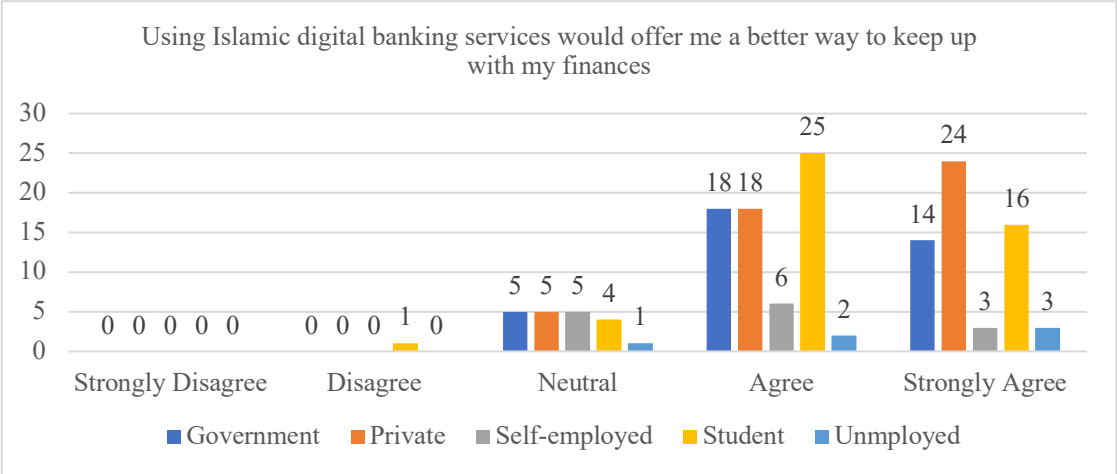


Figure 2. Using Islamic digital banking services would offer me a better way to keep up with my finances

Based on the Figure 2, there are 24 private employees, 16 students, 14 government servants, 3 self-employed and unemployed people strongly agree that using Islamic digital banking services would offer them a better way to keep up with their finances. Aside from that, the number of respondents who agree with the statement is 25 students, 18 government personnel and private employees, 6 self-employed, and 2 unemployed. Meanwhile, each 5 respondents from government servants, private employee and self-employed people are neutral with the statement. However, there is one respondent from student group is disagreed with the assertion. In conclusion, most of the respondents agree that using Islamic digital banking services would offer them a better way to keep up with their finances.

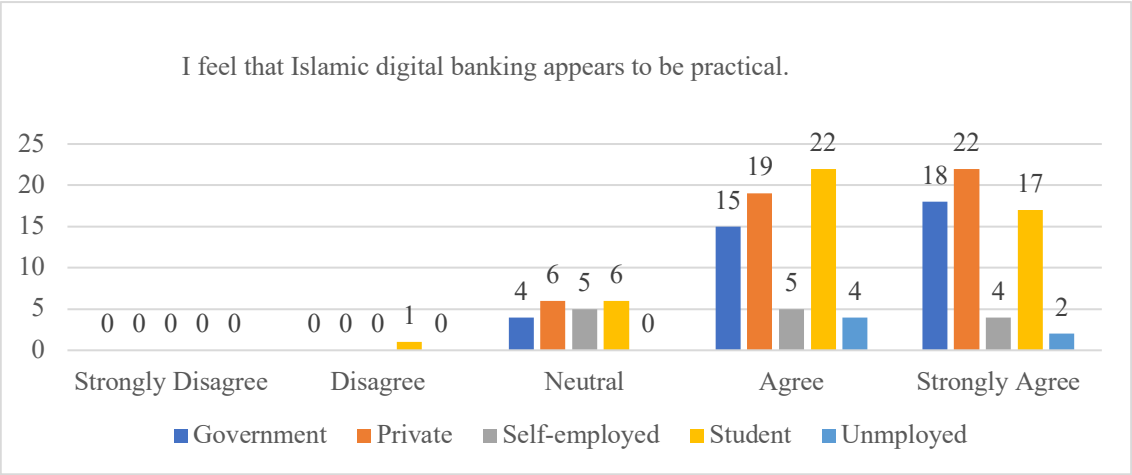


Figure 3. I feel that Islamic digital banking appears to be practical.

Based on the Figure 3, there are 22 private employees, 17 students, 18 government servants, 4 self-employed and 2 unemployed people strongly agree that Islamic digital banking appears to be practical. Apart from that, the number of respondents who agree with the assertion is 22 students, 15 government employees, 19 private employees, 5 self-employed, and unemployed. Furthermore, each 6 respondents from the private employee and student groups, 4 responses from the government personnel, and 5 self-employed persons are neutral regarding this assumption. Following that, one student group responder disputed that Islamic digital banking appeared to be viable for the community. In general, the majority of respondents agree with this assertion.

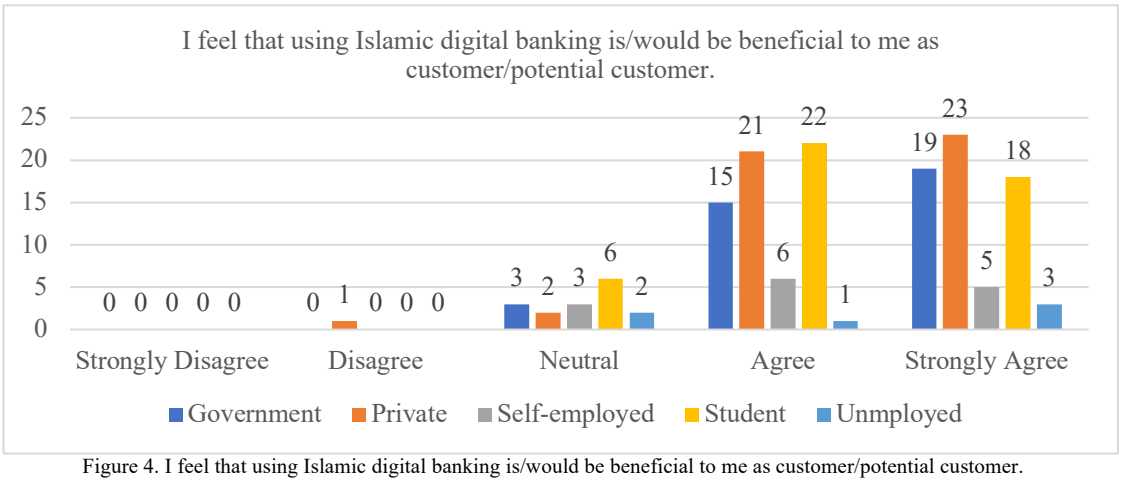


Figure 4. I feel that using Islamic digital banking is/would be beneficial to me as customer/potential customer.

According to the Figure 4 above, one of the respondents from category of private sector disagrees that using Islamic digital banking would be beneficial to them as customer or potential customer. However, there are 23 respondents from private employee, 19 respondents from government servant, 18 respondents from student category, 5 respondents from self-employed and 3 respondents of unemployed people strongly agree with this statement. Apart from that, there are 22 students, 21 private employees, 15 government servants, 6 self-employed and 1 unemployed person agree with this statement. Next, there are 6 students, 3 respondents from category government and self-employed, 2 respondents of private sector and unemployed category are neutral with the assertion. Generally, most of the respondents agree that using Islamic digital banking services would be beneficial to them as customer.

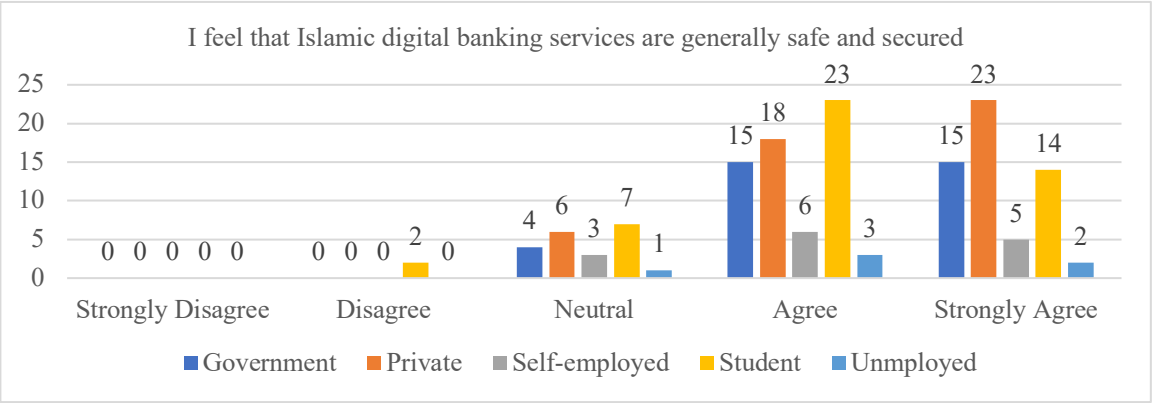


Figure 5. I feel that Islamic digital banking services are generally safe and secured

According to the Figure 5 above, 23 respondents from the private sector, 15 from the government sector, 14 from students, 5 from the self-employed group, and 2 from the unemployment group strongly agree with the above statement. Besides that, there are 23 students, 18 private employees, 15 government servants, 6 self-employed and 3 unemployed people agree that Islamic digital banking services are generally safe and secured. In the other hand, 7 students, 6 private employees, 4 government servants, 3 self-employed and only 1 unemployed neutral about this assertion. However, there are two respondents from student group disagree with the statement. In general, the larger number of respondents are agreed that Islamic digital banking services are generally safe and secured.

5. Conclusion

The bulk of the respondents are either employed in the private sector or are students, as seen throughout the findings. It is possible to draw the conclusion that both categories have the perspective that the adoption of Islamic digital banking is essential in the dissemination of financial services and banking products since it is advantageous to them in term of transaction cost in executing banking transaction while offering financial inclusiveness to the unbanked population. Apart from that, descriptive analysis in this study indicated that the general finding in the study is the Malaysian community's perception of the reliability of the adoption of Islamic digital banking has demonstrated a favorable consequence. This perception also can be influenced by the features of the application itself. As it can be perceived from the result of the study, the respondents believe that Islamic digital banking can be practical by the Malaysian community and this platform can be perceived usefulness and offering numerous benefits against Malaysian community such as safe and secured virtual banking transaction and operation. With the adoption of Islamic digital banking, the community enable to sustain their economics and simultaneously increase the standard of their living and quality of their living.

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Analysing Reputational Risks in Malaysia's Public Universities with Waqf Fund and the Way Forward

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Abstract

In an effort to ensure better governance of public universities' income generation activities including waqf, the Ministry of Higher Education has developed the UniTP Purple Book Enhancing University Income Generation, Endowment and Waqf to navigate universities' income generation. Since the Universities' income generation include commercial activities, risk mitigation is a central feature. Prior to mitigating potential risk exposures, an important step of managing risk is identifying risk exposures. One of risk expose the Universities in raising public fund especially waqf fund is reputational risk. This investigation analyse reputational risk faced by the Universities in sourcing waqf fund from the public. Employing basic qualitative research method by analysing past literatures published on the issue as well as document analysis, the authors intend to identify reputational risk exposures and proposed measures that can mitigate such risk. In the process, Annual Reports of selected Public Universities are scrutinised to establish the risk mitigation effort by the Universities.

Keywords: Risk Management; Reputational Risk; Waqf Universities; Waqf Fund; Public Universities

1. Introduction

Malaysia Education Blueprint 2015 – 2025 (Higher Education), issued by the Ministry of Higher Education, identifies Shift #5 aimed at financially sustaining Institute of Higher Learnings as the Government is reducing the dependency of public Institute of Higher Education on Government funding. One of the core incentives under Shift #5 include motivating IHEs to establish endowment and *waqf* funds by providing corresponding grants as well as spurring the public sector to donate to IHEs. To ensure the above objective is fulfilled, relevant universities' governance structure requires improvement and strengthening their income generation management (including *waqf*) via the launching of the UniTP Purple Book Enhancing University Income Generation, Endowment and Waqf (Ministry of Higher Education Malaysia, 2017). The Purple Book is expected to guide universities in their income generations. IHEs may refer to the Purple Book in their fundraising activities, including endowment and *waqf*, from the public. On top of the Purple Book, the Ministry has earlier published a guideline on universities holding companies, endowment and waqf entities. The guidelines are proposed for IHEs in the UniTP Green Book Enhancing University Board Governance and Effectiveness. Specific to *waqf* funds, the Green Book suggests universities to establish a Waqf Board Trustees to oversee *waqf* raising fund activities, engaging *waqf* donors and investment of *waqf* assets.

The contribution of *waqf* as funding instrument is well documented among the Muslim community globally, historically and in the modern era and has been identified as an important source of funding as well as contributed to the Muslim community development including to the development of Muslim Institute of Higher Education (Ministry of Higher Education, 2017). Ministry of Higher Education (2017) also recorded Malaysia universities have collected close to RM6.873 million of waqf fund from 2012 to 2015. Contributions from private corporations

form the largest *waqf* contributors with 57%. 34% of waqf contributions sourced from individuals (Ministry of Higher Education, 2017). The universities may invest the collected waqf fund and utilised the dividends as promised to the funder.

Similar to other commercial fundraising activities, *waqf* raising and investment activities expose universities to different type of risk including reputational risk. Hence, the universities need to have in place risk management activities to mitigate these types of risk. Risk management, according to the International Risk Management Principles and Guidelines standard (AS/NZS) ISO 31000:2018, is defined as "coordinated activities to direct and control an organisation with regard to risk". In the context of this article, risk management is defined as the process adopted to manage and mitigate any risk exposures that adversely affect the universities, especially those risks that associated with board members, staff, programs and events, services offered, operations, technology and financial management. Universities, in the case of *waqf* raising activities as well as the usage of *waqf* fund, are seen as Islamic related institutions hence the issue of trustworthiness of the doner is at stake. This leads to the reputational risk exposed to universities with *waqf* fund. The failure to manage reputational risk may result in the decreasing number of donors arising from trust deficit among the donors.

Departing from the above scenario, in this investigation, the authors attempt to analyse literatures regarding reputational risk in general and particularly vis-à-vis Islamic banking industry as the latter is regarded as Islamic institution which involve customers' trustworthiness. The article also examines past research on *waqf*. Moving forward, the article proposes measures that universities may implement to mitigate the reputational risk.

2. Literature Reviews

This section presents review of literatures on the topic based on past literatures as well as highlighting the gap that motivate the authors to investigate the matter. The authors review past literatures on public universities with waqf fund, risk management practices and reputational risk. A section on Research Gap is included to highlight the gap this research attempts to bridge.

2.1 Public Universities with Waqf Fund

As the government is encouraging public universities to seek for their own source of funding, *waqf* and endowment has become popular alternative for originating public fund (Salehuddin Md Dahlan & Nor Asiah Mohamad, 2017). To facilitate the management of the alternative public fund, the universities have established their own *waqf* centres under the purview of the universities management (Ismail, Johari & Mohd Noor, 2019) but working closely with the relevant Religious Authorities as *waqf* falls under the jurisdiction of respective State Religious Authorities ((Siti Mashitoh, Asmak & Azizi, 2018). In this regard, all the universities have obtained written approval from the relevant Religious Authorities and majority of them appointed as *mutawalli* (Ismail et al., 2019; Mohaiyadin & Aman, 2021). Ismail et al. (2019) compiled list of universities with their own *waqf* centres as in Table 1. Universities establish their *waqf* institutions either as centres, yayasan or office.

Past studies on the topic include Ali & Wahid (2014), Ahmad, Rahman & Muhammad (2016) and Johan, Yusof & Omar (2016). Ali & Wahid (2014)'s concluded that public universities faced tough time in obtaining good *waqf* fund from the public and proposed universities to invest the fund. Ahmad, Rahman & Muhammad (2016) highlighted universities have issues with collection and distribution. Johan, Yusof. & Omar (2016)'s investigation identified transparency as one of the challenges faced by universities. Mohaiyadin & Aman (2021)'s research on challenges faced by universities in congruent with Ahmad et al. (2016) and Johan et al., (2016) which concluded that there are some challenges in the accountability and transparency of *waqf* collection and distribution. They found that universities various units or departments are working in silos with respect to *waqf* projects especially the collection unit and distribution unit. Additionally, other units or departments within the universities were not fully aware of the function of *waqf* unit/centre hence resulting in unfriendly impression by other units/departments towards *waqf* unit/centre. Mohaiyadin & Aman (2021)'s examination also highlighted that universities did not involve the *waqif* (doners) in the distribution process. This lack of transparency may eventually affect future *waqf* contribution.

Table 1: Public Universities with Waqf Institutions (Ismail, Johari & Mohd Noor, 2019)

No.	Universities	Waqf Centre	Year Established
1	Universiti Sains Malaysia (USM)	Pejabat Zakat Waqaf & Infaq (ZAWAIN)	2017
2	Universiti Malaya (UM)	UM Bursary's Fund Management & Credit Control Division	2016
4	Universiti Kebangsaan Malaysia (UKM)	Yayasan Canselor (secretariat for Dana Wakaf Ilmu UKM)	2016
5	Universiti Putra Malaysia (UPM)	Pusat Pengurusan Wakaf, Zakat dan Endowmen (WAZAN)	2016
6	Universiti Teknologi Malaysia (UTM)	Pejabat Wakaf UTM	2017
7	Universiti Malaysia Kelantan (UMK)	Pusat Islam UMK	2016
8	Universiti Pendidikan Sultan Idris (UPSI)	Pusat Islam UPSI	
9	Universiti Malaysia Pahang (UMP)	MyGift UMP	2015
10	Universiti Tun Hussein Onn Malaysia (UTHM)	Pusat Endowmen dan Wakaf	2017
11	Universiti Islam Antarabangsa Malaysia (UIAM)	IIUM Endowment Fund	1999
12	Universiti Sains Islam Malaysia (USIM)	Pusat Wakaf dan Zakat/ Centre for Awqaf and Zakat	2017
13	Universiti Malaysia Sabah (UMS)	Centre for Investment and Endowment (CIE)/ Pusat Pelaburan dan Endowment	2017

2.2 Risk Management Practices

Risk management is vital indication of good governance by institutions including public universities particularly for public universities with *waqf* unit/centre. This is because it involves raising *waqf* fund from the public as well *waqf* is associated with the religion of Islam whereby trustworthiness among the public play significance role. Hussin, Syed Abdul Kader, Manshor, Roslim, Mohamad Sirat (2021) identified that having good governance practices as a key success factor for the sustainability of *waqf* at public universities. Hussin et al. (2021)'s enquiry discusses elements of good governance practices; accountability and transparency, monitoring and internal control, waqf regulation and policy, and participation and engagement. Accountability of *waqf* fund refers to *waqf* must be managed according to the Shariah requirements of irrevocability, perpetuity and inalienability. Having a clear organizational structure for *waqf* implementation in HEIs such as establishing the University Waqf Committee, University Board of Trustees and/or University Waqf Board would encourage effective development and investment of *waqf* funds. Transparency, according to Sheng (2009), means "information is freely available and direct access to those who will be affected by such decisions and their enforcement". Oladapo, Oseni & Mohammed (2016) consider accountability and transparency as part and parcel of ethical considerations for the sustainability of waqf or western endowment foundation models. Chandra & Rahman, (2010) highlighted transparency could be achieved through ongoing announcements to the public concerning the consolidation and distribution of funds through various means such as the media, mosques, banks, and other agencies.

Another important element of good governance is monitoring and in this case the State Religious Authority has monitoring and supervision powers to ensure the funding operations in public universities are properly managed. Hussin et al. (2021) recorded that Universiti Sains Islam Malaysia (USIM) is required to submit periodic management and financial reports on the USIM Al-Abrar Waqf fund to State of Islamic Religious Council of Negeri Sembilan (MAINS). Hence, the university has established a separate account so that the *waqf* funds

collected are differentiated from the university's account (Alias, Johari & Rahman, 2014). As for internal control, which includes risk management and internal audit, Hussin et al. (2021) suggested that universities need to fully understand the risks of all aspects, especially investing in the Islamic capital market as such investment is not risk-free. To effectively manage such risks, a strong framework needs to be established.

2.3 Reputational Risk

Reputational risk is defined as the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on a company's reputation, thereby affecting its revenue (reputationmanagement.com, 2021). In the context of this research, it refers to the negative perception among the public and doners on the public universities seeking waqf fund from the public. If it is not actively managed, it affects the universities' waqf raising activities. Investigation on Islamic bank's reputational risk by Azrak, Saiti, Engku Ali (2016) claimed reputation as the most critical intangible asset that a bank possesses. The reputation reflects a bank's relative success in fulfilling the expectations of multiple stakeholders. Establishing a great reputation is a key element of organizational strategy, especially for banks. In case of Islamic banks, this is more important due to the nature of its business which is reputed to be defined by shariah principles. Any significant issues with regard to the operations of Islamic banks either in terms of shariah non-compliant financial products or customer complaints may damage the reputations of Islamic banks, thereby driving away customers, investors, shareholders and counterparties. As such, it is expected that Islamic banks pay more attention to managing reputational risks. Azrak et al. (2016) found that local domestic Islamic banks in Malaysia are more transparent compared to the locally incorporated foreign Islamic banks and propose a framework for Islamic banks to manage reputational risks.

2.4 Research Gap

Under the public universities with waqf fund section, the researchers review previous studies on issues and challenges faced by the universities and identified transparency and accountability issues. Risk management and good governance are analysed at the public universities with *waqf* fund. None of the investigations scrutinise reputational risk faced by the public universities. Literature on reputational risk reviewed but in the context of Islamic banking not for public universities. This is the vacuum this research will fill i.e. analysing reputational risk faced by public universities with waqf unit/centre.

3. Analysis

Reputation and public perception are closely related and inseparable. Positive reputation results in positive public perception and may result in favourable waqf collection. Negative reputation has adverse impact on the public perception towards the university hence lead to unfavourable waqf collection. It is important to note that the emphasise is on sustaining *waqf* fund collection. Negative public perception may result in unsustainable waqf collection. In other words, the public may shy away from contributing to the particular university. Negative perception may originate from negative information or news about the university, the management of the university, the staff of university or the university students. Wrongful acts, fraudulent activities, misuse of *waqf* fund, non-usage of collected *waqf* fund or non-compliance use of *waqf* fund may expose the university to reputational risk.

It is interesting to highlight that as presented in the above, as part of transparency, the doner should be involved in any waqf project or at least the doner must be informed how their waqf fund are being used. In short, all good governance elements are vital in alleviating reputational risk. As a solution for mitigating reputational risk, it is suggested that universities must has risk management framework that include reputational risk mitigation. The establishment of risk management committee at the university's management level as board's level may be a step forward.

4. Conclusion

Reputational risk vis-à-vis waqf fund at public universities must be of great concern as it involves trust issue. Once the public has negative perception towards the university, similar to Islamic banks, it takes time to correct the negative perception. Having the risk management framework similar to that of Islamic bank may be the way forward.

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Musawah Information Partnership: Reduction of Asymmetric Information on Profit and Loss Sharing Financing

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Abstract

Describe and analyze asymmetric information on profit sharing financing with a financial performance at Bank Syariah Indonesia. This study builds new values related to Islamic values in information based on ideas, balance, and justice or musawah to reduction information asymmetry. So that this study will encourage the development of a profit-sharing-based financing product model that will realize good financial performance in Islamic banks. Because products based on profit and loss sharing (PLS) are an added value that distinguishes Islamic banks from conventional banks but are still not the product of choice for Islamic banks. This study contributes to the development of financial management, namely the implementation of profit and loss sharing transactions, and especially agency theory, namely *mussawah information partnership* on the quality of *financial performance*.

Keywords: Profit and Loss Sharing; Financial Performance; Financing Risk; *Musawah* Information Partnership; Quality Information

1. Introduction

One of the principles of the contract that is carried out in the distribution of financing is profit and loss sharing or profit sharing, which in this contract principle consists of musyarakah financing, namely financing based on a cooperation agreement between two or more parties for a particular business, where each party contributes funds under the terms that the benefits and risks will be shared by the agreement (DSN MUI Fatwa No.08/DSN-MUI/IV/2000). Then mudharabah financing is a cooperation agreement between two parties for a certain business, where the bank provides all the capital (shohibul al mal) while the second party acts as the manager (mudharib) with the stipulation that the business profits are divided between them according to the agreement agreed in the contract (Fatwa DSN MUI No.07/DSN-MUI/IV/2000). In the DSN fatwa that in a mudharabah contract in principle there is no guarantee, this shows that the main principle of Mudharabah financing is based on trust, but to keep the mudharib from deviating, it is permissible to have a guarantee. The fundamental problem in the cooperation between the owner of capital (shohibul mal) and the manager (Mudharib) is how to make the business run well and share profits fairly.

Agency theory explains the cooperative relationship between the principal and agent, in this relationship the principal delegate's authority or gives a mandate to the agent in the form of decision making and company management (Jensen & Meckling, 1976). The principal and the agent both aim to get as much utility as possible with the least possible expense. So the relationship between the principal and the agent will work well when the interests of the two coincide. But it can happen where the agency will rationally maximize its utility (Walhs & Seward, 1990). In this position, information asymmetry occurs when there is a participant who has more information on what is being transacted. Meanwhile, according to (Anggraeni, 2011) Asymmetry Information is the unequal distribution of information between the agent and the principal. In the implementation of the distribution of information, the principal should obtain extensive, complete information from the agent, but the

information is not received entirely by the principal in its entirety and is complete. In the Islamic view of information asymmetry as gharar, namely obscurity, Islam forbids obtaining benefits from other parties with more information from the contract. Violation of the principle of gharar (asymmetry information) in economic activities leads to the instability of the market mechanism and becomes a loss for investors or shohibul mal (Tatiana et al., 2015).

Based on the results of research by (Febianto, 2012), it can be seen that Islamic banks do not choose mudharabah or musyarakah products, this is due, firstly, to the high risk and prudent nature of Islamic banks. Second, there is an additional cost for monitoring the instrument. And third, is the lack of market transparency in which Islamic banks operate. Fourth, is the reluctance of depositors to accept the risk, where depositors still choose high-profit sharing and do not receive low-profit sharing. Research by Abdelhafid Benamraoui & Yousef Alwardat (2019) shows that asymmetric information is relevant to Mudharabah and Musyarokah contracts and directly affects the income of Islamic Banks and Islamic business unit banks. The test results also show that the adverse selection represented by the profit-sharing rate (PSR) has a positive effect on the level of risk-sharing on the level of non-performing financing (NPF) in the long term (Rodoni & Yaman, 2018).

Meanwhile, research by (Yousfi, 2016) shows that Mudarabah allows for reducing moral hazard problems and directs managers to provide the best level of effort. On the other hand, Musharakah does not solve the problem of moral hazard. Because the project was co-funded by both parties and both provided a non-contracted effort which reduced their incentives. Partially, Mudharabah financing has a positive and insignificant effect on Return On Assets (ROA) at Islamic Commercial Banks and Sharia Business Units in Indonesia (Meutia et al., 2018).

2. Research Purposes

This study aims to examine and explore a new conceptual model that can fill the research gaps and limitations of previous studies between profit and loss sharing products and financial performance. The concept of musawah information partnership will improve sustainable financial performance.

3. Literature Review

3.1 Financial Performance

Financial Performance or financial performance is an analysis carried out to see if a company has been managed in accordance with good and correct financial governance. Financial performance can be seen from the bank's ability to earn profits which are reflected in its profitability, namely the comparison of profit after tax with capital (core capital) or profit before tax with total assets owned by the bank in a certain period (Pandia, 2012). The profitability ratio measures the effectiveness of banks in obtaining profits. This ratio is also used to measure financial health, besides that it is important to note that adequate profit is needed to maintain the flow of bank capital sources.

Siamat (1993) states that this profitability analysis technique involves the relationship between certain items in the profit and loss calculation report to obtain measures that can be used as indicators to assess the efficiency and ability of banks to earn profits. The first component of profitability is the return on assets (ROA), which is the ratio between profit (before tax) and total bank assets, this ratio shows the level of efficiency of asset management carried out by banks (Pandia, 2012). Meanwhile, in the Islamic banking statistics of the Financial Services Authority (2019), ROA is the ratio of profit before tax (annualized) to average total assets. While the second is the return on equity (ROE), which is a ratio that provides a comparison between profit after tax and the bank's core capital. ROE also shows the level of ability of Islamic banks in obtaining net profit with available capital.

3.2 Financing Risk

Risk is the potential occurrence of an event that can cause bank losses (PBI No. 5/8/PBI/2003). Meanwhile, the financing is in accordance with the Financial Services Authority regulation No.29/POJK-03/2019 is the provision of funds or equivalent claims in the form of profit-sharing transactions, lease transactions including service leases, buying and selling transactions, and lending and borrowing transactions based on an agreement or agreement between the BPRS and other parties that require the party to be financed and/or provided with facilities funds to return the funds after a certain period of time in exchange for ujrah, without compensation, margin, or profit-sharing.

Financing risk is defined as the potential that the counterparty will fail to fulfill its obligations in accordance with the agreed terms (Febianto, 2012). The risk of the partner's failure to fulfill obligations in the form of late payments, payment errors, decreased ability of the customer so that he pays part of the obligation, even unable to

pay at all or loss. Financing risk arises because of non-performing financing as stated in the Islamic banking statistics (SPS) published by the Financial Services Authority (2020) which are classified as substandard, doubtful, and bad financing.

This financing risk is reflected in one of the Non-performing Financings (NPFs), namely the ratio of non-performing financing to total financing. Where this problematic or non-current financing in terms of productivity is declining or even non-existent. Such conditions for banks will certainly reduce income and increase the cost of reserves or allowances for Earning Asset Losses (PPAP), thereby reducing bank profits, as well as affecting the soundness of the Bank.

3.3 Information Quality

Information is the result of data processing that is organized and useful for its users (Chussing, 1996). According to (Jogiyanto, 2009) information is data that has been processed into a form that has meaning for the recipient and has real and felt value for current decisions or future decisions. Meanwhile, quality is understood as something that meets its specifications, meets expectations, or even exceeds expectations (Kahn et al., 2002). Meanwhile, according to (Ong et al., 2009) the quality of information is a measurement of the quality of the content of the information system. While (Negash et al., 2003) argue that the quality of information is a function of the value of the information output generated by the system. The quality of information is also reflected in several things including accuracy, timeliness, relevance, completeness, and reducing uncertainty (Jogiyanto, 2009). According to (Kahn et al., 2002) dimensions of information quality include accessibility where information is available or early and can be accessed quickly, then believability, namely information is considered correct and credible, and objectivity, namely the extent to which information is unbiased, not prejudiced, and impartial.

Information can also be conceptualized as a service. A service is an act performed by one of the parties, it is experienced, used, or consumed. The process of converting data to information has the distinctive characteristics of a service, for it often involves customized, personal interactions between information technology staff and users. While the quality of information from the dimensions of the product is in the form of accuracy, completeness, and freedom from error (Kahn et al., 2002). The better the quality of the information, the more correct the decisions will be. If the information produced is not of high quality, it will harm user satisfaction.

3.4 Musawah Information Partnership

The notion of partnership encompasses very different concepts and practices and is used to describe a wide variety of relationships in various settings and locations (Mcquaid, 2000). Meanwhile, according to (Notoatmojo, 2003) partnership is a formal cooperation between individual individuals or groups, organizations, and organizations to achieve certain goals. One form of partnership according to (Sulistiyani, 2004) is *a Mutualism Partnership*, namely the collaboration of two or more parties who understand the importance of partnering so that they will obtain better results and benefits or achieve optimal goals. The decisions taken and the level of profit earned. In profit and loss sharing products at Islamic People's Financing Banks need information as a basis for decision making in the distribution of the agreed share of business profits (ratio).

In the view of Islam that the parties in a partnership have the same position, or equal position is known as the principle of al musawah. The *profit and loss sharing* product is a partnership between shohibul mall (bank) and the manager (mudharib) and also with a capital cooperation model (syirkah) in this product between banks and customers who are partners, so they have equal rights and obligations.

Musawah in language means equality, according to the terms equality and togetherness and respect for fellow human beings as God's creatures. Equality, namely the view that all human beings are equal in value and dignity. Regardless of gender, race, or ethnicity. Human height and low are only based on their piety, the judgment and level of which is only Allah SWT knows. As stated in the letter Al Hujurat verse 7. *"O people! Indeed, We have created you from a male and a female, then We made you into nations and tribes so that you may know one another. Indeed, the most honorable of you in the sight of Allah is the most pious. Indeed, Allah is All-Knowing, All-Aware.* This verse emphasizes the unity of human origin by showing the equality of human beings, whether male or female. They are the same in the sight of Allah SWT and there is no difference from one another based on equality and togetherness and respect for fellow humans as creatures of God (Shihab, 2002). The principle of Al musawah aims to achieve Tawazun where the essence includes a balance of material and spiritual aspects, private and public aspects, financial and real sectors, business and social, and a balance of utilization and preservation aspects. Sharia transactions do not emphasize the maximization of company profits only for the benefit of the owners (shareholders). So that the benefits obtained are not only focused on shareholders, but on all parties who can feel the existence of economic activity.

3.5 Proposition

Based on the above description which is complete and in-depth, it can be formulated the proposition of musawah information partnership, namely the quality of the partnership based on the values of equality, balance, mutual benefit, and the ease of access to reliable, objective information related to business progress, profit, risk, and good decision making implemented, this will realize the quality of financial performance.

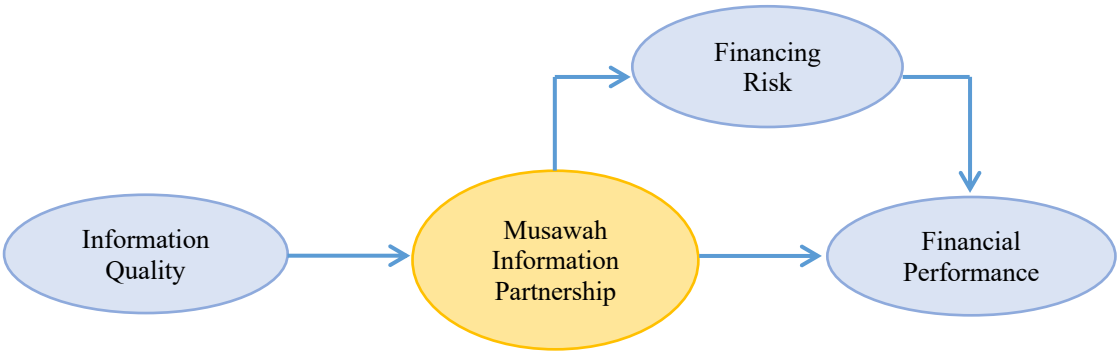


Figure 1. The Concept of the Musawah Information Partnership Model

4. Literature Review

In this study, the research population are directors of Islamic Rural Bank in Indonesia, totaling 163, which are distributed in East Java, Central Java, DIY, DKI Jakarta, West Java, and other provinces with Sharia BPRs (Indonesian Financial Services Authority, 2020).

The sampling method uses the purposive sampling technique, which means that the sample taken considers the area or location and operates for a minimum of 3 years. Then the number of samples the opinion of Hair et al (1996), states that the number of samples is an indicator multiplied by 5 to 10 or at least 100 respondents. However, in order to make generalization more optimal, the sample of this study was 140 respondents.

5. Knowledge Contribution

The contribution of this journal is to develop financial management, namely in the implementation of profit and loss sharing transactions and in particular agency theory, namely *musawah information partnership* on the quality of *financial performance.*

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Does COVID-19 Affect A Firm's Debt Level? Evidence From Shariah-Approved Firms in Malaysia (A Conceptual Framework) (Extended Abstract)

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1. INTRODUCTION

Debt demands a company to make a long-term financial commitment. Therefore, a variety of uncertainties throughout the financing period may have an impact on a company's capacity to honour its commitments. Numerous elements, such as the economy, industry, politics, inadequate management, and other unforeseen circumstances, can contribute to uncertainty. The hit of the COVID-19 pandemic worldwide in the year 2019 also has changed a business's landscape. To respond to any unanticipated incident, businesses must carefully plan how to manage their debt obligation because failure to do so could quickly lead to bankruptcy.

Statistically, after the hit of the COVID-19 pandemic, the Malaysian non-financial corporate (NFC) sector's outstanding debt grew by 3.8% annually to RM1.6 trillion or 108.1% of GDP as of June 2020 as in Figure 1. It was mainly attributed to lower repayments due to the moratorium and an increase in working capital loans (Central Bank of Malaysia, 2020). Further, in the same report, it was stated that the aggregate new loans disbursed to the NFC also declined by 3.4% as demand for financing moderated sharply and banks re-assessed business sector risks.

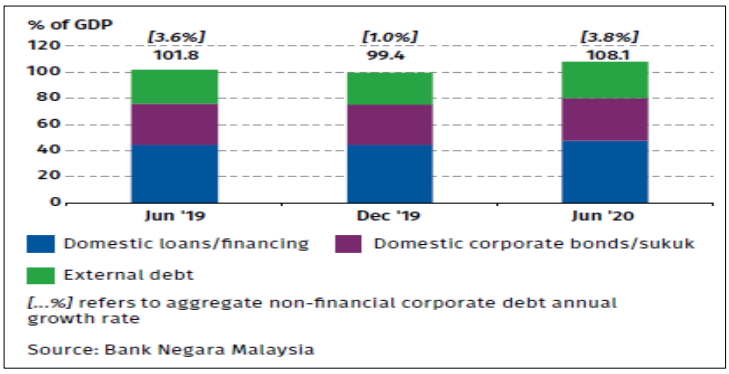


Figure 1: Malaysia's Corporate Debt-to-GDP Ratio
Source: Bank Negara Malaysia (2020)

This figure is concerning because we are aware that debt contributed to the failure of Amercan corporations like Enron in 2001 and Lehman Brothers in 2008. These increasing trends have raised further concerns, as financial crises in many emerging countries have been preceded by rapid growth in debt levels (International Monetary Fund, 2015). Therefore, intensive research that examines firms' debt determinants and factors that influence a firm's debt level is really in need, especially under the current unanticipated business landscape. At least, we try to prevent history from repeating itself, at least for corporate firms in Malaysia.

Looking at the current global economic condition that is still recovering after the attack of the COVID-19 pandemic that starts in the year 2019, this study is keen to explore further on examining whether the COVID-19 pandemic does affect the capital structure decision by focusing on the Shariah-approved firms in Malaysia. The study developed a conceptual framework to determine whether the COVID-19 pandemic affect the Shariah-approved firm's debt level in Malaysia for analysis from 2000 until 2021.

Prior studies that focus on the impact of COVID-19 on Shariah-approved firm's debt levels in Malaysia setting particularly, is currently lacking. This is maybe due to most of the studies keen to focus on the impact of COVID-19 on financial institutions and firms' performance. However, several papers are worth mentioned for. Mohd Azhari, Mahmud and Sara Naquia Hanim (2022) in their research found that the capital structure of Malaysian companies has changed slightly during the COVID-19 period. During the COVID-19 period, short-term debts and total debts have both decreased slightly. However, long-term debts have increased marginally. Interestingly, the factors that influenced the firms' capital structure that is proxied by total debt are the same before and during COVID-19 comprises of profitability, tangibility, liquidity and size.

Huang and Ye (2021) further assert that many firms, particularly those with significant leverage, may face financial distress as a result of COVID-19's negative influence on their financial health. This is because low-leverage and profitable businesses have easier access to debt funding as they are assumed to have greater financial flexibility. However, firms will be exposed to increased risk as their reliance on debt financing grows.

2. UNDERLYING THEORIES OF CAPITAL STRUCTURE

The modern capital structure theories came into existence after the seminal works of Modigliani and Miller (1958) of a well-known capital structure irrelevance theory of MM I and MM II. The MM theorem assumes that in a perfect capital market, the value of the firm is independent of any form of capital structure. The MM also assumes similar business risks among firms operating in a similar business environment and firms are also assumed to pay no tax with zero transaction cost.

The above argument has initiated debates among researchers where the firm value of being independent of the capital structure may encourage 100% debt to maximize their shareholder profit. This may lead to higher bankruptcy risk should there be a default in loan repayment. Researchers also argue that in reality, the economy is operating in an imperfect capital market and the value of firms is determined not only by looking at debt and equity but also the consideration of other factors too such as taxes, transaction costs, bankruptcy costs, agency conflicts, adverse selection, lack of separation between financing and operations, time-varying financial market opportunities, and investor clientele effect (Frank and Goyal, 2008). Arguments and counter-arguments raised from the MM theory have led to the development of other capital structure theories such as the trade-off theory (TOT), the pecking order theory (POT) and the agency theory.

2.1 The trade-off theory (TOT)

The original TOT was derived from the MM theorem of Modigliani and Miller (1958) and Modigliani and Miller (1963). The TOT is looking at the cost and benefit of debt. By opting for debt, firms can reap the tax shield advantage that comes with debt employment, where the higher the level of debt employed the bigger tax shield it will enjoy. Firms are expecting lower tax liability and thus increase the after-tax cash flow or profit. In other words, firms prefer high debt financing to reap the tax shield advantage.

2.2 The pecking order theory (POT)

The early development of the POT begins with the study of Donaldson (1961) on the financing practices of a sample of large corporations. This then drives Myers and Majluf (1984) and Myers (1984) to extend further and introduce the POT. The POT is hierarchical financing with internal financing being the first option of financing as compared to external financing. The POT is derived from the asymmetric information problem. The managers of a firm are believed to have more information and access to the real value of the firm's assets and growth opportunities in comparison to the shareholder. As such, in the event of the stock price being overvalued, the firms will issue new stock to raise capital as the issuance of new stock transfers the value from new investors to the existing shareholders of the firms. On the other hand, when the stock is undervalued, the firms would opt for debt instead of issuing new equity to minimize the bargain handed to new investors.

However, the POT does not always hold true to explain the firm's preferences in choosing their financing mode. Leary and Roberts (2010) share evidence of firms violating the hierarchy of either by issuing external securities when internal resources are sufficient or by issuing equity in place of debt. Vasiliou, Eriotis and Daskalakis (2009) suggest that even with a significant difference between the number of firms that preferred retained earnings and firms that preferred long-term debt or the issuance of new stocks, the ordering of debt and equity is not determined, thus the POT influence is not significant. In addition to that, the methodological weaknesses during the analysis may also lead to inappropriate conclusions.

2.3 The agency theory

The agency theory initiated by Jensen and Meckling (1976) is an extension of the earlier work of Fama and Miller (1972). Agency conflict may occur between the stockholders and the managers and between the stockholders and the debt holders. There have been arguments proposed by previous literature regarding the linkages between the agency conflict and the capital structure choice like the high bargaining power of debt holders (Yu, 2012), human capital protection (Fama, 1980) and to avoid pressure from the interest payment (Jensen, 1986).

2.4 Islamic perspective on the firm's debt level

It is also interesting to discuss further the perspective of Islam on debt as Islam does recognize debt contracts. Even, our prophet Muhammad s.a.w (p.b.u.h) himself also incurred debt. However, in Islam, lending is considered a benevolent act to help people in need. Thus, debt in Islam will always refer to the *qardul hassan* or charitable contract. Since the aim of this contract is to help the needful people, thus no interest (riba') will be charged to the borrower. The act of lending without expecting any return is just for the sake of getting Allah's blessing (barakah) and upholding the spirit of helping each other (ta'awun). In Islam, the level of debt is benchmarked by following the Prophet Muhammad s.a.w (p.b.u.h) words that 33% or 1/3 is enough. This is evidenced by the hadith narrated by Bukhari and Muslims.

In existence, literature relating to the Islamic capital structure is scarce and limited. However several kinds of literature are worth discussing. Ahmed (2007) suggests that being Shariah approved firm, the debt must be asset-backed and thus, the level of debt of the Shariah-approved firms must not exceed its tangible assets. In addition to that, Obaidullah (2006) advocates that the trade-off theory (TOT) is irrelevant for the Shariah-approved firms due to the element of interest tax shield that is non-existence in Islam. Moreover, if the firm's objective is to minimize the cost of financing, he further proposes that Shariah approved firm will choose internal equity, debt, Mudarabah-based equity and Musharakah-based equity in that order which is a look-alike a pecking order theory (POT). However, the preference of the financial instruments will not always hold true as it will also depend on the objective function of the firms as well as the constraints that firms face given different sizes and statuses (Ahmed, 2007).

Thus, we may conclude that both conventional and Islamic perspectives, it does not say that people can rely 100% on debt for life survival although it is permitted. It is generally understood and accepted that too much reliance on debt trigger bankruptcy risk and creates a lot more problems thereafter. The impact of having a high debt is not only affected at the individual level but also at the firm level and even worst to the whole economic system. Since, debt creates more problems than solving the problems, as such, we need to have a certain benchmark or guideline in how to determine how much debt firms are supposed to have.

3. CONCEPTUAL FRAMEWORK

The research framework was constructed and developed according to the capital structure theories which are the trade-off theory, the pecking order theory and the agency theory and based on prior studies in the same research area.

In this study, the dependent variable will be proxied by the debt level of the Shariah-approved firms in Malaysia. While, for the explanatory variable, it will be measured by the dummy variable of the year 2020 to capture the impact of the COVID-19 pandemic, which is our main focus in this study. In addition to that, several controlled variables were also included in examining whether the COVID-19 pandemic affect the debt level of Shariah-approved firms in Malaysia. The variables are inclusive of profitability, asset tangibility, growth opportunity, bankruptcy risk, size, gross domestic product (GDP), inflation and the 2008 economic crisis. The selected controlled variables are the common variables that were usually used by the other researchers in the capital structure study.

The conceptual framework of the study can be visualized in below Figure 2.

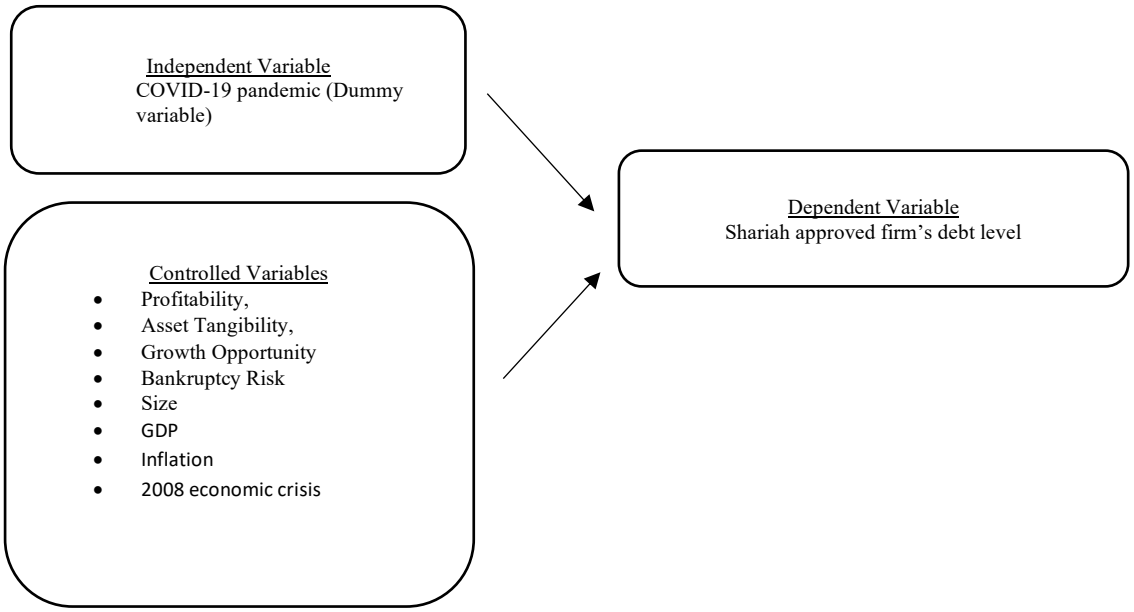


Figure 2. Conceptual Framework

4. RESEARCH METHODOLOGY

4.1 Sample

The study covers 21 years of analysis from the year 2000 until 2021. The sample of the study is a consistent Shariah-approved firm only during the period of analysis which is around 170 Shariah-approved firms. The Shariah-approved firms may come from various sectors as they traded in Bursa Malaysia. However, financial institutions will be excluded as they pose a different set of rules and guidelines that have been set by the relevant authorities such as Bank Negara Malaysia.

4.2 Empirical model

To examine whether COVID-19 affects the firm's debt level, the following empirical model was developed.

$$Y_{it} = \beta 0 + \beta 1 COV\text{-}19_t + \beta 2 PROF_{it} + \beta 3 TANG_{it} + \beta 4 GROW_{it} + + \beta 5 SIZE_{it} + \beta 6 ZS_{it} + \beta 7 INF_{it} + \beta 8 GDP_t + \beta 9 ECO_t + \varepsilon_{it}$$

4.3 Variables measurement

The above empirical model between the dependent variables and the explanatory variables will be tested using three-panel regression models inclusive of pooled OLS, Random effect model (REM) and Fixed effect model (FEM). The empirical model is also tested for robustness by adjusting the standard error to be clustering at the firm level. Diagnostic tests of the Wald test and the Wooldridge are performed and the models are corrected for heteroskedasticity and autocorrelation problems with robust standard errors.

The details on how the variables are measured can be seen in Table 1 below.

Table 1. Variable Measurement

	WHAT TO MEASURE	HOW TO MEASURE	EXPECTED RESULT
DEPENDENT VARIABLES (Y)			
Debt ratio (DR)	Firm's total debt	Firm's total debt / Firm's total asset	
INDEPENDENT VARIABLE (Y)			
COVID-19 (COV-19)	2019 COVID-19	Dummy 1= 2020 – COVID-19 0= Other than the year 2019	
CONTROLLED VARIABLES (X)			
Profitability (PROF)	Firm's net profit margin	Firm's operating income / Firm's total asset	-
Tangibility (TANG)	Firm's asset structure	Firm's fixed asset / Firm's total asset	+
Growth (GROW)	Firm's growth opportunities	Annual percentage change in total assets	+
Size (SIZE)	Firm's size	Log of sales	+
Z-score (ZS)	Bankruptcy risk	3.3(EBIT/total assets) + 1.0(sales/total assets) + 1.4(retained earnings/total assets) + 1.2(working capital/total assets) + 0.6(MV of equity/total liabilities)	-
Inflation (INF)	Annual inflation		-
GDP (GDP)	GDP growth		+
Economic crisis (ECO)	2008 economic crisis	Dummy 1= 2008 economic crisis 0= Other than the year 2008	+

5. CONCLUSION

The study aims to investigate whether the COVID-19 pandemic that started in the year 2019 does affect the debt level of Shariah-approved firms in Malaysia. The study is also interested in identifying what are the other factors that may affect the variability of the debt level of Shariah-approved firms in Malaysia. Thus, a conceptual framework has been developed and this study will adopt a panel data regression method. The outcome of the study is expected to provide more valuable information on understanding the financing behaviour of Shariah-approved firms, especially during unforeseen circumstances like the COVID -19 pandemic. Further, since the analysis also includes the 2008 economic crisis variable in form of a dummy variable, the study will be able to identify either the 2008 economic crisis and the 2019 COVID-19 have a different effect or not on the debt level of the Shariah-approved in Malaysia.

Acknowledgment

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Proposing Islamic Blended Agriculture Financing for Sub-Saharan African Countries: Case of Senegal Groundnut Sector

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Abstract

The objective of this paper is to propose Islamic blended agriculture financing for Sub-Saharan African Countries by focusing on the Senegal groundnut sector to meet the financing need of the groundnut sector in post and pre harvesting activities. The study uses a qualitative approach to analyze the financing instrument provided by International Islamic Trade Finance Corporation (ITFC) to finance the groundnut sector in the case of Senegal. This research utilizes document analysis techniques for two ITFC reports on Agri-base programs and one Organization for Economic Cooperation and Development (OECD) document. It also deploys thematic analysis to evaluate ITFC financing modes and propose Islamic blended financing to meet the financial need of the Senegal Groundnut Sector. There are some bottlenecks, which hindered the productivity and competitiveness of the groundnut sector in Senegal. ITFC financing that consists of Murabah contract and grants do not tackle the key issues in the ground sector such as limited certified seed availability. These issues will negatively affect the quality of seed as well as the incentive of farmers to produce groundnut. As a result, there will be disruption in the supply chain. Thus, the findings of this study reveal that Islamic blended financing is an alternative instrument to address the issues of the Senegal groundnut sector by providing full value chain financing from the input market to the export market. The case study is limited to the Senegal groundnut sector and there is no interview or survey to assess the practicability of Islamic blended financing. This could be examined in subsequent research. Islamic financing offers a wide range of instruments to accommodate the financing needs of the agricultural sector. Hence, by combining these instruments, it is viable to structure Islamic blended financing to cater the need of the key players in the groundnut sector. The proposed model can extend to other agriculture sector. This research provides a new insight on financing the agricultural sector based on Islamic financing instruments. It suggested blended Islamic financing instruments to address the existing financial gap in Senegal groundnut sector.

Keywords: Blended Financing; Groundnut; Waqaf; Salam; Musharakah; Senegal

1. Introduction

1.1 Background

Agriculture is the backbone of socioeconomic development for most Sub-Saharan African (SSA) countries, because 23 percent of sub-Saharan Africa's GDP comes from agriculture (Goedde et al.,2019). Today current urge for food security, agriculture productions are vital for sustainable food security. However, the total production of agriculture in the case of many SSA countries has declined. Due to many challenges, which hurdle the development of the sector such as price fluctuation, absence of adequate infrastructure, population growth, absence of government subsidiaries and lack of private sector financing specifically for agriculture Small and Medium Enterprises (SMEs). Those obstacles are confirmed by research conducted by Birch (2018) in which he ascertained that there are numbers of the barriers of the agricultural productivity in case of Kenya such as climate change, poor fertility and inefficient subsidiary programs and these barriers lead to less commercialization of agriculture products. A study conducted by Bjornlund et al. (2020) confirmed that decline of agricultural productivity is due to 1) dependency of a single commodity 2) increase of interest rate at international level. 3) Structural adjustment Policy. 3) Unfavorable terms of trade. Keep in mind that more than 60 percent of farmers of sub-Saharan Africa are smallholder farmers. A report by the Aceli-Africa group shows that the agricultural financing gap in Sub- Saharan amounts to $180bn annually in which $65bn, or more than 35% of the total gap, is among SMEs with borrowing needs of $25k to $1.5m. Moreover, according to Kirsten et al. (2013) the main challenges which SMEs counter are: 1) insufficient agricultural support services, such as market information,

credit, advisory services, and input markets. 2) Transaction costs. 3) Infrastructure gaps, particularly irrigation, electricity, roads and ICT. As a result, there is a need for collective effort to overcome those barriers.

1.2 Senegal Agricultural: Groundnut Sector

Senegal is located in West Africa. It is neighbored by Mauritania, Mali, Guinea, and Guinea-Bissau. Senegal exhibits a dry tropical climate and has a population of 16.7 million people, a quarter of whom live in the Dakar area (0.3% of the territory)[8]. Senegal is among a lower-middle-income country in Sub-Saharan African countries, its GDP stood at $24.9 billion in 2020 in current terms. Its per capita Gross National Income (GNI) was $1,430 in 2020. Real GDP growth stood at 0.87% in 2020, down from 4.4% in 2019, and 6.2% in 2018[9], this is due to the impact of COVID-19. In Senegal, the services are the main contributor to GDP, and the agriculture sector being the most dynamic engine of growth. Thus, in Senegal the agricultural production is vital for their economy as it contributes 18 % of total GDP as figure one indicates. Large portion of the population (60%) directly depend on the agriculture sector[10]. The main agricultural production is groundnut. Senegal relies on the groundnut process, specifically the groundnut oil to generate its export revenue. As a result groundnut is not only a stable food but it is also a source of revenue. As it stated in Clavel (2016, p.7) *"Senegal remains one of the world's leading exporters of refined oil. Groundnuts are also the primary fodder crop and, as a legume, are irreplaceable in crop rotation with cereals."* At a macro level, revenue from processed groundnut export in the Senegal government is used as a source to finance their import, specifically cereal import (Georges, 2016). Hence, groundnut might be an effective mechanism for income generation and job creation, which will be a driver for poverty alleviation and food security.

Nonetheless, there are many bottlenecks to efficient production and supply of the groundnut process specially the peanut and oil. Some of these obstacles are external challenges, as delineated by research conducted by World Bank (2017) the main external challenges are: 1) shifting the international demand from ground oil to whole nut. 2) Fluctuation of the price of groundnuts in the international market. 3) Market structure reform, which calls for agricultural liberalization. As elaborated by Bjornlund (2020) structural adjustment policies in the case of Africa were mostly related to agricultural pricing or trade policy such as removal of export taxes, reduction of import tariffs and removal of import restrictions. All those policies had hampered African government capability to invest in programs to increase the productivity of the agricultural sector. The internal factors that hamper the production of groundnut are: 1) aflatoxin 2) poor cultivation practice. 3) Shortcoming in input supply arrangement. 4) Insufficient operation for crops storage and lack of efficient supply chain management (Pazderka et al., 2010). In order to beat the external challenges, the government of Senegal has taken an active role to minimize or overcome the existing internal challenges. In 2010 the Senegal government adopted a market liberalization policy, hence it canceled the export ban of whole nuts. Moreover, the government privatized SONACOS, which was a public company processing mill. That policy has opened the door for competition between private process mills and SONACOS. Furthermore, the farmers were also better off, as highlighted by Ndiaye et al.,(2017, p.8) *"that liberalization has been good for farmers on at least three different levels: providing more choice of buyers, delivering prompt cash payments, and providing relatively high producer prices. On the other hand, market liberalization has had devastating consequences for local processing mills: due to the entry of new buyers who make better offers to farmers, local millers are having trouble procuring the groundnut quantities they need to operate at an optimum capacity."* Given that distributive effect, in 2017 government of Senegal introduced an exit tax on groundnut exports at the rate of 15 CFA francs per net kilogram for unshelled groundnuts and 40 CFA francs per net kilogram for shelled groundnuts (Camara et al., 2018). Since Senegal is relatively small country in the international groundnut market, the export tax has no impact on world prices of groundnuts, but rather reduces the prices paid to Senegalese producers (Camara et al.,2018). Therefore, it negatively affects income of groundnut producer as well as reduction in supply of groundnut. Reduction in supply of groundnut leads to higher price of procurement of groundnut, and this adversely affects domestic processors production of groundnut oil. In short, the exit tax has negatively affected the groundnut sector. In February 2016, the government of Senegal issued an innovative 75$ Shariah compliant trade financing facilities[11]. The purpose of Islamic structure trade financing is to support Senegal National Groundnut Company (SONACOS) for purchasing of groundnut seed and to mobilize funds for processing the groundnut into groundnut oil and cake for export. This financing was based on Murabaha financing and for the first time Islamic tolling agreement. The instrument was pre-export structure commodity financing. The Government of Senegal as beneficiary and Senegal National Groundnut Company (SONACOS) as an executing agent of the government and International Islamic Trade Finance Corporation (ITFC) as arranger or facilitator. This financing scheme has contributed to the overall development of the groundnut sector and it gives

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[10] https://www.fao.org/in-action/agrisurvey/news-and-events/detail-events/en/c/1372696/
[11] www.islamicfinancenews.com

an incentive to the local Islamic banks to participate in the groundnut sector. However, in the groundnut sector there are different participants along the value chain, which affect the overall operation of the groundnut sector. Hence, there is a need for holistic financing from pre harvest to post export financing to have an efficient supply chain financing to reduce or eliminate any disruption in supply chain. Henceforth, this study is proposing Islamic blended financing.

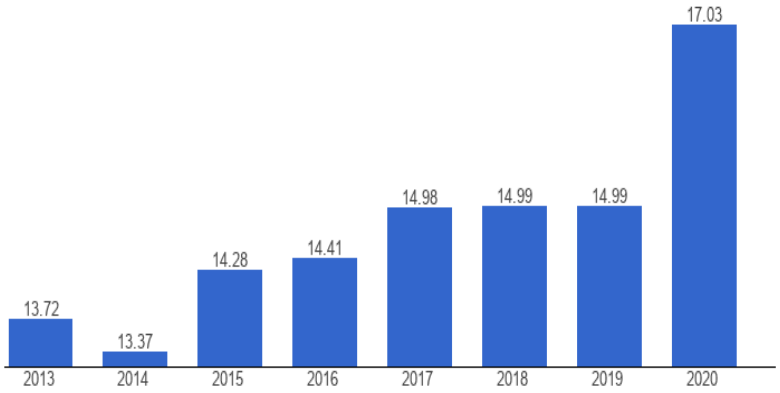


Figure 1. Source: The globaleconomy.com

1.3 Problem Statement

Groundnut is considered a stable food, national revenue and foreign earning for Senegal. As it alluded earlier, there are many obstacles, which negatively affected the productivity and competitiveness of the groundnut sector in Senegal. Government has developed techniques, programs and strategies to overcome those obstacles such as liberalization policy, exit tax, acceleration program in Senegal and plan of emergency Senegal. It also finances the sector through concessional loans from international organizations. In addition, the government of Senegal has entered into a strategic partnership with ITFC to finance the groundnut sector. Prevailing literature have discussed the approaches used by the government of Senegal to develop the ground sector, and they ascertained that these public finance approaches used by the government are not efficient (Camara et al., 2018, Ndiaye et al., 2017). However, none of the studies has proposed Islamic blended financing approach as an instrument to overcome all the bottlenecks, which hinder the competitiveness of the groundnut sector. Moreover, the existing researchers did not assess the efficiency of supply chain financing provided by ITFC. Henceforth, this study is assessing the efficiency of financing instruments provided by ITFC and it is proposing Islamic blended financing instruments based on Salam, Musharakh and Waqaf to enhance productivity of the ground sector.

1.4 Objectives

1. To assess the efficiency of financing instruments provided by ITFC in case groundnut sector.
2. To propose Islamic blended financing instrument based on (SMW) for financing the groundnut sector.

1.5 Scope of the Study

The main focus of this study is about the obstacles, which hurdle the productivity of the groundnut sector in Senegal. Groundnut sector is a stable food and source of revenue for Senegal. Therefore, it is a crucial sector for income generation and job creation, which will be a driver for poverty alleviation and food security. It also includes different strategies, policies and financing approaches adopted by the government of Senegal to make the ground sector a tool for poverty alleviation, particularly the strategic partnership between the government of Senegal and international Islamic trade financing cooperation.

1.6 Significance of the Study

The present research as explained above intends to propose Islamic blended financing based on Salam, Musharakh and Waqaf. The present study will add to existing literature on Islamic agriculture financing instruments by proposing innovative instruments to enhance agricultural productions. If this proposed mechanism is equipped with effective government policy, it will generate a lot of benefit to a large group of stakeholders in the groundnut sector such as farmers, customers, processors and exporters. Moreover, the current study highlights

the effectiveness of combining different Islamic financing instruments to address a diverse financing need for different groups in the groundnut sector.

2. Literature Review

2.1 Introduction

Literature review provides a fundamental basis for study; it enables the researcher to identify the current issues, related theories, concepts as well as research gaps. Thus, the researcher will be aware of the status quo of the intending topic. Consequently, the literature review of this study will consist of three sections: 1) defining the key concepts 2) overview of Islamic Banking and finance in Senegal. 3) Reviewing related literatures to identify the issues and gaps.

2.2 Key Concepts in Agriculture Financing

2.2.1 Bay Al-Salam

"Shafiis define salaam contract as the selling of something that is specified and owed. They see it as a debt and therefore do not make it a condition that the period (within which the sale object is to be delivered) be defined. The Hanbalis see Salam as that which is handed over in exchange for something defined that is owed for a known period" (Al Zaabi, 2011, P3). Therefore, Bay Salam is selling products that do not exist during contract and payment of the price should be on the spot even though Maliki holds the idea that payment of the price could occur after three days from the executing date of the contract. In addition, as far as the delivery date is concerned, it can be customized between the parties. There are two types of Bay Al Salam: classical Bay Al Salam and parallel Bay Al Salam. The principle and conditions of Bay Al Salam have a positive impact on production and distribution of wealth. As clearly demonstrated by Ali al-Fijawi (2016) firstly, Salam eases the financial burden relative to the burden the borrower bears in case of a loan. Secondly, and most importantly, it meets the instant financing need for sellers. Thirdly, it promotes just distribution of wealth through sharing risk and return. Lastly, it boosts production units, because Salam provides a complete supply chain financing solution.

2.2.2 Musharakh

Mejella (as cited by Noraziah & Ghafar ,2010) defines it as an "Agreement for association on the condition that the capital and its benefit be common between two or more persons". Meantime, Ibn Arfa (1984) defined it as an "agreement between two or more persons to carry out a particular business with the view of sharing profits by joint investment". Another Muslim jurist, Mohammad Khan (1990) defines Musharakah as "A contract between two persons who launch a business of financial enterprise to make profit." From the above definitions, we can derive some basic principles of Musharakh: 1) contribution of capital from the parties in new business ventures or existing on a permanent or for a short -term basis. 2) To share profit and loss 3) Parties also share the liabilities and management of the investment. "Musharaka can take the form of an unlimited, unrestricted, and equal partnership; another more limited investment partnership is also available" (Rammal, 2004,p.4). As cited by Moriguchi et al.,(2016) Musharakh is used in the context of working capital to purchase input or goods as well as export and import financing. Moreover, it is used for transactional banking services in the form of letter of credit (LCD) (Ahmed, 2008; Usmani, 1999). Musharakh plays a significant role in Islamic capital market, it is used for issuing SUKUK. Lately, some researchers consider the application of Musharakh for value chain, supply chain and block chain financing.

2.2.3 Agricultural Financing

Murray (1953) defined agricultural finance as "an economic study of borrowing funds by farmers, the organization and operation of farm lending agencies and of society's interest in credit for agriculture." Tandon and Dhondyal (1962) defined agricultural finance "as a branch of agricultural economics, which deals with financial resources related to individual farm units." Agricultural sector consists of a wide range of activities starting from small-scale farming to infrastructure projects to research and development. Consequently, agricultural financing approaches differ in terms of catering to the needs of particular groups in sectors, such as the needs of farmers and entrepreneurs, the transactions between the key players along the value chain, infrastructure needs and research and development. There are also different financial instruments to address the need of a particular sector in agriculture, for instance there are direct financing, value chain financing, infrastructure financing and R&D financing. Looking at the diverse system of agricultural finance there are a wide variety of actors to be financiers, like Cooperatives and credit unions, government, local commercial banks,

insurance and international organizations (FAO, IFM) (Ruete,2015). In the case of Senegal groundnut sector as delineated by World Bank report (2019), Input market, market for groundnut and market for vegetable oil shape the market outcome, for farmers, customers and employees. There are different issues revolving along those three markets, which are limited certified seed availability, limited fertilizer availability, low farmer incomes, ensuring throughput for local processors and lack of competitiveness of the local oil industry does not allow processors to compete with prices paid by exporters even with subsidies. For Senegal's government to enhance the groundnut sector it should pay close attention to the bottlenecks of the value chain (World Bank report 2019). Thus, whenever it develops a policy or mechanism it will not hamper the interest of the particular participant. For example, the export tax was designed to stimulate the local groundnut processing industry and has not encouraged local value addition of whole nuts for export, contrary to reducing the income of the farmer. Similarly, ISRA (Institut Sénégalais de Recherches Agricoles), which is the sole producer of pre-base seed, is not currently able to produce sufficient pre-base seed to satisfy demand and the limited of high-quality seeds contributes to Senegal's low yields (World Bank report ,2019). As a result, the report of World Bank (2019, p.38) proposed that the *"Government should encourage private investment along the value chain to optimize public resources and invest them in public goods that contribute to increasing productivity, such as research and development".*

2.2.4 Blended Financing

There are three different definitions for blended financing. First, the United Nations (UN) in 2015 at the Addis Ababa Action Agenda (AAAA) defines it as "*Financing that combines concessional public finance with non-concessional private finance and expertise from the public and private sector."* Second definition is adopted by (OECD-DAC)[12] it is defined as "*The strategic use of development finance for the mobilization of additional finance towards the SDGs in developing countries."* Meanwhile the development financial institution refers to blende financing as a "*Combining concessional finance from donors or third parties alongside DFIs' normal own-account finance and/or commercial finance from other investors, to develop private-sector markets, address the SDGs, and mobilize private resources[13]"*. These three definitions outline key concepts in blended financing, which are: 1) Mobilizing the fund. 2) Using systematic measures to assess the impact of the investment on social, environment and economy.3) Adopt market-based risk-adjusted returns for private investors. There are several instruments for blended financing such as, direct debt or equity investment, guarantees insurance, insurance, hedging, securitization and grant. The combination of the above instruments depends on the needs of a particular group or investment. Blended financing is not a new concept; many historical transactions utilizing a blended financing approach might not have been categorized as such. "*Currently, approximately USD 140 billion worth of transactions have been identified and these types of structures have grown steadily over the past few years"* (Havemann et al., 2020, P.5). Based on that ground, many researchers have proposed a blended financing approach for the agriculture sector, because the existing investment approaches are not efficient to fill the agricultural financing gap. Hence, there is a need for multiple funding modalities to achieve agricultural investment at a meaningful level and encourages greater exploration of the range of blended financing structures to increase SDG-related agriculture investments (Havemann et al., 2020). There are some cases where the application of blended financing takes place, and it has a positive spillover on production and financial inclusion of Agri-SMEs. For instance, "*the Program for Rural Outreach of Financial Innovations and Technologies (PROFIT) in Kenya incentivizes commercial and microfinance banks to increase the volume of their agricultural lending, diversify their services and products to rural areas, and increase their focus on innovation to reduce the cost of services and technical assistance to producer groups*". (OECD, 2021, p.8). Nonetheless, blended financing in the case of Senegal is absent, and Islamic blended financing is yet to be considered.

2.3 Overview of Islamic Banking and Finance in Senegal

The majority (96%) of population in Senegal are Muslim. Even though the country is first Islamic financial institution was the Islamic Bank of Senegal, created in 1982 and incorporated as a limited company under Senegalese law, it took more than three decades for Senegal to recognize Islamic financial services (journal time 2022). In 2012, the Dakar government authorized financial transactions and Islamic financial services, and it became a pioneer of Islamic banking and finance. Hence, in 2018, the Central Bank of West African States (BCEAO) has put in place a legal framework under which banks, financial institutions and micro-institutions in each member state of the West African region may execute Islamic financing operations. That legal frame outlines the parameters of Islamic finance in member countries. These initiatives are consequences of Senegal's support for the acceptance of Islamic financing in the region's economic bloc (Kebe, 2022). Currently there four Islamic

[12] (OECD-DAC) refers to Organization for Economic Co-operation and Development - Development Assistance Committee
[13] https://www.idfc.org/wp-content/uploads/2019/10/blended-finance-a-brief-overview-october-2019_final.pdf

banks in Senegal[14]: 1) Faisal Islamic bank of Senegal, 2) Islamic investment company of Senegal 3) Sosar Al Amane. 4) Islamic bank of Senegal. Senegal also became leading in Sukuk, it even beat economic giants Nigeria and South Africa. Senegal issued a 100bn CFA franc ($168m) sovereign Islamic bond in June 2014. The private sector of Senegal has started to enter Islamic Finance. GCF Burse Company established its first Islamic common fund in 2017.[15] Despite the fact that Senegal is the hub of Islamic banking and finance in West African countries, the Islamic financial institutions do not offer financing product for agriculture sector. Agricultural sector is mainly finance by government (World Bank, 2019).

2. 4 Related Literatures on Islamic Agricultural Financing Instruments

Plethora literatures consider Bay Al Salam as a viable model in the context of agriculture, manufacturing, SMEs and international trade financing**.** For instance, a study by Wardayati et al., (2016) introduced hybrid Salam financing to solve the obstacles faced by Bumi Rinjani Probolinggo SR to implement Salam financing. Such as operational risk, moral hazard risk and government regulation. The study used constructive qualitative methods to assess the feasibility of this suggested model. An article written by Sunuwati et al,. (2021) suggest Salam financing as a best alternative financing for agriculture, SME's, and medical industry during COVID-19 pandemic. In order to mitigate the relative risk of Salam financing, the research proposes a hybrid Salam financing model. It uses constructive qualitative methods. In addition research done by Aishath et al,.(2019) investigate the viability of Bai Al Salam in social finance to reduce poverty and to attain the UN goal of sustainable development. Therefore, they proposed Salam as an alternative mode of agriculture financing. They have come up with three different models under Salam financing (centralize, decentralize and decentralized Wakalah Salam model) all models were based on one Parallel Salam model. The article also indicated the possibility of implementing Salam financing in non-farming industries such as manufacturing.

Ahmed & Fida (2020) also introduced Bay Al Salam as an alternative financing product for the agriculture sector in Oman. In their study, they used a quantitative method to assess the determinants of Salam financing products. Based on their findings, operational cost, profitability and risk mitigation techniques are the factors that influence the Islamic banking to adopt Bay al Salam financing products. Relative to their findings, they propose different risk mitigation techniques such as collateral and mortgage security as well as hiring Agricultural specialists. Hence, application of Bay al Salam in the agriculture sector is a feasible financing product. Moreover, research done by Manoor et al,. (2018) assess the potential of Bay Al Salam in the agriculture sector of Pakistan. Their finding reveals that given the market condition, kind of crop, and personal security of the farmers and educational background of the farmers' application of Bay Al Salam for agriculture financing is viable. In contrast, Ishtiaq et al.,(2015) investigate the issue of Parallel Salam in the context of SMEs and international trade, their findings confirm that Salam financing is visible for the two areas. Henceforth, Bay Al Salam is a viable financing product in the agriculture sector.

Suayb (2010) was based on a real case of cotton production in West Africa. The purpose of the paper was to show the practical application of Bay Al Salam for pre and post- harvest production activities. The current practice of Islamic structure trade financing (STF) in case of SOFTTEX, a state controlled agro-industrial and commercial entity in Burkina Faso is Mudarabah and Murabaha. Financier who has the liquidity will enter Mudarabah contract with an expertise in field of agricultural sector. Then the Mudarab will enter Murabha contract with beneficiary (SOFTTEX). Unlike other Murabaha contract selling to the beneficiary occur at time of export with pre-determine market price. However, the author argued that the current operation is only financing post- harvest, thus there is a need of Salam instead of Murabaha to provide a complete supply chain financing solution. This is because the farmers need liquidity for financing their inputs until the final processing of their products. Hence, Salam can be used for import / input financing. Mudarab on behalf of Rabal Al mal can use Musharakah for post-harvest financing. However, the above literature did not propose blended financing as a tool to finance the agricultural sector; henceforth this study is filling that gap by proposing Islamic blended financing as an instrument to tackle the prevailing issues in the groundnut sector of Senegal.

3. Research Methodology

3.1 Introduction

"Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation." (Research methodology,Ch3,P.1). Thus, Research methodology simply means designing systematic ways to ensure valid and reliable results that address the research aims and objectives. In this section,

[14] https://www.globalbankingandfinance.com/list-of-islamic-banks-in-senegal
[15] https://journaltime.org/?s=sukuk

the study will elaborate on the type of research used, data collecting method, sampling strategy and data analysis techniques.

3.2 Methodology of the Study

There are three types of methods to answer the research questions, which are qualitative, quantitative and mixed methods. Quantitative approach *"involves the generation of data in quantitative form which can be subjected to rigorous quantitative analysis in a formal and rigid fashion"* (Kothari 2004,P.18). In other words, quantitative methods assess the relation between variables as well as the impact of one variable to another. Therefore, the common research philosophy in quantitative method is positivism, which indicates that the researchers observe the reality objectively and there is only one single reality that exists independently to the observer (C. I. Kothari2004). Hence, the quantitative method is explanatory in nature and it can be replicated. In contrast, qualitative methods are defined as "*subjective assessment of attitudes, opinions and behavior"* (Kothari,2004 ,P.18). The common research philosophy in the qualitative method is interpretivism , which indicates that the researchers observe the reality subjectively and it is unique to the observer (Kothari,2004). Thus, the qualitative method is exploratory in nature and it cannot be replicated. As defined by Shorten and Smith (n.d, p.1) "*Mixed methods is a research approach whereby researchers collect and analyze both quantitative and qualitative data within the same study"*. This study will adopt a qualitative method, because the main objective of this study is to explore the efficiency of the existing schema of groundnut financing provided by ITFC and I am going to propose blended financing. Thus, the qualitative method will assist me to address the research problem.

3.3 Research Design

As mentioned above, qualitative research is scientific research that is concerned with answering the 'what' and 'how' aspect of particular phenomena. Consequently, it focuses on collecting the data through conservational communication or referring to documents. Referring to the problems in hand which are: 1) how efficient are the instruments provided by ITFC for the groundnut sector? 2) Is there an alternative financing instrument that addresses the existing drawback of current financing schema in the groundnut sector? I adopt a qualitative method as a systematic way to ensure valid and reliable results. Given the fact that this study concerns how efficient the ITFC financing instrument is, it does not analyze determinants of the efficiency. Furthermore, it is proposing Islamic blended financing, not testing the viability of the structure. There are different techniques to collect qualitative data such as interviews, grounded theory, observation, and documents. This study will use documents as a means to collect the data. "*Document analysis is a systematic procedure for reviewing or evaluating documents—both printed and electronic (computer-based and Internet-transmitted) material."* (Bowen, and Glenn. 2009, P.2). I use document analysis technique, because it provides more description on one single phenomena or program, and it is mostly applicable to qualitative case study. Therefore, pertaining to issues that I intend to discuss in this research, document analysis technique is the most suitable instrument. I will utilize secondary data, because I will analyze already existing reports, which I download from the official website of ISDB and OECD. In qualitative research, there are several techniques to analyze the data, such as theoretical analysis, narrative analysis, content analysis and thematic analysis. The researcher can select any techniques depending on research questions and articulated problem statements. In the following section, I will elaborate my data analysis process.

3.4 Process of Data Analysis

The study used the World Bank report (2019) and Ruete (2015) report to develop the themes and based on these themes I framed codes. Then in the following step, the study reviewed two ITFC reports on Agri-based programs dedicated to a most vibrant agricultural sector in West Africa. In the third step, the researcher started the coding process, in which the researcher selected the significant information based on already framed code, and arrange the codes alphabetically. In the fourth step, the researcher tally the code and bring them into their respective themes. Then the researcher analyzed the data using thematic analysis. Furthermore, the researcher reviewed and synthesized the OECD report to draw the structure of Blended financing and on that theoretical basis I formulate Islamic blended financing by combining (Salam, Mursharakh and Waqaf).

Table 1: Efficiency Indicators

Issues	Participants	Markets	Financial instrument	Financier
• Limited certified seed availability. • Limited fertilizer availability • Low-income farmer • Lack of quality seed • Lack of competitiveness of local oil industry *The ITFC financing instrument did not tackle any of the above issues (0)*	• Farmers • Entrepreneur • Processors public • Processors private • Exporter *Financing operations of ITFC are solely allocated to a public processor namely SONACOS (6)*	• Input Market • Groundnut market • Oil exporter market *ITFC financing instrument addressed the need of participants in oil export market (SONACOS)(4)*	• Supply chain • Value chain • Aid • Grant • Export financing *ITFC provides financing to SONACOS Through Aid, Grant and Export financing (4)*	• Private • Public • International • Regional group • Non-governmental organization *ITFC is a non-governmental organization (6)*

4. Finding and Discussion

After reviewing the World Bank document, as well as Marina Ruete report, the study structured the above table, which consist of four themes to assess the efficiency of ITFC financing approach. This framework indicates the efficiency of any financing approach, it determines based on its capability to tackle the prevailing issue in that particular sector. As far as the groundnut sector of Senegal is concerned, the key issues are low yield due to the lack of quality seed, as well as limited fertilizer, and low income of the farmers who are not able to acquire their input. Moreover, there is an absence of private sector involvement in the groundnut sector. Thus, any financial approach that does not tackle the issues revolving around the value chain is not efficient.

How efficient are financing instruments provided by ITFC for the groundnut sector?

International Islamic trade financing cooperation (ITFC) committed to finance the agricultural sector of Senegal since its inception, particularly the groundnut sector. In 2013/2014, ITFC injected a 30 million facility to the Government of Senegal for financing the 2013/2014 groundnut season. In 2016/2017, it provided pre-export financing, which was based on Murabaha financing and Islamic tolling for SONACOS. In 2020/2021, it provided grant US$44.88mn financing to Senegal National Groundnut Company SONACOS. As for the year 2022, ITFC provides an aid for technical assistance to train the employees at SONACOS to utilize the new machine for producing quality oil to meet the international standard of groundnut oil. This is because there is a decline of the demand of groundnut oil due to its low quality. The finding revealed that ITFC provides the procurement of input, technical assistance, working capital and pre-export financing for public limited company SONACOS. Therefore, the impact of their financing is limited on the employees at SONACOS as well as the income of farmers who are partners with SONACOS. However, it will not eliminate disruption in the supply chain due to the limited certified seed availability and limited fertilizer availability as well as lack of proper infrastructure in rural areas. As mentioned in the World Bank report, efficient financial instruments or government policy should address key issues that hinder the productivity and competitiveness of the groundnut sector. Hence, efficient financing instruments focus on "*development of adequate quality and standards irrigation systems, and contract farming as well as risk mitigating measures for farmers, such as crop insurance and measures for social protection" (*World Bank*, P.14)*. Nonetheless, with ITFC current financing instruments, it further strengthens the financial aid and protection of SONACOS at the expense of a wide range of participants along the value chain. Therefore, there should be an equitable opportunity to access finance to ensure competitively neutral markets. In short, ITFC financial instruments can generate foresight outcomes, which are meeting SDG1 and SDG2 as well as enhancing overall social economic development, if it allocates funds efficiently along the participants in the value chain.

Is there an alternative financing instrument that addresses the existing drawback of current financing schema in the groundnut sector?

There is an alternative financial instrument, which can efficiently tackle the pertaining issues within the groundnut sector. Blended financing is an innovative approach that creates a pool of funds through a combination of different instruments. Based on nine case studies on blended financing across Agri-SEMs, OECD (2020) came up with the following conclusions: first**,** guarantee schemes can help de-risk investments for financial institutions, and hence, increase their willingness to lend to Agri-SMEs. Second, liquidity instruments such as credit lines can help to construct new products with high development potential. Third, guarantees would be more effective in leveraging commercial finance when combined with technical assistance for capacity development. Moreover,

blended financing is a flexible financing approach that gives a room for tailor-made blended financing structures. In the following section, the research will demonstrate the structure of Islamic blended Financing.

Table 2: Islamic blended financing

INSTRUMENTS	MECHANISM	BARRIER ADDRESS
SALAM(DEBT)	Input financing to help smallholder farmers to acquire the input needs such as (fertilizer and seed) to ensure quality and timely delivery of agriculture product. This could be done through issuing Salam Sukuk by government	It provides pre-harvest financing. This would assure on-time delivery of input to farmers. Providing financing at the beginning, it is a powerful mechanism for poverty alleviation.
Musharak(Equity)	Partnership between ITFC and Islamic investment company of Senegal to create SPV to mobilize the fund through inviting other local and international investors to invest in the value-add groundnut market.	Creating a pool of investment funds to meet the working capital for participants in value-add groundnut. To secure quality production and competitiveness. Therefore, it solves the disruption in the supply chain.
Waqaf (philanthropy or, grant)	Providing technical assistance such as (training, operational assistance, and enhancing the knowledge of Farmers.	It will facilitate capital accessibility, cost effectiveness and reduce operational risks. It will encourage the private investors to invest in the sector.

To meet the current urge to develop sustainable food security, the Islamic blended financing provides low cost financing through mobilizing Islamic instruments particularly Waqaf. Senegal is among few African countries that construct a legal framework for Waqaf. However, so far Senegal did not use Waqaf resources in the agricultural sector. Waqaf is a powerful tool for capacity building and enhancing the knowledge, skills and expertise of the farmers as well as the producers. Moreover, Salam is the most suitable financing instrument to finance the agriculture sector as many researches have proposed Salam as an alternative for agricultural financing. As mentioned in literature Salam eases the financial burden relative to the burden the borrower bears in case of loan. It also meets the instant financing need for sellers. Furthermore, it promotes just distribution of wealth through sharing risk and return. Lastly, it boosts production units, because Salam provides a complete supply chain financing solution. Musharakh is an equity-based financing model, it will be a vehicle for creating a pool of investment and it is a mechanism for securitizing through asset pooling and risk sharing. Consequently, combining those instruments in agricultural developing projects will ultimately resolve the pertaining issues in the agricultural sector, especially in the groundnut sector.

5. Conclusion & Recommendation

The agriculture sector is the main economic driver for most Sub-Saharan African Countries. However, there are many challenges, which hurdle the production capacity of agriculture production. Such as climate change, increase of interest rate at international level, structural adjustment Policy, and unfavorable terms of trade. In the case of the Senegal groundnut sector the key pertaining issues are limited certified seed availability, limited fertilizer availability, and export tax and minimum price, which reduce the income level of farmers. However, the strategy, policy and financing approaches adopted by the government did not succeed in tackling the key issues in the agriculture sector. The finding of the study revealed that ITFC financing is mainly providing working capital for SONACOS, but it did not address the key issues in the agricultural sector, as a result the overall impact on the groundnut sector is minimal. Consequently, the financing approach offered by ITFC is inefficient. Henceforth, this study proposed Islamic blended financing based on Musharakah, Salam and Waqaf. This approach is efficiently addressing issues along the value chain. Given the fact that it provides complete value chain financing. This would assure the timely delivery of input to farmers. Providing financing in pre harvest, it is an effective tool for reducing poverty. It will also enable Islamic investment banks and ITFC to create a pool of investment funds to meet the working capital for participants in value-add groundnut. Waqaf resources will facilitate access to capital, reduce transaction costs, operational risks and it will encourage the private investors to invest in the sector.

In line with the findings, this study proposes the following: 1) I suggest that the government of Senegal to assist further the development of Islamic finance industry. 2) The government should adopt a balanced policy to foster the competitiveness and productivity of the sector. 3) The government can offer incentives to encourage the private sector to incorporate agriculture particularly in the groundnut sector. 4) Government can establish an Agri-SEMs program and apply Islamic blended financing based on (SMW).

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The Effect of Financial Ratio and Underwriter's Reputation on Underpricing: Evidence from Indonesian IPO (2017-2021)

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Abstract

This empirical study presented in this paper shows the effect of financial ratio and underwriter's reputation on IPO (Initial Public Offering) underpricing with firm age as a control variable. The financial ratio is financial leverage and profitability. The financial leverage ratio is proxied by the Dept to Equity Ratio (DER) while the profitability ratio is proxied by Return on Assets (ROA). In this research, we use 225 companies listed on the Indonesian Stock Exchange from 2017 to 2021 as a sample. Data analysis was performed using multiple linear regression analysis. The results of this study indicate financial ratio variable has no significant effect on underpricing, but the underwriter reputation variable has a significant negative effect on underpricing IPO (Initial Public offering) Indonesian.

Keywords: Financial leverage; Profitability; Underwriter's Reputation; Firm Age; Underpricing

1. Introduction

IPO (initial public offering) is an important thing in the development of the company, so that later the company will distribute the company's ownership rights to the public, by selling some of its shares to existing shareholders or to the public (Darmadi and Gunawan, 2013). There are several advantages for companies from going public, as it allows them to raise additional funds without the risk that might arise from debt, and encourages companies to be more transparent and accountable, as well as increase visibility and reputation. The capital market is used as a mediator meeting place for investors with publicly listed issuers (parties who need funds and issue shares) (Yuliani, et al, 2019).

The state of Indonesia is one of the destinations for investment and continues to progress because many companies carry out the Go Public process. The following is data on IPO companies that conducted IPOs on the Indonesia Stock Exchange (IDX) in 2017 - 2021, which were 255 companies, but based on existing data, 89.61% of companies that went public experienced underpricing and only 9.81% of companies experienced overpricing on the following day. first opening in the secondary market.

Underpricing itself is a condition where the stock price is lower at the time of offering in the primary market compared to the stock price on the first day in the regular market (Lestari et al. 2015). This underpricing condition causes a company to be unprofitable when conducting an IPO because the funds obtained are not optimal, but on the other hand this condition is beneficial for investors because the IPO provides a positive abnormal return (Kurniawan, 2014).

One of the factors that can affect underpricing is seen from the company's financial factors, namely financial leverage and profitability. Financial Leverage refers to the extent to which companies utilize their financial debt such as debt financing to increase profitability and is measured by total liabilities to equity. The level of debt is a major component of a company's financial structure, and unlike other risk drivers, management has complete control over the risks that result from leverage. That is, every company has fixed costs in both operational and financial activities of the company, that is, it has operational leverage or financial leverage (Onyema & Oji, 2018).

The reputation of the underwriter/underwriter can influence investors' opinions about the quality of an issuer and its long-term prospects. By appointing a reputable underwriter, the company can reduce the risk of offering shares to the public, thereby reducing the risk of under-pricing. The ability and knowledge possessed by the underwriter has proven to be a guarantee for the company. A reputable underwriter will allow the publisher to have confidence that their public offering process is handled properly. In addition, investors also expect issuers to use experienced underwriters who act as collateral for them to invest (Dominique and Kwan, 2013).

The age of the company is a calculation from the start of the company's creation until the company conducts an IPO in the capital market. Basically, when the age of the company is longer or older, the company will be at lower risk because the company presents company information that is wider and more abundant than companies that have a short lifespan or companies that have just been established so that later it will have a negative effect on underpricing because it will reduce information asymmetry and will also reduce uncertainty in the market. This is what makes the age of the company a strong enough influence on underpricing (Safitri, 2013).

In addition to the gap phenomenon described above, there are several studies that are proven to have obtained results that are different from the theory put forward by experts, so that there are still inconsistencies in research results, giving rise to a research gap. Sundarasen (2019) found that underwriter reputation had a significant negative effect on underpricing even though research conducted by Mahatidina and Yunita (2016), and also Wu, Z., and Wan, D. (2014) concluded that underpricing was not influenced by underwriter reputation. Banerjee Souvik (2015) concluded that underpricing was positively influenced by financial leverage, while Yuliani et al (2019) concluded that underpricing was not positively influenced by financial leverage. Then Syafira and Kamal (2016) concluded that underpricing was negatively affected by profitability, while on the contrary, research by Santoso (2017) stated that underpricing was not affected by profitability, due to differences from previous research results or there were still inconsistencies.

2. Theory and Hypothesis Development

2.1 Signaling Theory

The signal in question is an action for investors in providing instructions on how the company's management sees the company's prospects(Besley & Brigham, 2008:517). Signals that can be given are in the form of information about financial statements or activities that have been carried out by management in realizing company goals. The information provided by the company is important, because it can impact investment decisions by investors. Companies that will conduct an IPO will publish a prospectus, where the contents in the prospectus itself will provide the information needed. For example, information about company profitability, financial leverage or an overview financial statement, then information on the name of the underwriter service, the name of the auditor's service and also the age of the company.

2.2 Agency Theory

This agency theory is a description of the relationship between the management and the issuer / company owner which is the paradigm of the relationship between the agent and the principal. According to Jensen & Mecklling (1976) agency relationship is a contract between two parties that contains the delegation of work and authority by the first party as the principal to the agent or second party, intended so that the second party is willing to do work in the interests of the first party, here what is meant is with the agent is the management who provides managerial services to manage the company, while the owner of the company itself is the principal who will give trust to the agent.

The parties that act as agents and also principals in the IPO and in the case of underpricing are the issuer as the principal while the underwriter is the agent. The motivation of the issuer (principal) itself is to obtain or obtain maximum profitability in the IPO by contracting with the agent (underwriter). Meanwhile, the agents (underwriters) themselves are motivated to maximize the fulfillment of economic needs in obtaining loan investments or compensation if they do not sell, so that usually the issuers themselves set the IPO share price at a lower price, resulting in the phenomenon of underpricing.

2.3 Hypothesis Development

Based on the explanations and theories above, this study proposes 3 hypotheses below:

1. H1: Financial Leverage has a significant positive effect on underpricing.
2. H2: Profitability has a significant negative effect on underpricing.
3. H3: Underwriter's Reputation significant negative effect on underpricing.

The Role of Firm Age Control Variable

Firm age (company age) as a control variable is something that is very much considered by most investors besides that the age of the company may affect the company's underpricing, because the control variable is able to increase market confidence in the company's performance when the company will conduct an IPO on the IDX. Regarding underpricing, the control variable using the age of the company will be able to reduce information asymmetry and market uncertainty will be smaller which will cause the level of underpricing to be lower.

Information related to the age of the company can be a positive signal for investors. Companies that are much earlier in the business world or that have a longer lifespan of course will have more experience to develop their business, because the methods to maintain the company have already been carried out. Companies with longer standing times have a lot of experience so that they are able to survive for a longer time is evidence that can be given to the business world. (Kuncoro & Suryaputri, 2019).

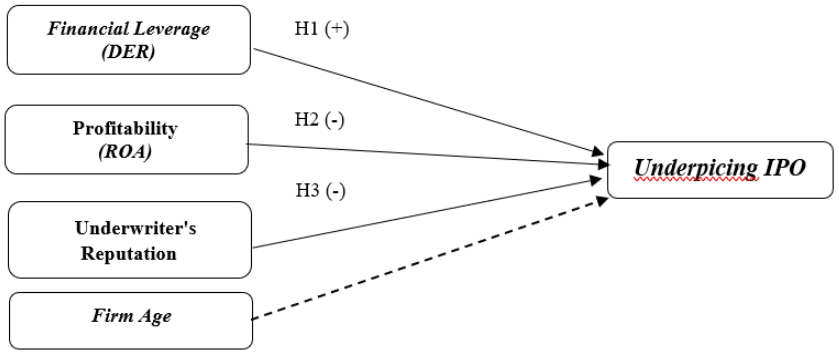


Figure 1. (a) Theoretical Thinking Framework

3. Methodology and Data

3.1 Data and Sample Selection

This study's population is Indonesia company that already go public in 2017 until 2021, and there are 255 company. The sampling technique used in this research is the non-probability purposive sampling technique. The data sample is chosen based on subjective considerations from research where the requirements made as criteria must be met as a sample. The sampling requirement in this research are as follows:

1. Company that already go public in the period 2017 to 2021.
2. Company have complete data in financial statement and names of underwriter IPO.

The procedure for selecting these criteria results in a final sample of 225 banks.

Table 1. Sample Selection

Total Company IPO in BEI during 2017 -2021	255
Less: the company with the data not available	30
Final Empirical Sample	225

3.2 Research Variable

Variable	Definition	Measurement
Dependent (Y) Underpricing	a condition where the stock price at the time of offering in the primary market is lower than the stock price on the first day in the secondary market (Darmadi & Gunawan, 2012)	Underpricing : $\frac{CP_{FD}-R_{IPO}}{R_{IPO}}$ x 100% CP_{FD}: Closing price, first day in the secondary market. R_{IPO}: Initial share price.
Financial Leverage (X1)	DER is a ratio to indicate the amount of funds between own capital used to pay debts (Sartono, 2010)	*DER:* $\frac{Total\ Liability}{TotalEkuitas}$
Profitability (X2)	ROA provides a measure to assess the overall efficiency with which assets are used to generate operating net income (Mahatidina, 2017)	*ROA:* $\frac{Profit\ after\ tax}{Total\ Asset}$
Reputation Underwriter (X3)	The reputation of the underwriter used by the company that will conduct the IPO (Sundarasen, 2019)	Underwriters who are ranked in the top 10 are given a score of 1, underwriters who are not in the top 10 and a value of 0 are based on the total frequency of underwriters before the IPO year.
Firm Age (X4)	Age of the company is the time between the initial creation of the company to the present time (Safitri, 2018)	Age: company year IPO - company year of establishment

3.3 Analysis Method

The analysis method used in this research is multiple regression analysis. The equation model is:

Equation 1:
Un = α + β1X1+ β2X2 + β3X3 + + e
Equation 2:
Un = α + β4X1+ β5X2 + β6X3 + β8X4+ e

Where:
Un = *Underpricing*
α = Konstanta
β = Koefisien Regresi
X1= Reputasi *Underwriter*
X2= Reputasi *Auditor*
X3= *Financial Leverage*
X4= Profitabilitas
X5= Firm *Age*

4. Result and Discussion

Before processing the data into regression, it is necessary to do a normality test, which is a test that shows whether the data used has a normal or abnormal distribution. Below is a table of Normality Test Output for the regression model as follows:

Table 2. One-Sample Kolmogorov-Smirnov Test

N			225
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		12.89947539
Most Extreme Differences	Absolute		.091
	Positive		.066
	Negative		-.091
Test Statistic			.091
Asymp. Sig. (2-tailed)			.000[c]
Monte Carlo Sig. (2-tailed)	Sig.		.044[d]
	99% Confidence Interval	Lower Bound	.039
		Upper Bound	.059

From table 2 above shows the results of the normality test of the regression model, the Test Statistics is significance level of 0.059. The significance value is 0.059> 0.05 and the conclusion is that the data is normally distributed**.** The following is table 3 which contains a summary of the results of partial hypothesis testing in model 1 and model 2 using SPSS are as follows:

Table 3. Model 2 Regression Result

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	23.204	1.624		14.291	.000		
	ROA	-.051	.073	-.027	-.705	.481	.994	1.006
	DER	-.065	.139	-.025	-.470	.639	.509	1.963
	Reputasi Underwriter	-9.997	2.467	-.159	-4.053	.000	.942	1.061
	Umur Perusahaan	1.247	.085	.792	14.666	.000	.494	2.023

*Notes:*Results from the regression are reported. The sample period is from 2017-2021. Variable dependent is underpricing and variable independent is ROA, DER, and reputation underwriter, firm age is control varible.

Before doing the regression, we need to do the models test first, there are two tests to consider the models that suit the regression. In the table above model 2, it can be interpreted that underpricing is negatively and significantly affected by underwriter reputation because the significance level is < 0.05, while financial leverage and profitability variables have no significant effect on underpricing, because the significance value is > 0.05 while the control variable of company age has an effect on underpricing. The regression models in this study are:

Y = 23.204 - 051 X1 - 065 X2 – 9.997 X3 + 0.142 X4

4.1 Discussion

4.1 1 The Effect of Financial Leverage on Underpricing:

Based on the test results of the two models, it shows that financial leverage has no significant positive effect on underpricing. The second model, financial leverage has a coefficient of -0.065, the regression coefficient of financial leverage in model 1 is negative, which means that financial leverage (DER) has a non-unidirectional relationship with underpricing, which means that each increase in DER by one unit will cause a decrease in underpricing of 0.065 % if the factor -other factors are held constant.

The significance probability value in both models is > from 0.05 and has a different direction from the hypothesis, thus proving that the third hypothesis (H1) is rejected. Thus, underpricing is not proven to be positively and significantly influenced by financial leverage. This finding agrees with the research conducted by Yuliani, et al (2019), Purwanto and Mahyani (2016), and also Syafira and Kamal (2016), and Argo & Siswantini (2017).

The results of this study are not in accordance with the existing signal theory and agency theory because if the company has high debt, it will be predicted that the company will be more difficult to run for the future, so that potential investors also have a lot of consideration when buying shares for which the company has high obligations.

4.1.2 The Effect of Profitability on Underpricing:

Based on the test results of both models indicate that profitability does not have a significant negative effect on underpricing. In model 2, the profitability variable has a coefficient of -0.051, the profitability regression coefficient in model 2 is negative, which means that profitability has a direct relationship with underpricing or or every increase in profitability (ROA) of one unit will cause an increase in underpricing of 0.051% if other factors considered constant.

The significance probability value in both models is greater than 0.05 and has a different direction from the hypothesis, thus proving that the fourth hypothesis (H2) is rejected. Thus, profitability is proven to have no negative and significant effect on underpricing. The results of this study failed to prove the effect of ROA on underpricing. The results of this study are in line with research conducted by Retnowati (2013), Kristiantari (2013), Rust (2015) and Darpius, et al (2019) which have proven that underpricing is not influenced by profitability variables.

The results of this study are not in line with signal theory and agency theory which assume that financial statements from management are able to increase investor confidence and are able to reduce the level of underpricing.

4.1.3 The effect of reputation underwriter on underpricing:

The coefficient on the second model has decreased so that it can be said that the control variable is not able to improve the model on the underwriter reputation variable. While the second model for the significance probability value is <0.05 and proves that hypothesis one (H3) is accepted. Thus, underpricing can be significantly negatively affected by the underwriter's reputation.This study agrees with the research of Sundarasen (2019), Yuliani et al (2019), Adityawarman (2017) and also Gumanti et al (2015). This study is able to show that underwriters who have a high reputation are able to reduce uncertainty, and are more daring to take decisions in providing high prices at the initial stock price and as a result of the quality of the guarantor, so that the level will not decrease or become low. This research is in line with signal theory and agency theory according to investors, underwriters are considered to have more complete information about the condition of the issuer so that underwriters who have a high reputation will set the initial stock price according to the condition of the company.

The influence of the underwriter's reputation variable on underpricing shows that the more prestigious the underwriter's reputation is, the lower the underpricing level will be. Determining the price of the issuer's initial stock offering usually the underwriter plays a very important role, especially if the reputation is high or good and is believed by potential investors that when setting the initial share price, it must set a fair price, because the underwriter with a good reputation certainly has a lot of information related to the condition of the issuer. current market, so that when listed on the Indonesia Stock Exchange the share price in the secondary market did not experience a significant increase. Therefore it will reduce the level of undepricing.

5. Conclusion

This study aims to obtain empirical evidence and analyze the effect of financial leverage, profitability and underwriter reputation on underpricing and firm age as variable kontrol. The financial leverage ratio is proxied by the Dept to Equity Ratio (DER) while the profitability ratio is proxied by the Return on Assets (ROA). The

population in this study is a company that conducted an IPO (Initial Public Offering) on the Indonesia Stock Exchange in 2017-2021. The total sample used in this study was 225 companies based on predetermined criteria. Data analysis was performed using multiple linear regression analysis.

From the results of data analysis and the discussion discussed, it can be concluded, among others: the data used in this study were normally distributed, there were no signs of heteroscedasticity and free from multicollinearity problems. From the results of multiple linear regression testing of the second model after adding control variables, it can be concluded that from the 3 hypotheses in this study there is 1 accepted hypothesis, namely the influence of underwriter reputation on underpricing and 2 rejected hypotheses, namely the influence of financial ratios on underpricing.

Future research is expected to include expanding the parameters and scope of the current study or expanding the population or object of research not only in Indonesia but also by adding other countries, such as ASEAN countries. In addition, it is necessary to add other variables such as board independence, ownership concentration, institutional ownership, corporate reputation, and ownership retention variables. Besides being able to add other control variables such as listing delay, oversubscription, issue size, board size, number of female directors, market conditions, and also firm size, because the addition of control variables can help improve the accuracy of variable estimates, eliminating some distortions. and noise, as well as increasing the conservativeness of the hypothesis test and would be in line with that approach (Becker, et al., 2016; Bernerth et all., 2017). In addition, with additional control variables, it is expected to add value to the adjusted R square in the output of research data

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How Potential Revision of Interdependency Theory from Islamic Perspective Thought within Sharia Micro Finance Institution Encourage Orientation?

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Abstract

This pre-research academic study is oriented to how to integrate the implementation of Interdependency Theory from Islamic Perspective in the practice of Islamic microfinance institutions (IMI) and the economic dynamics of society according to its geographic market area. the existence of Islamic microfinance institutions (IMI) and the economic dynamics of society cannot be separated. Between the two there is a relationship of economic dynamics as a mutually beneficial business relationship (symbiotic mutualism). Both of them have their respective potential resources that can actually be locked, but the enormous potential of both resources is also a driving force for economic growth and rapid growth. IMI in the position of exploring unlimited resources is the initiator, dynamist and mover. IMI as a catalyst in community economic empowerment. Then LKMS as an exogenous variable and community business economy (small and micro enterprises as endogenous variables). It is a historical fact that since humans have been on this earth for a long time, resources have always been the object of activity that has the potential to benefit both individually, collectively within a company or by a country. But also historical facts from the past until now, the feudalists realized their dreams by exploiting good natural resources, including controlling human resources which increased the exploitation of communities in the imbalance of groups between countries.

Keywords: Interdependency Theory (IDT Theory); Islamic Microfinance Institutions; Community Dynamics; Resources; Economic Welfare

1. Introduction

The existence of Islamic microfinance institutions (IMI) and the economic dynamics of society cannot be separated. Between the two there is a relationship of economic dynamics as a mutually beneficial business relationship (symbiotic mutualism). Both have their respective potential resources that can actually be locked, but also the potential resources of both are the same driving force for prosperity and economic growth. However, the IMI in that position is also the initiator and mover. IMI as a catalyst in community economic empowerment. Then IMI as an exogenous variable and the economy of small and micro enterprises as endogenous variables.

Since humans have been on this earth for a long time, resources have always been the object of activity that has the potential to benefit both individually, collectively within a company or by a country. Historical facts during the slavery era, the feudalists realized their dreams by exploiting both natural resources which gradually included control over their human resources. The Pharaoh dynasty is one example of the

simultaneous implementation of the control of natural resources and simultaneously control of the population. Nature is exploited throughout the ages to produce food sources in the form of wheat, while humans are shackled with forced labor and threats of death. At that time, every time there was a further error that would result in the destruction of nature and the vision of humans on earth, Allah sent His messenger, the Prophet Moses, to straighten out the aqeedah while also saving the vision of sustainability and the development of resources.

In the Qur'an, Allah states that: "Did they (Pharaoh) share the mercy of your Lord? We are the ones who have divided between them their livelihoods in the life of this world and We elevate some of them above others in rank so that they can use each other for service (collective management of resources and progress). But the mercy of your Lord is better whatever they collect." (43:32). Here, Allah shows that He distinguishes His creatures in terms of what He gives them wealth, sustenance, intelligence, understanding and other visible and hidden powers to be oriented in sowing the seeds of mercy. It is We who share among them their livelihood. in this world, and We raised some of them above others by several degrees, so that some of them employ others in their work so that it appears that the potential for future resources is growing.

Thus, people/institutions/states in terms of resource management are oriented towards employing other people in their work better (ikhsan). People who think and practice like that, in essence also that they have realized that between humans one and another need each other (mutual interdependence is the implementation of Interdependency Theory= IDT). Allah explains that there is no uniformity among people but differences. This difference is the result that no individual is independent in his life. He will be complete after being oriented to seek better partnerships with other parties.

Between the two entities in the implementation of resource utilization gradually disharmony vulnerabilities occur. The vulnerability of the relationship between the two entities leads to an imbalance of negotiating bargaining power in the sustainability of business relationships. Less dependent partners (bargaining stronger position) tend to exercise greater control over decisions in resource management, while more dependent partners bear the brunt of greater interaction costs (sacrifice, accommodation) and are more susceptible to possible abandonment (abandonment). and threats (of death) and coercion may occur (eg, Attridge, Berscheid, & Simpson, 1995; Murray, Holmes, & Collins, 2006).

The dynamic factor in achieving the sustainability of the business performance of microfinance institutions in business contracts with MSMEs lies in how these institutions establish an intimate relationship in leadership dynamics of geography (developing regional economic potential in accordance with its geographical typology) as a strategy to benefit from developing the potential of shared resources in a trick. internal-external coalition strategy / internal-external coalition commitment (Adapti: Gudono, 2009).

In the view of the discussion on Interdependency Theory by Gudono, 2009, the achievement of the active role of business institutions will be achieved when the orientation is on geographical dynamics through exploration of the functions of financial institutions (BMT as well as banking) which attractively revives the dynamics of geographically regional development. How big is the role of this issue in an investigative way, it is important to question how microfinance institutions have actually responded by actively participating in influencing and forming coalitions with other organizations, or changing and advancing changes in the surrounding environment.

2. The Evolution Theory of Interdependency

2.1 Stages of Interdependence Theory as a solution to the phenomena that occur in Social Exchange Theory and Game Theory.

Interdependence Theory (IDT Theory) is a thesis on the antithesis of two previous classical theories, namely Social Exchange Theory by George C. Homans (1950), Ritzer, George & Douglas J. Goodman (2009) and Game Theory (Games). Theory) by John von Neumann (1928). Both theories are innovative and important frameworks for understanding interpersonal relationships and group dynamics (Balliet, D., & Van Lange, P. A. M. (2015).

Social Exchange Theory (Social Exchange Theory) is a reaction to the paradigm of social facts which was mainly put forward by Durkheim. Homans said that the process of social interaction has the potential to give rise to a new phenomenon due to the interaction. The interaction process initially went smoothly which tended to seek convenience in resolving various interests, but along with the increasingly complex problematic with various attributes of each, the seeds of conflict as a phenomenon that emerged from the interaction process. The friction of vulnerable interests in maintaining the sustainability of social (business) interactions has the potential to be solved by an approach of mutual interaction.

As social beings, humans always create interactions and build relationships with other humans they meet. Since the time of Thibaut & Kelley (1959), the most basic assumption of Social Exchange Theory is that people are motivated by self-interest or self-interest. In other words, social exchange or social exchange assumes that individuals want to maximize their personal gains with minimal sacrifices in a relationship so that there is interdependence.

While Game Theory (Games Theory) is related to the actions taken by decision makers, and they realize that the choices of actions taken will affect each other. In the implementation of Game Theory, the principle of achieving commitment is the potential for profits to be obtained by each. In fact, the practice of Game Theory of attribution of players is co-opted with the domain of social psychology, including attribution of the influence of the processes of achieving individual cognition, as well as interpersonal processes such as behavior and interactions in pairs and groups. The attribution conflict that occurs between the two entities, namely the absence of a harmonious relationship in the long term is the antithesis of Game Theory (Games Theory) and Social Exchange Theory which is a solution accommodated in the theory of interdependence theory (IDT Theory).

Thus, it can also be interpreted that Dependency Theory (Interdependence Theory) is a testament to the emergence of the phenomenon of friction in the implementation of social exchange theory and the imbalance of functions and roles of each party in the implementation of Game Theory.

The direction of the solution of the interests of each to the maximum. In principle, mechanistic Interdependence Theory is the fulfillment of the rights of each party to the maximum (maximum interpersonal relationships). The foundation of thought that is built in the theory of Interdependence is based on the fulfillment of the interpersonal relationships of the communicants. The balance of the relationship between the two communities is achieved when interpersonal interdependence is able to be maintained in a sustainable social and business relationship (sustainable mutual symbiosis). Sustainability of enduring social/business relationships is a condition in a process of interaction between people (communities) in a condition of mutual influence. Commitment to sustainable relationships is an experience capital towards mutual progress.

2.1 Early Stages of Implementation of Interdependence Theory

Interdependence theory was originally introduced by Thibaut and Kelley (1959) to explain how aspects of dependency work in various themes, such as conflict and resolution, attribution, emotion, trust, communication, motivation, and social interaction. The main theme in the study of interdependence theory is about social interaction. In a subsequent study, Kelley & Thibaut (1978) elaborated further on understanding and appreciating historical developments. Following their pattern of thinking, it is important to discuss the core concepts and principles of the theory. Here, we discuss (a) interdependence structures, their importance, and the key dimensions of interdependence structures; (b) interdependence processes, with a strong emphasis on the concept of transformation; (c) social interaction (resulting from the structure of the social situation and the people involved); and (d) adaptation.

However, Ned Jones In his book "Interpersonal Relations: A Theory of Interdependence (Handbook of Social Psychology, 1998) explains that, the linkage (area of mutual interest) between exchange theory and game theory is the material (elements/levels) of the emergence of group dynamics. . The linkage between the two interests leads to convergence in an innovative framework thesis. In the book, he also discusses the theory of interdependence: that the implications of interdependence theory in practice can last a long time.

In its continuation stage more than a decade later, it is becoming increasingly clear that interdependence theory has influenced scientists who study social dynamics, social comparison, attribution, self-presentation, self-regulation, love, commitment, and similar topics that are interrelated.

One of the main advantages of interdependence theory (IDT Theory) is its ability to describe the interdependence structure of many commonly encountered social situations and to determine the similarities and differences between these situations. In interdependence theory, the relationship between humans is as meaningful as the individual itself (Rusbult & Van Lange, 2003). Human life is basically social. Mostly expressed in the context of group interaction, much of human nature derives from interpersonal experience and from many sources. The essence of a group is not the similarity or dissimilarity of its members, but interdependence. The concept of interdependence is used outside the traditional boundaries of social psychology (eg, markets as studied by economists, social preferences, international relations; for an overview, see Gintis, Bowles, Boyd, & Fehr, 2005). Theoretically, interdependence theory is a comprehensive theory in explaining the conceptualization of structures and processes in interpersonal relations.

2.3 The Interdependence Theory Stage in the Long-Term Sustainability Challenge

Some of the implications of interdependence theory are oriented to understanding various social psychological phenomena, such as self-regulation, beliefs, and processes between groups. Based on previous writings, notably Rusbult & Van Lange, 2003; Van Lange et al., 2007; Van Lange & Rusbul, 2012.) However, Ned Jones In his book "Interpersonal Relations: A Theory of Interdependence (Handbook of Social Psychology, 1998) emphasizes that the orientation of interdependence theory leads to a substantial process of establishing relationships between humans as meaningful as the individual. themselves (Rusbult & Van Lange, 2003).

David W. Johnson, Roger T. Johnson, in the International Encyclopedia of Social & Behavioral Sciences (Second Edition), 2015 state that social interdependence theory provides an example of how psychological theory,

research, and practice interact in ways that enhance all three. Theories identify and define phenomena of interest and their relationship to one another. Social interdependence theory is well formulated, clearly defines cooperation and competition, summarizes existing research, and has generated considerable new research. More than a thousand research studies have been conducted to validate or disprove the theory of social interdependence. Thus, there is sufficient research, with high internal and external validity, to test the theory. The number, quality, and generalizability of the research provide strong confirmation of the basic propositions of the theory and the effectiveness of cooperatives relative to competitive and individualistic efforts. Finally, social interdependence theory has been applied in many diverse fields (especially in education and business) and its applications have had a profound effect on related theories and theories.

2.4 Dimension Plus of Interdependency Theory

Interdependence is a fundamental characteristic of social interaction. Interdependence theory states that 6 dimensions describe differences between social situations (Kelley et al., 2003; Kelley & Thibaut, 1978). The six dimensions describe how people think about their interdependence with others in a situation. Implementation of Interdependence Theory can be explained through six dimensions describing the differences and similarities in situations of objective interdependence including:

a. interdependence
b. power,
c. conflict,
d. coordination,
e. future interdependence,
f. information certainty

Table 1. Six Dimensions of situational structure and their affordances (A. W. Kruglanski & W. Stroebe, 2012)

Dimension	Relevant motive
Level of dependence (tingkat ketergantungan)	Comfort versus discomfort with dependence Comfort versus discomfort with independence
Mutuality of dependence (together dependence)	Kenyamanan versus ketidaknyamanan dengan kerentanan (sebagai ketergantungan) Kenyamanan versus ketidaknyamanan dengan tanggung jawab (sebagai pemegang kekuasaan)
Basis of dependence (dasar ketergantungan)	Dominasi (memimpin) versus kepatuhan (mengikuti) Ketegasan versus kepasifan
Covariation of interests (kovariasi minat)	Motif prososial versus kepentingan diri sendiri (aturan untuk diri sendiri) Kepercayaan versus ketidakpercayaan terhadap motif pasangan (harapan tentang orang lain)
Temporal structure (struktur temporal)	Ketergantungan versus tidak dapat diandalkan Loyalitas versus ketidaksetiaan
Information availability (ketersediaan informasi)	Keterbukaan versus kebutuhan akan kepastian Optimisme versus pesimisme

Table 2. The six dimensions plus three potential new dimensions in the empirical approach to studies on Islamic economic financial institutions (Suwardi et. Als, 2022), are as follows:

Dimension	Definition	Sample item low	Sample item high
Mutual Dependence	Degree of how much each person's outcomes are determined by how each person behaves in that situation.	Each person's actions only affect their own outcomes, and not the other's outcomes.	We need each other to get our best outcome in this situation.
Power	Degree to which an individual determines their own and others' outcomes, while others do not influence their own outcome.	Who has the least amount of influence on the outcomes of this situation?	Who do you feel was most in control of what happens in the situation?
Conflict	Degree to which the behavior that results in the best outcome for one individual results in the worst outcome for the other.	We can both obtain our preferred outcomes.	It is difficult to make us both happy with the outcomes of this situation.
Coordination[a]	Degree to which an individual's behavior influences how a partner's behavior determines that individual's outcomes.	There is nothing I can do to influence how the other's actions affect me.[b]	Each person's outcomes rest on coordination with the partner's actions.[b]
Future Interdependence	Degree to which own and others' behavior in the present situation can affect own and others behavior and outcomes in future interactions.	The outcome of this situation does not affect my future interactions with the other.	My behavior in this situation affects how the other will behave in future situations.

Information Certainty	Degree to which a person knows their partner's preferred outcomes and how each person's actions influence each other's outcomes.	The other does not understand how his/her actions affect me.	We both know what the other wants.
Orientation *) Ownership Assets	The degree to which MFIs and SMEs are oriented towards making financial resources a social asset.	Between the two of them have the assumption that financial resources bound in absolute business contracts belong to individuals.	Both of them have a high awareness that financial resources tied to business contracts are social assets.
Potency *) Source New Power	There is potential for a sustainable long term relationship with a new resource.	No potential long term sustainable relationship with new resource appears.	It seems very clear that there is potential for a long term sustainable relationship with a new resource.
Motivation*) maintain social relations.	The spirit of motivation to maintain sustainable social relationships (spirit of fertilizing plants).	Lack of motivational spirit to maintain social relationships.	There is a high spirit of motivation to maintain social relationships.

*) Potential application with a new dimension to the business practices of sharia microfinance institutions to target communities, namely small and medium enterprises (Suwardi et. Als, 2022).

3. Conclusion

In view of the implementation of Interdependence Theory has several similarities. It is precisely in the empirical implementation of practice that has the potential to strengthen the existence of the Interdependence Theory itself. All entities as emphasized in the Qur'an (43:32): Allah shows that Allah is the one who distributes mercy to all the inhabitants of this world, Allah gives them wealth, sustenance, intelligence, understanding and other powers according to what is stipulated.

On the basis of the basic view of Islam in the implementation of practices between business entity relationships, the etymology of the Interdependency Theory in the view of the Qur'an (Islam) has several adjustments (reorientation of each dimension) and adds a new dimension so that in the practice of conflict of interest, the orientation is to maximize goals. each of which can be reduced to a relationship of ongoing interdependence. So that in the potential implementation of the new dimension Pkus Interdependence theory, it can be concluded as follows:

a. The orientation of the concept of ownership of assets (individual assets and social assets) which are considered essential turns out to be very fragile (the emergence of conflicting perceptions of the owner).
b. Potentially disorienting long-term relationships will damage potential resources (damage the spring itself).
c. Increase rich motivation in an effort to maintain sustainable social relationships (spirit of fertilizing plants) advancing resource potential (creating new resources).

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Sustainability and Islamic Social Banking: A Review of Literature

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Abstract

The resurgence of Islamic social finance institutions to solve modern-day sustainability inequities and foster a circular economy is becoming increasingly popular in scholarly writing. Islamic social finance and social banking represent a massive potential for bridging the gap in driving sustainability agenda. Thus, this study aims to review the literature on current sustainability practices based on Sustainable Development Goals (SDGs), Environment, Social, and Governance (ESG), Socially Responsible Investment (SRI), Corporate Social Responsibility (CSR), and Value-Based Intermediation (VBI), as well as Islamic social banking. Using secondary analysis, this study addresses the scholars' and practitioners' views on both sustainability agenda and Islamic social banking to provide a better understanding of the subject matter and show the link between the two. A significant observation is that Islamic social banking practices connect with the sustainability initiatives interests under the umbrella of Maqasid al-Shariah. Indeed, there is a need for an Islamic bank to structure its business operation by considering the long-term sustainability issues. This could benefit not only the bank itself in terms of profit but also safeguard the planet and society as a whole to achieve Maqasid al-Shariah. This study contributes to the literature on the integration of elements under the sustainability agenda and Maqasid al-Shariah towards a more comprehensive Islamic social banking practice. Suggestions made in this study may provide an avenue for future research in Islamic social banking and pave the way for the development of an integrated framework for Islamic social banking practices.

Keywords: Sustainability practices; Islamic social banking; Maqasid al-Shariah and Literature Review

1. Introduction

After the Brundtland report of 1987 was presented, the sustainability discussion among the practitioners, academicians, and policymakers became intense (Choy, 2015; Salvia et al., 2019; Tsalis et al., 2020; Suárez et al., 2021)). Since then, the term sustainable development had been widely used which refers to "complies with the requirements of the present without jeopardizing future generations' capacity to achieve their own needs" (Khan & Badjie, 2020). It has a three-part term that incorporates the elements of economic, social, and environmental to measure the long-term viability of a company or supply chain (Dubey et al., 2017).

The latest literature show that there is a central observation on the various social and sustainability agendas to guide the industry and government towards realizing the goals. These include Sustainability Development Goals (SDGs), Environmental Social Governance (ESG), Socially Responsible Investment (SRI), Corporate Social Responsibility (CSR), and Value-Based Intermediation (VBI). Likewise, the solid connection between Islam ethics and the real economy in creating shared value within society that is embedded in Islamic banks can offer a comprehensive social finance environment. This could lead to sustainability agendas through impact-driven tools that focus on the intended Shariah outcome (Lanzara, 2021)[16]. The potential connection between the roles of Islamic finance and sustainable development agendas cannot be denied with the expansion of Islamic social

[16] Islamic Finance and the SDGs: Framing The Opportunity, "London and Kuala Lumpur collaborate on promoting the SDGs through Islamic finance". (2020, May 05). *M2 Presswire* Retrieved from https://www.proquest.com/wire-feeds/islamic-finance-sdgs-framing-opportunity-london/docview/2398119409/se-2?accountid=33993

finance that potentially aids in actionable solutions for the current wide range of sustainability imbalance issues (Tahiri Jouti, 2019; Uluyol et al., 2021). Therefore, at its core, Islamic finance, and Islamic social finance portray the culmination of several sustainability efforts (i.e., SDGs, ESG, SRI, CSR, and VBI) which recognize society's key challenges in social, economic, and environmental.

Undoubtfully, some of those social and sustainability elements somehow have been implemented by the Islamic bank in different ways and stages through various engagements and practices under SDGs, ESG, SRI, CSR, and VBI. However, our understanding remains incomplete and usually not well specified in respect of what constitutes social implementation by Islamic banks that they intended to achieve in realizing Maqasid al-Shariah. Hence, the examination of elements under SDGs, ESG, SRI, CSR, and VBI under the purview of Maqasid al-Shariah is warranted to shed light on the connection between those sustainability elements.

As cited by Hamidi, L. (2020) and Khan and Watson (2003, p. 93-94), the International Association of Islamic Banks mention that in exercising all its banking and developmental activities, Islamic bank has considered the social implications of any decision or actions taken by the bank. Profitability is not the sole criterion anymore in evaluating the performance of Islamic banks, as they have to balance both commercial and social objectives. These social objectives undoubtfully lead to the sustainability of the Islamic banks just as Hassan & Cebeci (2012) notion's highlight that rather than being just transitory operations, social well-being should be included further in the structure and mechanisms of the Islamic banking framework.

Moving forward, in 2017, the Central Bank of Malaysia launched a blueprint strategy shift movement entitled Value-Based Intermediation (VBI) to transform the Islamic bank's business model, sharpen potential roles, and embark on pragmatic intended outcome practice that entrenches Shariah's objectives through service operations that catalyzing impactful sustainability to the economic growth, citizens, and climate without forgoing financial shareholder returns (Arshad et al., 2018). Likewise, under the VBI approach to sustainability, Islamic banks are encouraged to be more vigorously in addressing community empowerment and having proper management besides focusing on business activities (Razali et al., 2021). Generally, manifesting the VBI can be asserted as an ambitious way of unlocking the full potential of Islamic finance (Mahyudin & Rosman, 2020). Yet, the understanding of Islamic social banking remains incomplete.

Therefore, the aim of the paper is twofold. Firstly, to re-examine social initiatives under SDGs, ESG, SRI, CSR, VBI, and Maqasid al-Shariah to evaluate the emergence of similarities, contradictories, or overlapping elements. Secondly, to revisit the literature on social banking to provide a clearer understanding of Islamic social banking.

The rest of this paper is structured as follows. The next section presents a brief review of sustainable development and the initiatives toward achieving sustainability (i.e., SDGs, ESG, SRI, CSR, and VBI). Further discussion on the Maqasid al-Shariah is presented in section 3. Sections 4 and 5 extend the review on social banking and Islamic social banking, and. Finally, section 5 concludes the paper.

2. Background of Sustainable Development

A study carried out in 1992 by Holmberg and Sandbrook tallied more than 70 definitions of sustainable development as of the early 1990s. Since the 1980s, more than a hundred definitions of sustainable development have been available in the public domain, specifically, the first proclaimed definition in 1987 in the World Commission on Environment reported as the most widely cited which appealing means that development could meet the needs of the present without endangering future generations' opportunity to accomplish their own (Cheberyako et al., 2021; Khan & Badjie, 2020). Along the way, in 1998, Elkington's notion delicately brings the three focusing themes area namely triple bottom line; people, planet, and profit which appreciating the worth of human, social and economic development also ecological safeguarding elements as equally essential to financial matters (Haq & Wahab, 2019). The insights literature from Dubey et al., (2017) and "Our Common Future" papers suggest three focal points of sustainable development; economics, social, and environment.

The term economics of sustainable development has a more profound meaning than economic growth. "Development" encompasses speeding economic growth, erasing inequality, and ending poverty. In addition, the transformation and development of the economy must align with the planet's ecological essence (Mignaqui, 2014). From the social of sustainable development capsule lens, the study Our Common Future by Mignaqui (2014) highlights the necessity of addressing fundamental requirements and enriching the potential while nurturing a better quality of life. In another argument, Helliwell, Layard, and Sachs addressed six critical ethical methods in 2013 to encourage social sphere embracement within the community; humanism morality, libertarianism morality, civil rights philosophy, and religious morality. Moreover, environmental concerns are also a crucial factor in sustainable development, which is dependent on various aspects, including the severity of climate change (magnitude and frequency of shocks), system vulnerability (the extent of environmental damage), and system resilience (ability to recover from impacts) (Omer, 2008). Natural resource exploitation, pollution, and biodiversity loss are all harmful because they raise vulnerability, degrade system health, and reduce resilience. In a study conducted by Taghvaee et al. (2022) highlights that the environment is found to be the background for

both the social and economic pillars, and social is the background for the development of the economy. Most importantly, ecological development is essentially conducted in the best manner as human welfare ultimately depends on it.

2.1 Sustainable Development Goals (SDGs)

The SDGs have emerged as the global development imperative from 2015 to 2030, serving as a fruitful roadmap that envisioned a brighter sustainable future (UNDP, 2017). It embodies 17 quantitative and qualitative SDGs aiming to promote peace and prosperity for people and the planet while dotting a robust global network of collaboration movements between countries. These resolutions are intended to maximize impactful humane value by setting the seal on data accountability and guaranteeing a transparent measurement mechanism for comparability purposes for the SDGs (United Nations, 2017). The 2030 Development Plan outlines how the world will embrace sustainability between 2015 and 2030 (Dang & Serajuddin, 2020). The plan emphasizes the significance of considering humanity, the ecosystem, wealth, freedom, and collaboration as a foundation for achieving long-term value. In a modern environment, the SDGs provide a potential chance for nations and peoples to collaborate with sound planning to improve the stable ecology for the next generations. Figure 1. presents the 17 goals of SDGs:



Figure 1. 17 Goals of Sustainable Development Goals (SDGs)

Moreover, Dariah et al. (2016) find that numerous sectors across countries seek to implement the SDGs concept by integrating the three pillars of sustainable development: economic, social, and environmental issues, and happened to surge with certain obstacles such as the divergence of socio-culture and economy structure of each country . Even though the SDGs have a global scope, their implementation is contingent on the importance accorded to them by individual countries and how sustainability issues conflict with a country's primary challenges (Salvia et al., 2019). Nonetheless, the SDGs have been adopted locally; the private sector is ambitiously in achieving the long-term purpose (Pizzi et al., 2020). Following Buhmann et al. (2019) and Scheyvens et al.(2016), they conclude that the private sector benefits society by providing the experts, technology advancement, innovation, responsiveness, human capital with specific experience, and financial resources to help achieve the SDGs.

2.2 Environmental, Social, and Governance (ESG)

ESG's notion was discovered first in the UN Principles for Responsible Investment (PRI), and then it appears again in CSR reports of several companies (Davis & Stephenson, 2006). The ideas emphasize these standard characteristics in determining the project for a long way without being harmful to people and the planet. Since it will be able to evaluate the process of initiatives through to their final result, numerous practitioners and researchers have already extensively used it as a proxy for CSR strategies and engagement, even though it does not have a universally accepted definition (Bassen & Kovacs, 2008; Liang & Renneboog, 2017)). In particular, "ESG" is a form of investment-related activity that enhances the quality of account management for environmental, social, or governance consideration factors. Researchers Humphrey, Lee, and Shen (2012) employ ESG criteria to quantify corporate social performance. They meet that the corporate social performance of enterprises does not appear to affect aggregate unsystematic risk. Further, they find that high-ranked social performance companies have lower betas. It demonstrates that managers can implement an ESG strategy without spending significant

money. In addition, a value creation theory supported by ESG scores enhances a bank's accounting and market-based performance in developed countries (Buallay, 2020).

2.3 Socially Responsible Investment (SRI)

SRI originated in the late 1960s due to the civil rights movement in the United States, burgeoning anti-apartheid sentiment in South Africa, and the Vietnam War. The world faces a significant loss of ecosystem function and biodiversity (Winans et al., 2021). A Common fund Institute research study led by Caplan et al. (2013) presented socially responsible investing (SRI) as a portfolio design mechanism that strives to avoid investments in specific firms or industries through negative screening according to stated ethical principles. The goal is to generate a return while also being socially responsible (Khemir, 2019). They extensively describe those financial scores are essential, but they are insufficient for a complete evaluation of a company. Furthermore, a study by Yesuf & Aassouli, (2020) has found that there were no statistically significant variations seen between the risk and return characteristics of Islamic funds in contrast with SRI which considers the potential linkages between the two features under the light of the SDGs.

2.4 Corporate Social Responsibility (CSR)

The phrase "corporate social responsibility" (CSR) was coined for the first time in the 1950s, and management studies in the 1970s paid a lot of attention to it. CSR activities can generally be broken down into three categories: those that promote economic growth, ecological equilibrium, or social advancement (Mohtsham Saeed & Arshad, 2012). They believe that corporate social responsibility impacts a company's financial performance and social performance. On another note, according to the World Bank (2021), "CSR is a commitment by businesses to act ethically and contribute to sustainable economic development by engaging with all relevant stakeholders to positively enhance their lives for business, the sustainable development agenda, and society." A study conducted by Jaiyeoba et al.(2018)shows that stakeholders view the Malaysian Islamic banks' corporate social responsibilities as effective practice. Then, a survey conducted on 243 Muslim managers in a study by Muwazir et al. (2012) of financial institutions in Malaysia revealed that Muslim managers in Malaysia hold deep concern about CSR activities that benefit community enhancement (public maslahah) as the strengthening of Islamic values. According to the findings of the study conducted by (Di Bella & Al-Fayoumi, 2016) in Jordan Islamic banks, interestingly, the stakeholders have shown a favorable attitude toward the idea of CSR. After demonstrating that the problem of CSR is an essential factor in Islamic banking and the perception of various stakeholder groups, the focus shifted to identifying the dimensions that shape Islamic CSR.

2.5 Value-Based Intermediation (VBI)

Value-Based-Intermediation (VBI) was launched by the Central Bank of Malaysia as a forward strategy approach in 2017 to transform the business model, sharpen the potential roles and embark on pragmatic intended outcome practice that entrenches Shariah's objectives. The strategy intends to perform Sharia's higher principles sustainably, conducive, and positively (Bank Negara Malaysia, 2017; Arshad et al., 2018). The introduction of VBI, with its credibility to propel the Islamic finance industry to the next level of transformative growth, has received positive feedback from industry players, especially Sharīʿah scholars (Mahadi, N. F. et al., 2019). By having VBI as an approach to sustainability, Islamic finance is expected to be more vigorously and practically in process development, offering value and service conducted, especially in resistance to the economy, community, and environment concerns, without negatively impacting financial performances return.

3. Maqasid al-Shariah

According to Asutay (2007), Shari'ah (maqasid al-Shariah) aims to establish a legal and reasonable framework within which economic operations should be conducted and ensure human well-being through respect for human rights and provision for all human needs. The Abu Zaharah model of Maqasid al-Shariah is categorized into three disciplines, namely tahdhib al-fard (educating the individual), iqamah al-'Adl (establishing justice), and jalb al-maslahah (public benefit) (public benefit) (Kholish et al., 2020.). Further, the al-maslahah (public benefit) discipline has a deeper meaning that comes with three sections; complementary *(hajiyyat),* necessity *(daruriyat)*, and embellishment *(tahsiniyat)*. In the same stream, Mergaliyev et al. (2021) highlight the prominent objective of the sharia Al-Ghazali's that is widely accepted is to promote the welfare of human beings, which lies in safeguarding their faith, their life, their intellect, their posterity, and their wealth. Whatever ensures the safeguard of these five fundamentals serves the public interest and is desirable (Al-Ghazali, 1356/1937; see also Chapra, 1998; Chapra, 2008) cited from (Siddiqi et al., 2019). Al-Shatibi approves al-Ghazali's list and sequence, hereby indicating that they are the most preferable in terms of their harmony with the essence of sharia (Ibn Ashur, 2006).

Maqasid al-Shariah encompasses all of the crucial aspects and priorities, as well as the tone at the top, to assist humanity to transform the world place for a better life in all spheres and dimensions (Daud Bakar, 2021, p 205). Referring to a past study, the dimensions of Maqasid al-Shariah have been explored by numerous scholars of notion including Abu Ishaq al-Shatibi (the Malikite), al-'Izzibn 'Abd al-Salam (the Shafie), and Ibn Qayyim al-Jawziyyah (the Hanbalite) which extend an appealing infallibility contributed (Diaw, Bacha, & Lahsasna, 2012) with common 'end game' under various identical objectives (Siddiqi et al., 2019). The following Table 1 presents the dimension of Maqasid al-Shariah Classical Islamic Economics literature originally by Siddiqi et al. (2019) in addition to Daud Bakar's (2021) thought of study:

Table 1. Dimension of Maqasid al-Shariah

Sources	Dimensions of Maqasid al-Shariah
Rashid Rida (d. 1354 ah/1935 ce)	Islam is the religion of nature, knowledge, proof, independence, freedom; political, economic, and social responsibility, equal gender rights, and wisdom.
Al-Tahir ibn Ashur (d. 1325 ah/ 1907 ce)	Facilitation, freedom, the safeguard of original instincts, and equality.
Mohammad al-Ghazaly (d. 1416 ah. 1996 ce)	Freedom and justice.
Yusuf al-Qardhawi (1345 ah/1926 ce)	Calling people to worship God, building a strong Islamic nation, purifying the soul, preserving true faith, restoring moral values, maintaining human dignity and rights, treating women fairly, building good families, and striving for a world based on cooperation.
Taha al-Alwani (1354 ah/1935 ce)	Developing civilization on earth, purging of the soul (tazkiyah), and the monotheism or oneness of God (tawhid)
Daud Bakar (1443 ah/2021 ce)	Economics in action concerning food security ecosystem (involve preventing undertaking something that could cause large structural disturbances to the ecosystem, which included an action that leads to flooding), visibility and morality governance that is concerned about the financial market, can be effective in broad economic policies as well as other broad themes encompassing justice, fairness, ecological and sustainability, talent development, and so on. The Quran has elastically and cognitively broadened the scope of significant themes to embrace as many themes as feasible to establish, preserve, and safeguard a good and purposeful existence, hence Maqasid al-Shariah does not deal with specific rules and rulings. It would undoubtedly outperform in terms of broad policy and best practises.

Daud Bakar (2021, p 223) further highlights that the Maqasid al-Shariah are normally meant for community and nation-building purposes, instead of merely dealing with the issues faced by a few individuals living on this planet, irrespective of whoever they are. However, it doesn't mean that the right of a single soul is not precise as the Maqasid al-Shariah principle is calling for the individual to help each other by doing beneficial things and removing harm togetherness. The arising of harm issues cannot be mitigated by a single actor. In conjunction, the fabric elements in the sustainability concept (i.e., SDGs, ESG, SRI, CSR, VBI) are vertically aligned with the Maqasid al-Shariah standard of principle.

4. Interconnection between Sustainability Goals and Maqasid al-Shariah

Ehrens (2017) defined integration as merging smaller components into a unified system that functions as a whole. When several units pursuing the same objective interact, they will be guided toward a feasible end. The concept of integration within social development components gained recognition, notwithstanding the lack of a possible enforcement mechanism. When examining the SDG objectives entirely, 42 targets are dedicated to implementation methods, and the final target, Goal 17, is exclusively focused on implementation methods. However, Stafford-Smithe et al. (2020) suggest that these targets do not adequately account for the critical role of goal interdependence, which could result in unintended consequences and unrecognized synergies. As a result, Stafford-Smithe et al. (2020) proposed that greater emphasis should be placed on interconnections across sectors (for example, economics, agronomics, renewable energy, and transportation); across societal actors (for example, local governments, government agencies, the private sector, and civil society); and between and among low, middle, and high-income countries.

In contrast, it is indisputable that the paradigm shift brought about by the Sustainable Development Goals (SDGs) makes it possible for Islamic financing to embrace Islamic aspirations (Maqasid al-Shariah) that were not possible under the MDGs before. Nonetheless, Paltrinieri et al.(2020) opined on whether and how the development of Islamic financial markets runs in parallel with the bank's sustainability plans. However, the results show a positive relationship between Islamic Financial Development Institutions and ESG (ESG data is from the MSCI ESG Intangible Value Assessment database) scores that mostly revolve around the social pillar. Furthermore, Azman et al. (2019) point to the importance of social impact assessments in Islamic finance by evaluating the growing interest in Islamic social finance and the social impact on their operations, products, and services that could be done through a stakeholder approach and assimilating frameworks of Value-Based Intermediation, Maqasid al-Shariah, and Sustainable Development Goals. This result certainly strengthens the relationship between Islamic finance and its responsiveness and engagement towards social responsibility, even though gains

in sustainability are subject to non-linearity. Table 2 presents the selected past literature reviews and summary findings on the interconnection between sustainability elements and Maqasid al-Shariah.

Table 2. Summary of findings on the interconnection between sustainability elements and Maqasid al-Shariah

Authors	Theme	Summary of findings
Khan (2019)	Comprehensive human development and SDGs interchangeably	An impactful business must integrate environmental, social, and governance best practices into the national development goals. Considering the rapidly changing global landscape, academicians play an important role to educate and create awareness on becoming more responsible, inclusive, and resilient as well as promoting shared prosperity and well-being.
Khaled et al.(2021)	Interrelation of SDGs and ESG	Enables businesses to gain a realistic understanding of how the SDGs relate to their ESG performance and to monitor their progress toward attaining the SDGs. Figure 2. provides the results of mapping the 17 SDGs and their associated targets with the three ESG pillars, the 10 categories, and their relevant underlying measures.
Kabir Hassan et al.(2021)	Interrelation of ESG with Sharia-compliant and conventional firms	The engagement of ESG within Sharia-compliant and conventional firms vertically interact in facts under an extended study of a global dataset of non-financial firms (4624 listed entities from 2002-2018). Figure 3. presents the summary statistics and tests for differences in means for all non-binary variables between Sharia-compliant and conventional firms. Both types of firms received ESG scores.
ElAlfy et al.(2020)	Interdependencies between the SDGs and the progress of CSR practice	CSR and financial performance could improve in the long term through awareness of potential synergies between company strategy, global climate goals, and the common good.
Bukhari et al.(2020)	Integration of SDGs, CSR, and Islamic Principle	The study intends to establish an Islamic corporate social responsibility model (ICSR) based on Qur'anic verses and existing literature, with an expansion of Carroll's corporate social responsibility (CSR) theory (1979). Islamic and Western CSR have similar humanitarian goals, this ICSR method can be applied to both Islamic and non-Islamic business systems.
(Ahmad Yani et al., 2020)	Interconnection of SDGs, VBI, and Maqasid al-Shariah	The spirit of Maqasid al-Shariah is already rooted in Islamic finance long before the establishment of the SDGs agenda which was promoted by the United Nations and VBI initiated by the BNM.

ESG categories	ESG underlying measures	SDGs targets
Environmental pillar score		
Resource Use	Water Recycled	6.4
	Water Use	6.4
	Policy Water Efficiency	6.4
	Targets Water Efficiency	6.4–12.2
	Renewable Energy Use	7.2
	Energy Use	7.3
	Policy Energy Efficiency	7.3
	Targets Energy Efficiency	7.3–12.2
	Policy Sustainable Packaging	12.1
	Product Impact Minimization	12.1
	Environmental Materials Sourcing	12.4
	Toxic Chemicals Reduction	12.4
	Env Supply Chain Partnership Termination	12.7
	Policy Environmental Supply Chain	12.7
	Environmental Supply Chain Mgt	12.7
	Environmental Supply Chain Monitoring	12.7
	Land Environmental Impact Reduction	15.3
Emissions	Biodiversity Impact Reduction	2.4–14.2–15.1
	Policy Emissions	3.9–11.6–13.2
	Discharge into Water System	3.9
	Waste Recycling Ratio	3.9–11.6–12.4
	Discharge into Water System	6.3–14.1
	Cement CO2 Equivalents Emission	9.4
	Estimated CO2 Equivalents Emission Total	9.4
	VOC or Particulate Matter Emissions Reduction	11.6–13.2
	Hazardous Waste	12.4

	E-Waste Reduction	12.5
	Climate Change Commercial Risks Opportunities	13.2
	Targets Emissions	13.2
	Ozone-Depleting Substances	13.2
	NOx and SOx Emissions Reduction	13.2
	Environmental Partnerships	17.16
Innovation	GMO Products	2.5
	Water Technologies	3.9–6.4
	Renewable/Clean Energy Products	7.2
	Renewable Energy Supply	7.2
	Sustainable Building Products	7.3
	Nuclear Production	7.3
	Environmental Products	8.4–12.1
	Product Impact Minimization	8.4
	Organic Products Initiatives	8.4
	Env R&D Expenditures to Revenues	9.5
	Hybrid Vehicles	12.1
	Labeled Wood Percentage	15.1
	Equator Principles or Env Project Financing	17.16
Social pillar score		
Workforce	HIV-AIDS Program	3.3
	Health & Safety Policy	3.4
	Health & Safety Training	3.4
	Training and Development Policy	4.4
	Average Training Hours	4.4
	Supplier ESG training	4.7–12.7
	HRC Corporate Equality Index	5.1–10.3
	Policy Diversity and Opportunity	5.1–10.3
	Targets Diversity and Opportunity	5.1–10.3
	Women Employees	5.1–16.7
	Flexible Working Hours	5.4
	Day Care Services	5.4
	Women Managers	5.5
	Net Employment Creation	8.5
	Announced Layoffs to Total Employees	8.5
	Employees with Disabilities	8.5–16.7
	Injuries	8.8
	Occupational Diseases	8.8
	Trade Union Representation	10.4
	Women Managers	16.7
Human Rights	Policy Child Labor	8.7

Figure 2. Provides the mapping ESG categories and measures with SDG targets
Sources: Khaled et al. (2021)

Figure 3. reports the summary statistics (mean, standard deviation, and 25th and 75th percentiles) of our variables for (I) Sharia-compliant and (II) conventional firms during the period 2002–2018 (all firms receive an ESG score). All control variables are winsorized at 1% of each tail. ***, **, and * denote statistical significance at 1%, 5%, and 10 % levels for tests of differences in means between Sharia (I) and conventional firms (II)

Summary statistics.

Variables	*Sharia*-compliant firms (I)				Conventional firms (II)				Difference in means
	Mean	St.Dev.	(I)-(II)	p75	Mean	St.Dev.	p25	p75	(I)-(II)
DEPENDENT VARIABLES									
Total market risk	0.097	0.044	0.059	0.106	0.101	0.050	0.056	0.108	−0.004***
Idiosyncratic risk	0.082	0.033	0.053	0.093	0.084	0.036	0.051	0.095	−0.002***
Systematic risk	0.466	0.832	0.013	1.032	0.423	0.855	−0.08	0.942	0.043***
TARGET VARIABLES									
ESG	0.534	0.177	0.397	0.672	0.516	0.176	0.379	0.655	0.017***
ENV	0.546	0.223	0.364	0.727	0.517	0.224	0.330	0.700	0.029***
SOC	0.532	0.219	0.366	0.704	0.517	0.220	0.343	0.689	0.015***
GOV	0.521	0.210	0.355	0.692	0.515	0.212	0.350	0.682	0.006***
CONTROL VARIABLES									
SIZE	16.829	2.765	14.696	18.949	16.685	2.707	14.822	18.237	0.144***
ROA	0.061	0.084	0.028	0.092	0.051	0.118	0.025	0.096	0.010***
CASH_TA	0.090	0.079	0.031	0.128	0.104	0.120	0.026	0.134	−0.014***
DEBT_TA	0.187	0.128	0.085	0.275	0.305	0.199	0.154	0.433	−0.118***
DIV_TA	0.024	0.032	0.004	0.031	0.024	0.035	0.001	0.031	0.001
SALES_TA	0.919	0.564	0.533	1.160	0.823	0.634	0.405	1.038	0.096***
CAPEX_TA	0.054	0.048	0.022	0.071	0.050	0.049	0.018	0.066	0.005***
MTB	0.024	0.025	0.011	0.029	0.030	0.040	0.012	0.037	−0.006***
REAR_TA	0.264	0.407	0.137	0.457	0.099	0.732	0.051	0.368	0.165***

Figure 3. Summary statistics
Sources: Kabir Hassan et al. (2021)

In addition, Aliyu et al. (2017) mark that integrating corporate social responsibility indicators with the Maqasid index will help to have a comprehensive metric for evaluating Islamic banks' social objectives. The early generation scholars recognized the relevance of a critical review of Islamic banks' viability and continuity, as the Maqasid al-Shariah manifestation is incredibly important in fostering social welfare (Aliyu et al., 2017a; Dusuki, 2008). It is intuitively obvious that Islamic banks are capable of establishing a balance measurement, which allows them to overcome the gap between corporate social responsibility and Maqasid al-Shariah's approaches to sustainability. Moreover, the observation of sustainability disclosure documented practice on eleven Islamic banks in Malaysia (2020-2021 years) has been made by researchers to identify the particular social-oriented elements (i.e., SDGs, ESG, SRI, CSR, VBI, and Maqasid al-Shariah) practices in their unique ways to the best of their capacities and abilities. This then appears to extensively indicate that Malaysian Islamic banks are attentively putting a sound and effective communication of socioeconomic, environmental, and financial contributions that would strengthen the value impact of their services in communities. While it also enhances the bank's corporate reputation, generating long-term investment opportunities and attracting along with retaining a committed and skilled workforce.

5. Social Banking and Islamic Social Banking

Social banks positively form a financial intermediary that pays a deep concern to non-financial standards (i.e., social, ethical, and environmental) on convening a balance social impact of its services, which could be applied through a social audit mechanism (Cornée and Szafarz, 2014, p.361; Hamidi, 2020). In its purest principle, a social bank displays several meanings that vertically along with sustainability banking, ethical banking, green banking, and corporate social responsibility. Sustainability in banking has evolved, beginning with social banking, which incorporates philanthropic efforts and social initiatives to promote inclusive growth; ethical banking, which contains business values and ethical practices into banking operations; green banking, which includes sustainability initiatives and avoids financing highly polluting manufacturers; and sustainable banking, which incorporates and manages ESG issues and impacts for sustainable development. Sustainable banking implies carrying out banking business by incorporating ecological, social, and ethical considerations into business strategy and promoting sustainable development (Hamidi & Worthington, 2018; Kumar & Prakash, 2019; Sharma & Choubey, 2022). Likewise, these considerable concerns of social banking on society, the economy, and the environment are truly representing the role of Islamic banks. Since the early 1940s, academics founded on the profound of justice crafting have debated the possibility of establishing distinctive Islamic banking with social purposes. Islamic banks are vital to spurring the Islamic economy's survival, achieving socio-economic justice by balancing the material and social components, and reducing poverty under the purview of Islamic philosophy structuring and in the form of conceptual studies (Qureshi, 1946; Uzair, 1955; Chapra, 1982). (Senan & Ariff, 1988) were one of the first researchers to look up the function of Islamic banks in achieving societal goals using factual data. These studies take the sample of Bank Islam Malaysia Berhad (BIMB) after several years of operations.

Following the similarity of the previous scholars, this study regards Islamic banking institutions should be operated from the outline of the partnerships and targeted to resolve social issues. Emphasizes the human centricity

value should be embarking in Islamic banking institutions by advocates these dimensions of the lens; tawhid (unity), Al- 'adl wa'l-Ihsan (justice and equilibrium), Ikhtiyar (free will), Fard (responsibility), Rububiyyah indicates divine planning for nourishment, Tazkiyah calls for pure growth and Khilafah that indicates an individual's role as God's vicegerent on earth (Asutay, 2008). As stated in the Qur'an, banks are also required to provide social responsibility to the community as a form of good practice, given the importance of balancing humans and their relationship with the creator to build social solidarity, unity, and mutual understanding between societies (Ermawati et al., 2021).

In the same vein, Hamidi's (2021) research explicitly presents the theme of Islamic social banking. There are solid reasons behind the essence of the Islamic social banking concept. The first argument is that the social implication of Islamic banking, which is inextricably linked to the Islamic order and serves as the distinguishing feature that sets Islamic banks apart from banks founded on other ideologies. The Islamic bank considers potential social repercussions whenever it engages in any banking or development activity. It includes taking into account the effects that its actions may have. In addition, the social finance practices in Islamic banking also stimulate economic benefits and growth and encourage society-oriented financing for the community (Kuanova, 2021; Otaibi, 2020) with various platforms for example sadaqah, waqf, zakat, microfinance product services, and more. It features a considerable platform that conjunctly nurtures development finance and various investments toward sustainable development.

Furthermore, Hamidi (2021) opined that the concept of establishing an Islamic social bank (ISB) or incorporating social banking practices into Islamic banks is receiving a great deal of attention from Islamic scholars. ISB's current comprehension of its Shari'ah regulations and principles, which are currently the subject of ongoing development, is under discussion. Then, ISB can maximize benefits and improve overall societal wellbeing. The use of the triple bottom line with its rooted in societies is projected to strengthen ISBs due to Islamic banking's expanded social, environmental, and sustainability commitments. It is because an ISB would focus on all stakeholders. The ISB would also be more responsible in its approach to development by making it more straightforward for project groups that need funds to obtain funding. Islamic banking could also articulately adopt some practices and standards in social banking. Weber (2014) views social banks as serving the real economy and empowering new business models. However, neither approach is a simple task, given the uniqueness and peculiarities of Islamic Banking. Thus, Islamic social banks must fulfill Shariah's goal by balancing institutional, societal, and environmental sustainability. In other words, Shariah-based businesses must employ social commitments and contributions that go beyond the traditional capitalist mindset of profit maximization.

6. Conclusion and Future Direction

This paper is a humble attempt to review on current sustainability practices (i.e., SDGs, ESG, SRI, CSR, VBI, and Maqasid al-Shariah) and Islamic social banking. The inner objective is to provide a better picture of the elements under all these sustainability agendas as well as the Islamic social banking terminology and its practices. The calling for serving sustainability action has shifted how institutions react to their management and operation to reach the intended final goals at all levels; micro, meso, and macro.

The emergence of sustainability initiatives has become a new awakening force in today's modern society upon the structuring of impactful decisions and practices that nurture a better quality of life for the next generation. Nevertheless, those sustainability elements have brought Islamic finance closer to global agendas in terms of multidimensional development and collective responsibility among governments, the commercial sectors, scientists, and scholars as well as with civil society institutions. In this regard, Islamic banks are much firmer in monitoring and prioritizing impactful product services for the benefit of society, as well as identifying potential specific gaps that need to be filled. More specifically, Islamic banks could contribute to being a purpose-driven service institution in society by balancing the financing concerns with the human ecosystem centric. All forms of economic activities that have the potential to harm sustainability concerns should be avoided. This significant implication is expected to bring a positive transformative change in society, the economy, and the planet.

Along the way, despite a lack of discussion on Islamic social banking, the indirect debate on its implementation has been observed by the actions taken to materialize Maqasid al-Shariah. Prominently, revisiting the past studies is portraying an opportunity to frame the potential of Islamic social banking and sustainability development elements (SDGs, ESG, SRI, CSR, and VBI) under the roots of Shariah with its objective that can evolve with current issues to extract a practical solution without ignoring the based-principal requirements. Thus, it could utilize a new insight for Islamic social banking research while bringing the sphere of discussion closer to each other.

Hitherto, Dusuki et al. (2007) stated that Islam promotes social cohesiveness and economic prosperity by fostering ethical and reasonable growth while conserving the environment. This principle upholds the value of flexibility, sensibility, and openness of Islam in pursuing social justice, comprehensive development, the public interest, and socially responsible action in managing and maximizing the benefit without leaving any unfavorable

impact. It becomes a framework that outlines the purpose of Islam as a system of life. Zimmermann (2019) reveals that decisions regarding the choice of sustainability strategy type result from various combinations of motives that allow for identifying the organization's potential for improvement. This approach enables the Islamic bank to be flexible and relevant in mitigating any sustainability and shariah-compliance risk. It is envisaged that Islamic bank has a significant role to serve in new dimensions of economic activities that consider the human factors while socially responsible on generates return, unlocking new talents of people, and promoting circulation activities better. The upholds of these ingrained underlying principles will not change the roles of an Islamic bank as the intermediary's channel from surplus to deficit, instead, it encouraged the institutions to be more creative, smarter, innovative, and inclusively service at every layer of the community.

As a result, there is a reason to believe that Islamic banks will play a more significant role in achieving the social and sustainability element goals that are basically practiced under the umbrella of Maqasid al-Shariah discipline. The potential position of an Islamic social bank can be unlocked and reinforced within the current economic and financial landscapes. Essentially, the implementation of Islamic social banking is timely and relevant to support and advocate sustainable development to promote quality of life. Future research may shed more light on the synchronization between Maqasid al-Shariah and the SDG, ESG, SRI, CSR, and VBI spectrums, which has the potential to improve social measurement impact on the Islamic banking sector.

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Does the Change in Islamic Index Composition Affect the Firm? Evidence from Indonesia Stock Exchange

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Abstract

We investigate the price effect of addition and deletions from the Indonesia Sharia Stock Index (ISSI) and Jakarta Islamic Index (JII). Using event study methodology, we measure abnormal returns for firms over the period June 2019 - December 2021 with Fama French 3 factor formula. Through the sample of 107 additions and 95 deletions, we find evidence to support the theory of Muslim country investment behavior. We find that additions to the Islamic index led to a significant positive stock market reaction and deletions to the Islamic index led to a negative stock market reaction on Jakarta Islamic Index (JII) but there is no significant reaction of addition and deletion on Indonesia Sharia Stock Index (ISSI).

Keywords: Event study; abnormal return; fama french 3 factor; index changes; sharia index

1. Introduction

The growth of Islamic capital markets over the past 10 years has increased significantly (Jaballah et al., 2018). Based on data from the Indonesia Stock Exchange (BEI, 2021), the market capitalization of Shariah stock or the Indonesia Sharia Stock Index (ISSI) has increased from Rp 2,451 trillion in December 2011 to Rp 3,984 trillion as of December 2021. The growth was driven by the growth in the number of listed companies that meet sharia stock criteria and the growth of Islamic capital market investors both institutional investors who are mostly from Islamic Financial Institutions (LKS) and sharia retail investors(Abidin et al., 2020; Sari et al., 2018). As of December 2021, there have been 105,174 Islamic stock investors. This number has increased by 18,782% from 2012 (BEI, 2021).

Sharia stocks are company shares by sharia principles (DSN-MUI, 2020). The criteria of sharia stocks of each country vary depending on the institution issuing the list or index of sharia stocks as well as the period of renewal (Abdul Rahman et al., 2010; Ashraf, 2016). The renewal of the sharia list or index is carried out to maintain the compliance of sharia principles of listed stocks. In Indonesia, the institution authorized to determine the compliance of Shariah shares is the Financial Services Authority (OJK) in the form of a sharia securities list (DES). Sharia stock review is conducted every 6 months in May and November. Furthermore, IDX adjusts (addition or deletions) constituents of the ISSI index by sharia stocks listed on DES (Wahyuni, 2011; Yanti, 2012).

According to MacKinlay (1997), the economic effect of an event on a company's value can be measured easily using an event study. The event of adding or deleting index constituents is one of the events that can also be measured its effect on the value of the company or market. Such effects are generally measured using abnormal return as previous studies have done (Azevedo et al., 2014; Bildik & Gülay, 2008).

Various studies on the effects of changes in the composition of stock indices (additions or deletions), especially on stock returns have been widely described in the financial (Masse et al., 2000; Yun & Kim, 2010). However, most of them focus on non-Islamic indices such as S&P 500 constituents or liquid indices on their respective markets, and still lack similar research on Islamic stock indices.

Some studies by (Jaballah et al., 2018; Kassim et al., 2017) related to the effect of changes in the composition of sharia indices (addition or deletions) on stock returns has been carried out. However, none of the studies have yet used the ISSI index as the object of the study.

Studies using the Indonesian sharia index conducted by (Febrian et al., 2013; Wahyuni, 2011) uses the Jakarta Islamic Index (JII) as an object of research. JII is a Shariah index consisting of only 30 liquid Shariah stocks in Indonesia while ISSI consists of all Shariah shares in Indonesia (Nastiti & Rahman, 2011). JII, as a liquidity index, has other factors aside from compliance with Sharia principles, such as market capitalization and stock trading value. To accommodate the scale, with a large Islamic stock market capitalization in Indonesia, a more in-depth explanation of the market reaction to changes in sharia compliance of stocks in Indonesia is needed. The index that can represent the most, ISSI, was chosen as an object of this study.

The objective of the study is to provide the empirical evidence of stock return on addition and deletion of sharia index constituent in Indonesia (ISSI and JII). If the result is significant, it will be necessary for the stock issuing companies to remain in the sharia index, and for the investor to aware of the event of addition and deletion of sharia index regarding their portfolio performance.

Our paper therefore broadly contributes to the literature both on Islamic finance and event studies. By providing insights on the stock market reaction on Islamic Index, this paper provides crucial information to assess the value of a firm's being include in Islamic Index in Indonesia. Therefore, by using the Fama-French 3 factor formula to measure abnormal return, this study contributes to extend the event study analysis that mostly using market model and capital asset pricing model (CAPM). Aside from that, the Fama French 3-factor model has higher accuracy than the market model or CAPM, especially in emerging market countries in Asia (Anggraini, 2018; Foye, 2018)

The remaining part of this paper is organized as follows. Section 2 reviews the literature on the effects of inclusion or exclusion from index. Section 3 explains the data and the methodology used. Section 4 presents the results and Section 5 concludes and provides the implications of the findings.

2. Literature Review

2.1 Overview of Indonesia Sharia Index

Same as sharia stock criteria in other Islamic stock indices such as Dow Jones Islamic Indices (DJII), FTSE Islamic Index, S&P Shari'ah Indices, and MSCI Islamic Index series, sharia stock criteria in Indonesia are also divided into 2 criteria, namely the type of company business and corporate financial ratio. But in contrast to other sharia stock criteria, sharia stock criteria in Indonesia are considered more tolerant (Lusyana & Sherif, 2017; Yanti, 2012).

Based on the regulation of the Financial Services Authority Number: 15/POJK.04/2015, the types of businesses, goods, services provided and contracts and methods of managing Issuers or Public Companies that issue Sharia Securities should not be contrary to sharia principles.

Types of business activities that are contrary to sharia principles include:

- Gambling and games classified as gambling or trading are prohibited.
- Conventional financial institutions (ribawi), including conventional banking and insurance.
- Producers, distributors, and merchants of illicit food and beverages; and
- Manufacturers, distributors, and/or providers of morally demoralizing and dangerous goods or services.
- Invest in issuers (companies) which at the time of transaction the level (ratio) of the company's debt to financial institutions ribawi more dominant than its capital.

While the criteria for the financial ratio allowed under (DSN-MUI, 2020) are as follows:

- Total interest-based debt compared to total assets of no more and 45% (forty-five%)
- Total non-halal revenue compared to total business income and miscellaneous income of no more than 10% (ten%)

Based on POJK No. 15/POJK.04/2015, all public companies that meet the above requirements criteria, will be included in the Sharia Securities List (DES). The review process is carried out for 6 (six) months, namely in May and November. Any company that no longer complies with sharia stock criteria will be excluded from DES. IDX as the maker of ISSI will adjust the ISSI constituency in accordance with DES by OJK. Any company that is no longer listed in the DES will be out of the index and any company newly listed in the DES will be included in the ISSI index (Lusyana & Sherif, 2017; Yanti, 2012).

As for the sharia index changes, according to (McGowan, Jr. & Muhammad, 2010), if the investment manager considers that the stock announced to be included in the index is likely to perform well in the future, the investment manager will buy this stock. Similarly, the announcement that a stock will be removed from the index will cause the investment manager to sell the stock. Thus, changes in the composition of sharia indices will encourage investment managers to act in accordance with Sharia guidelines.

In contrast to the regulations and practices in Malaysia, based on POJK Number 33/POJK.04/2019 on Issuance and Requirements of Sharia Mutual Funds, investment managers of Islamic mutual funds who have a portfolio of shares exiting DES are required to sell the shares without exception whether the shares suffer losses or not. The deadline for selling shares out of DES or ISSI is 10 days from the effective date of the index change.

2.2 Effect of Change (Addition or Deletion) of Shariah Index on Stock Prices

Using the event study methodology, Kassim et al., (2017) and Muhammad et al. (2009) provide evidence of a positive impact on average stock return and trading volume after the announcement for stocks entering the Kuala Lumpur Syariah Index (KLSI), and the negative impact for stocks exiting KLSI for the period 1999-2007 and the period 2007 - 2014. These results are also supported by (Listyaningsih & Krishnamurti, 2015; Nastiti & Rahman, 2011; Wahyuni, 2011) uses an abnormal return and abnormal approach to the trading volume before and after the announcement date (event) and the effective date of the Jakarta Islamic Index (JII) index change. In general, their results show that there is a significant difference in average returns and trading volume for stocks entering and exiting JII.

In contrast to the results of the above study, (Jaballah et al., 2018), using the Dow Jones Islamic Indices (DJII) index divides companies based on the origin of the Country of America and Muslim countries consisting of Egypt, India, Indonesia, Jordan, Kuwait, Malaysia, Morocco, Qatar, and Turkey. It found that the addition of Islamic indices led to a positive stock market reaction in Muslim countries but a negative reaction in the US. In contrast, the removal from the Islamic index resulted in a negative stock market reaction in Muslim countries but positive in the US. Different valuation effects can be explained by different investor perceptions. In Muslim countries, investors have a positive perception of Sharia compliance due to religious beliefs, while in the U.S. they react negatively because of negative perceptions about Islam and restrictions associated with Sharia compliance.

In line with the above statement, (McGowan, Jr. & Muhammad, 2010) states that based on the sharia point of view investors in Muslim countries are divided into 2 categories. The first category is investors who only invest according to Sharia due to the prohibition of the Qur'an. Their investment decisions are based solely on their religious awareness and not solely on investment returns. The second group of investors was Muslim and non-Muslim who chose sharia stocks not out of religious considerations but because of better returns on investment. Based on both categories it can be concluded that the addition of shares to the index will have a positive effect both from category 1 Muslim investors who make investments by their beliefs and category 2 Muslim investors who expect better returns and vice versa against stocks that come out of sharia stock indexes.

3. Data and Methodology

Our dataset consists of daily stock prices (which are used to compute stock returns) the year of 2019 to 2021. Information on the list of shares added and removed from the index obtained from the Indonesia Stock Exchange website. DES reviews and announcements are carried out by FSA every 6 months in May and November. There was a total of 180 additions and 153 deletions during the period of 2019 and 2021.

Table 1. Number of ISSI index addition and deletion

Announcement date	Effective Data		Number of index addition	Number of index deletion
26 May 2019	3 June 2019		20	29
26 November 2019	2 December 2019		31	26
24 July 2020	3 August 2020		21	26
24 November 2020	1 Desember 2020		12	42
24 Juli 2021	2 Agustus 2021		28	42
26 November 2020	1 Desember 2021		39	15
		Total	151	180

Table 2. Number of JII index addition and deletion

Announcement date	Effective Data		Number of index addition	Number of index deletion
26 May 2019	3 June 2019		3	3
26 November 2019	2 December 2019		3	3
24 July 2020	3 August 2020		4	4
24 November 2020	1 Desember 2020		5	5
24 Juli 2021	2 Agustus 2021		3	3
26 November 2020	1 Desember 2021		3	3
		Total	21	21

3.1 Event Window

Various hypotheses that can explain price movements around the announcement day and the effective date of the index change have been discussed above in the literature review section. In order to explain the effect of changes in index composition on abnormal returns and trading volume, the event window is divided into 9 sub-windows so as to test the above hypothesis (Bildik & Gülay, 2008; Kassim et al., 2017; Lynch & Mendenhall, 1997) as following:

- Pre-announcement period: (AD-10: AD-1)
- Announcement day: (AD)
- Post-announcement period: (AD+1: CD-1)
- Change day: (CD)
- Change period: (CD +1: CD+10/LD)
- Last Day to change Islamic portfolio: LD/CD+10
- Post Change period: (CD +1: LD+10)
- Long Period 1: (AD-10: CD-1)
- Long Period 2: (AD: LD)
- Full Event Period: (AD-10; LD+10)

3.2 The Calculation of Abnormal Stock Return

To determine the market response to changes in ISSI composition, abnormal return variables are used. Abnormal return reflects the gap between the expected return and the actual return so that it is relevant to measure the market reaction to an event. Abnormal returns, according to Hartono (2003), are:

$$\mathrm{AR_{it}} = \mathrm{R_{it}} - \mathrm{E(R_{it})} \tag{1}$$

where $\mathrm{R_{it}}$ is the return on stock i on day t, and $\mathrm{E(R_{it})}$ is the expected returns estimated by using the Fama French three factor model as follow:

$$\mathrm{E(R_{it})} = Rf_t + \beta(Rm_t - Rf_t) + SMB + HML \tag{2}$$

The Fama-French Three-Factor (FF3) model was introduced by Eugene F. Fama and Kenneth R. French as a development of the Capital Asset Pricing Model in 1992. In one of their studies, Fama and French added two other factors to explain the average stock return, namely firm size and book-to-market equity (Fama and French, 1992) and other research by Fama and French, it was found that market, firm size, and book-to-market equity factors can explain the average stock return well (Fama and French, 1993). Based on studies of the accuracy of expected return calculation in emerging market, FF 3 have same level of accuracy than FF 5 and better than Capital Asset Pricing Model (CAPM). According to that, the Fama-French Three-Factor (FF3) model is applied in this study.

After calculating abnormal returns, the next step is to calculate abnormal returns from all securities. This aggregation is calculated by averaging the abnormal returns for all firms in the sample on a given day for each day of the event window:

$$\mathrm{AAR_{it}} = \frac{1}{N}\sum_{i=1}^{N} \mathrm{AR_{it}} \tag{3}$$

where N indicates the number of firms that have been added or removed from ISSI or JII.

Finally, to measure the consistency of market reactions in the specified event window (from day $\mathrm{t_1}$ to $\mathrm{t_2}$), namely the announcement day and the effective day of the index, it is necessary to aggregation from time to time using the cumulative average abnormal return equation as follows:

$$\mathrm{CAAR_{it}} = \sum_{i=1}^{t2} \mathrm{AAR_{it}} \tag{4}$$

5.1. T-Test Statistic

A two-tailed t-test is applied to check the null hypothesis of zero abnormal stock returns. The t-test model is as follows:

$$\mathrm{t} = \frac{\mathrm{CAAR_{t_1,t_2}}}{\hat{\mathrm{S}}\,(\mathrm{AAR_t})\,\sqrt{\mathrm{N}}} \tag{5}$$

$$\hat{\mathrm{S}}\,(\mathrm{AAR_t}) = \sqrt{\frac{1}{N}\sum_{i=1}^{N}\,(\mathrm{AAR_t} - \overline{\mathrm{AAR_t}})^2} \tag{6}$$

where $\hat{\mathrm{S}}\,(\mathrm{AAR_t})$ is the standard deviation of the average abnormal return, $CAAR_{t_1,t_2}$ is the cumulative average abnormal return from day $\mathrm{t_1}$ to $\mathrm{t_2}$., and n is the interval between $\mathrm{t_1}$ and $\mathrm{t_2}$. In the short-term event window, the range of t is [AD-10, CD+1]. In the long-term event window, the range of t is [AD-10, LD+10].

The null hypothesis of CAAR is: $H_0 : CAAR_{t_1,t_2} = 0$. If the CAAR is significantly different from zero, the null hypothesis is rejected, which indicates that the changes of index composition influence stock price, and the index revision effect exists, and vice versa.

4. Result and Discussion

In this section, we document the price effect reflect on Fama French 3 factor abnormal return around event window that have stated in the section 3.

4.1 Index Addition

The following are the results of the main estimates of market reactions depicted through the Cumulative Average Abnormal Return (CAAR) in the event window set against the addition of ISSI and JII index constituents during the period 2019 – 2021:

Table 3. Fama French 3 Factor abnormal return for index addition

	ISSI		JII	
Window	CAAR	t-statistic	CAAR	t-statistic
AD-10, AD-1	0,000438	0,020304	-0,02532	-0,91842
AD	0,002563	0,375478	0,002755	0,315957
AD+1, CD-1	0,002413	0,176717	0,025048	1,43632
CD	-0,00366	-0,53683	0,002709	0,31069
CD +1, LD	0,017681	0,863408	0,043393	1,65887
LD	-0,00279	-0,40909	0,006624	0,759654
CD +1, LD+10	0,039624	1,297959	0,074095	1,949518**
AD-10, CD-1	0,005414	0,204782	0,002479	0,073409
AD, LD	0,018993	0,718388	0,073905	2,188467**
AD-10, LD+10	0,041373	1,024486	0,079283	1,536956

Table 3 shows the CAAR and t-test values of stocks entering the ISSI index. In table 3, the CAAR of stocks included in the ISSI index is positive both before and after the announcement of the index change. Although there is no significant CAAR in the event window, there can be seen an increase in returns from before AD and CD. The CAAR at (AD-10, AD-1) is 0.0.000438, after a change in the CAAR index at (AD+1, CD-1) and (CD+1, LD) increases to 0.002413 and 0.017681.

Stocks included in the ISSI index, both in the short term and long term, did not show significant abnormal returns. This result supports the Theory of Price Pressure Hypothesis, that stocks that are included in the ISSI index do not necessarily encourage investors to rebalancing stock portfolios or there is no significant increase in stock purchases entering the ISSI index at the time of the announcement and effectiveness of the ISSI index (Azevedo et al., 2014; Kraus & Stoll, 1972; Scholes, 1972). In addition, this result can also prove quantitatively the study (Asytuti, 2017) that 2 out of 3 Indonesian Muslim investors have not made Sharia stocks a reference for investing in stocks.

Meanwhile for JII index, in the period before the announcement of the index change, the resulting CAAR was negative, which can be indicated that the market has no expectations for the information of stocks included in the JII index. Unlike the stocks included in the ISSI index, the stocks included in the JII index showed significant abnormal returns. As can be seen in table 5, the CAAR values (CD+1, LD+10) and (AD, LD) of 0.074095 and 0.073905 show significant figures at the level of 5%. The CAAR value begins to increase after AD and CD. This can be caused by institutional investors who make portfolio adjustments, especially in index mutual funds that make JII as basis portfolio (Bildik & Gülay, 2008; Yun & Kim, 2010).

4.2 Index Deletion

The following are the results of the main estimates of market reactions depicted through the Cumulative Average Abnormal Return (CAAR) in the event window set against the deletion of ISSI and JII index constituents during the period 2019 – 2021:

Table 4. Fama French 3 Factor abnormal return for index deletion

	ISSI		JII	
Window	CAAR	t-statistic	CAAR	t-statistic
AD-10, AD-1	-0,00068	-0,06473	-0,02358	-1,05006
AD	0,006314	1,892058	0,003989	0,561882
AD+1, CD-1	0,005786	0,866836	-0,04739	-3,33728**
CD	0,00301	0,901803	-0,01267	-1,78401
CD +1, LD	-0,00731	-0,73	-0,00025	-0,01169
LD	-0,00203	-0,60683	0,002213	0,311619
CD +1, LD+10	0,011805	0,790947	0,018429	0,595486
AD-10, CD-1	0,011417	0,883311	-0,06698	-2,43565**
AD, LD	0,007801	0,603545	-0,05632	-2,04797**
AD-10, LD+10	0,026231	1,328595	-0,06121	-1,45731

Table 4 shows the CAAR and t-test values of stocks exiting the ISSI index. As it shown, the CAAR of stocks that came out of the ISSI index did not have a significant CAAR in the event window. In contrast to the theory of stocks that exit the index, namely abnormal negative returns, based on the results above, CAAR is only negative at 3 of the 10 event windows (Gurel, E.; Harris, 1986; Kraus & Stoll, 1972). This indicates that there was no increase in bulk sales of stocks exiting ISSI.

As for the JII index, in the period before the announcement of the index change, the CAAR was negative, which can be indicated that the market had anticipated the stocks that came out of the JII index by selling first before it was effective. The CAAR (AD+1, CD-1) is -0.04739 or -4.7% and is significant at the level of 5%. CAAR is also significant at the level of 5% in the event window (AD-10, CD-1) and (AD, LD) which are -6.6% and -5.6%.

Unlike the stocks included in the ISSI index, the stocks included in the JII index showed significant negative abnormal returns. This can be caused by institutional investors making portfolio adjustments, investment managers make sales in advance to avoid lower price declines after the effectiveness of the index. It can be seen at abnormal levels of significant returns after the day of announcement and insignificant after the effective day of index (Bildik & Gülay, 2008; Kraus & Stoll, 1972; Yun & Kim, 2010).

5. Conclusion

In this study, we examine the impact on stock price associated with sharia index constituent change. To this end, we investigate the price effect of additions and deletions from Indonesia Sharia Stock Index (ISSI) and Jakarta Islamic Index (JII0 using the event study methodology. We are then able to analyze whether the sharia index change matter to the companies and investor.

We find evidence that both contrast and support the studies that have been done before about the impact of sharia index change in the Muslim country. The impact of stocks addition or deletion from ISSI are insignificant. While the stock addition to JII has significant positive impact and the stock deletion from JII have significant negative impact on the firm. As it that we can interpret that there is no impact for the firm became sharia compliance or not in Indonesia. In the other hand, if the size of the firm big enough to meet the top 30 of the market, it can be considered that being list in JII or by meet the sharia stock criteria could bring positive impact to the firm. Because being add to JII could bring the firm more exposure especially to sharia-based investor.

This paper opens avenues for further research. It represents an initial investigation on how reconstitution of sharia index in Indonesia. As a Muslim country that is no guarantee that there is a significant number of investors that apply sharia principle investing. Therefore, future work could examine the behavior of Muslim investor in Indonesia by considering the investing behavior whether they consider the sharia principle.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022
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Prospects of Guidance Services in Enhancing Efficacy of Fintech Islamic Banking Practice on Financial Inclusion and Poverty Reduction in Northwest Zone, Nigeria

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Abstract

The study examines the efficacy of Islamic banking practice on financial inclusion and poverty reduction in a population of self-employed bankable adults that maintain formal account with the full fledge Islamic and other conventional bank with Islamic Banking Window in Northwest geopolitical zone of Nigeria. The study employed survey design in a sample 400 respondents drawn purposively from the three systematically selected states. The study used questionnaire with satisfactory psychometric properties as data collection instrument. The data were collected using on spot data mechanism and were analysed using inferential statistics. The findings of the study revealed Islamic banking practice promotes financial inclusion and reduces poverty incidences in Northwest zone, Nigeria. The study concludes that Islamic banking practice is a reliable option with substantial capacity to increase the size of the bankable adults who can operate and maintain an account capable of enjoying interest free loan thereby reducing poverty indices. The paper recommends that Islamic banking practice should be promoted in order to increase financial engagement and reduce poverty among Nigerians especially those living in the study area. It is concluded that guidance practice may improve the efficacy of Islamic banking practice on financial inclusion and poverty reduction.

Keywords: Islamic banking practice; poverty reduction; financial inclusion; Bankable Adults; guidance services; Nigeria

1. Introduction

Islamic banking has been introduced in the country in order to meet the financial needs of Nigerians. Islamic banking system engages in the risk-sharing contracts which provide possible alternative to conventional model and provides specific instruments for redistribution of income among the members of a society. Both the risk-sharing and the redistribution instruments complement each other in providing a holistic way of enhancing of access to finance thereby reducing poverty and make economy vibrant and healthy.

Introduction of Islamic banking system in Nigeria enables individuals to enjoy access to interest free credit facilities, increase the number of bankable Nigerians, reducing the incidence of poverty among others. Islamic banking system has continued to grow and expand in the number of institutions, assets size, not only in Nigeria but also in other countries in which its products and services are being offered. The remarkable progress and its resilience have further attracted admirers as well as financial experts to consider it a veritable and competitive mode of financial intermediation that the global financial system cannot ignored. Islamic banks are into the business of financial intermediation like their counterparts' interest bearing banks. Islamic banks operate in accordance with the rules of Shari'ah (Islamic law). The cardinal objective of Islamic banking has been the prohibition of interest (riba) and the use of trade and commerce (al-bay). Islamic banking and the prohibition of interest was not initiated from the principles of economics but rather was developed as a result of the final decree revealed from the Almighty creator (Ghannadian and Goswami, 2004). Islamic banks are established to comply with the Islamic law, which proscribes interest on all types of loan (personal, commercial, industrial and agricultural) irrespective of whether such loan are granted to friends, family, public or private companies or any organisation (Metwally, 1997). Islamic banks are supervised by the Shari'ah board to ensure the application of

fair contracts and avoid prohibited businesses (Arif, 2018) in accordance with banking laws and prudential guidelines. This seeks to examine the efficacy of Islamic banking practice on financial inclusion and poverty reduction in the Northwest geopolitical zone, Nigeria

1.1 Conceptual Framework

Figure 1 indicates the conceptual framework that describes the relationship between independent variable and dependent variables in the study. The paper hypothesizes that Islamic banking practice influences financial inclusion and poverty reduction. The paper therefore empirically tested the relationship.

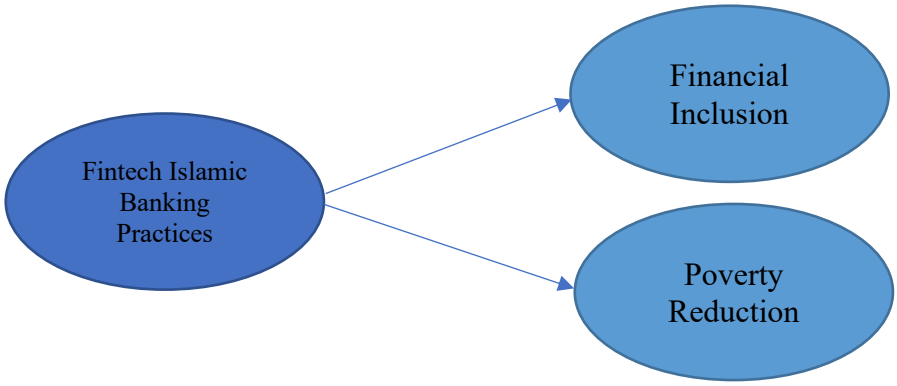


Figure 1. Conceptual Framework

2. Literature review

2.1 Financial inclusion

Financial inclusion mechanism enables individual to have formal account, saving and credit. Financial inclusion aims at drawing the "unbanked" population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance. Financial inclusion assumes a critical development policy priority in many developing economies such as Nigeria due to its important role as catalyst for driving economic growth and development. This is because financial inclusion can provide access to people that are excluded from financial services and this will consequently create a source of huge deposits and investable funds from savings that would be used to generate wealth.

Financial inclusion got boosted by the introduction of Islamic banking system in Nigeria which provides interest free services. Substantial number of bankable adults were opportune have a formal account, formal saving and access to loans and other financial services. Globally, the Islamic financial industry has experienced a massive growth in its assets, from 150 billion to 1.8 trillion dollars; this is coupled with deep penetration into developing economies, such as Nigeria (Gelbard, Hussain, Maino, Mu & Yehoue, 2014).

Islamic banking system provides financial inclusion through (1) promoting risk-sharing contracts which provide possible alternative to conventional debt-based instruments and (2) through specific instruments of redistribution of income among the members of a society. Both the risk-sharing and the redistribution instruments complement each other in providing a holistic way of enhancing financial inclusion, alleviation of poverty and providing vibrant and healthy economy. Islamic system of banking ensures that poor people did not rely on their meagre income to maintain his subsistence and that of his family.

In Nigeria, the Central Bank of Nigeria (CBN) in 2012 programme known as Nigerian National Financial Inclusion Strategy (NFIS) aimed at reducing the percentage of adult Nigerians who do not have access to any formal or informal financial services from 46.3 percent to at least 20 percent by 2020.

2.2 Poverty reduction

Poverty remains a major impediment to the course of promoting growth and development of not only the individuals, but also society and nation at large. The characteristics of poverty is not only limited to the lack of resources, health and education, but it is also including lack of power and authority. Widespread poverty is an urgent challenge to the societies. Scholars argued that the primary problem of the poor is that they have a low

income. It is in recognition of adversity of poverty, United Nations adopted the Millennium Development Goals (MDGs) during the Millennium Summit in 2000 and focuses of eradication of poverty and hunger.

One of the best ways to alleviate poverty is to increase the income of the poor by providing productive employment (Karmani, 2011). Following the widespread conviction that poverty can only be reduced if people have decent and productive jobs thereby achieving full and productive employment and decent work for all, including women and young people, the United Nations Conference on Trade and Development is of the view that a "paradigm shift" is required especially in developing countries so that national and international policies could focus on developing productive capacities and creating productive jobs (United Nations Conference on Trade and Development, 2006).

In Nigeria, the perplexing condition of poverty has for a long been the major concern of all the level of government in the country. According to the National Bureau of Statistics (NBS), poverty stood at 69%, 72%, 72%, 67%, 61%, 69% and 72% respectively from 2010 -2016. Recent World Bank report (2022) indicates that poverty is increasing in the country and soon more people will be trace in poverty net.

Measures have been put in place both institutional and through various programmes in order to reduce the menace of poverty yet remains on increase and visible.

2.3 Fintech Islamic Banking Practice

The Financial Technology innovations in the banking institutions is one of the recent technological developments. The National Digital Research Center (NDRC) sees financial technology as a term used to describe innovation in financial services. The financial technology adapts technological developments combined with the financial fields of banking institutions, which facilitate more practical, safe and modern financial transaction processes, including digital-based financial services. The development enables Islamic financial institution to explore the benefits of Financial Technology especially in the area of Islamic banking system. The application of financial technology improves the efficiency of operational activities and the quality of banking services to its customers. This is because the utilization of financial technology is in line with the growing community needs for online based financial services and the use of internet media for digital data access.

Fintech in Islamic banking sector has proven to be a beneficial innovation for the financial service industry and has improved the level of financial inclusion by reaching to a diverse group of customers. Fintech is a form of information technology application in the field with the emergence of various new financial models. Fintech today comprises five major areas: (1) finance and investment, (2) Financial operations and risk management, (3) payments and infrastructure, (4) data security and monetization, and (5) customer interface. Fintech is characterized as the financial services of the twenty-first century (Todorof, 2018). The emergence of financial technology in the Islamic banking system makes the banking system more competitive in the financial markets and also to helps in making Islamic banking operation easier, more efficient and effective with wider access by customers.

The Fintech enables the Banking Transaction Process in funding, financing and payment transactions faster and reliable while still mitigating risks. FinTech assists Islamic banks in speeding and accuracy in processing business operations, data and product marketing. The application of information systems is very influential in the banking industry, where the application of information systems in the banking industry has a tremendous impact. Banking industry relies heavily on collection activities, processing, analyzing and delivering reports (information) needed to meet the needs of its customers. Investments in Financial Technology, Infrastructure and Micro, Small and Medium Enterprises are ways Islamic Trade Finance, can support country's economy including Nigeria and lift millions from poverty.

2.4 Theory

The paper was grounded on system theory which provides a powerful method for the description of homeostatic systems, that is, systems in which feedback-controlled regulation processes occur. Systems theory seeks to explain and develop hypotheses around characteristics that arise within complex systems that seemingly could not arise in any single system within the whole. The theory was employed in the study taking into consideration of the fact that Islamic banking practices and financial inclusion operate within a financial system based on the principle that the component parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation. There is indicated in the study, Islamic banking practice is a component of financial system which form an integrating unit that can be explained in relation to financial inclusion and poverty reduction in the study.

3. Methodology

3.1 Research framework

The research framework describes pictorial relationship between Islamic banking practice being the independent variable and financial inclusion and poverty reduction as dependent variables. On the other hand, the guidance services information, orientation and placement appear to have direct effect on Islamic banking practice.

Information service addresses the individual's need for authentic, reliable, objective and usable information that will enable him to make adequate and realistic decisions at one time or the other for the actualisation of a satisfactory and fulfilled life. The quality of the information available to the individuals determines the quality of the decision the individual makes. An individual who needs to make decisions on Islamic products and service will need to have adequate information about catalogue of valuable decisions offering that answers his/her financial needs such as sharing formula, risk involved and return on investment etc. Information service of the school guidance programme is that service in which information is made available on anything that the client wants to know more about either for purposes of better understanding the issue or taking a decision on it.

Orientation service may enable the new entrant or potentials investors to adjust better and effectively within financial environment for which they have little or no knowledge about and to which they are not familiar. The orientation service may apply to investor(s) entering a new financial agreement with Islamic banking service providers. Therefore, orientation and adaptive services involve process as familiarisation of the investor with operational guidelines, services available, risk sharing, profit sharing, role specification etc The Islamic banking environment has its own rules, regulations and administrative set-up which seem to appear completely different from normal conventional system. Orientation services are therefore designed to help investors/customers to adjust during the critical stage. Good orientation service therefore enables investors/customers to become familiarize with the overall procedure, benefits and risk involved in Islamic banking system.

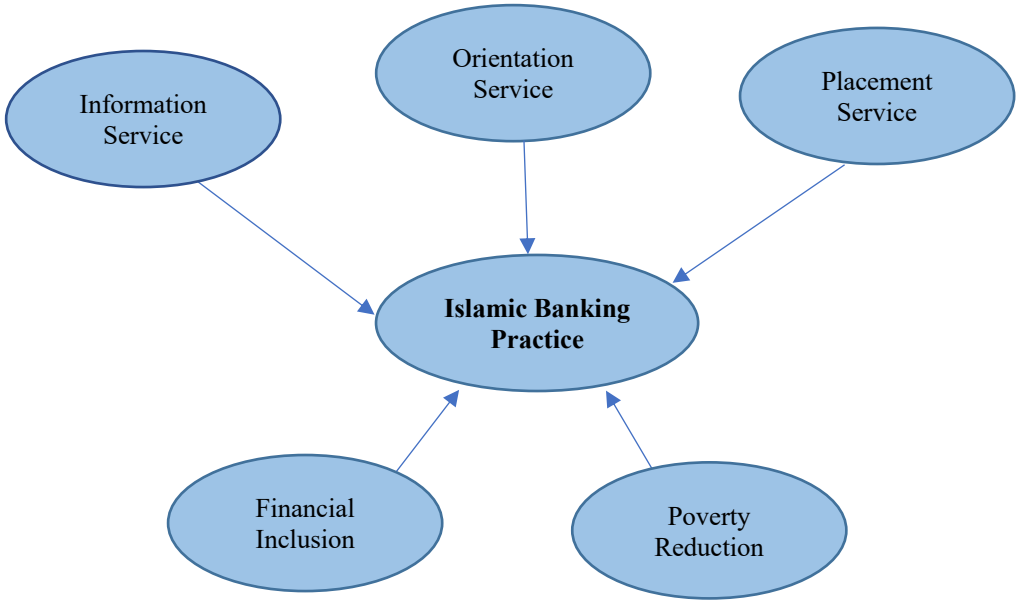


Figure 2. Research Framework

3.2 Placement/Planning Service

Placement/planning are the services designed to help an individual in making short and long term plan to actualise a particular need or goal. Placement/planning service may aid an individual to select from the existing products and services available to investors/customers in Islamic banking industry. In essence, placement entails helping an individual to realise financial experience that one desires, familiarisation of the different products and services available, risks and profit sharing etc It equally involves assisting an individual to realise other financial services in the Islamic banking sector. The placement services are very essential for the interesting investors/customers of Islamic banking as the services help in the selection of relevant investment opportunities and financial inclusion benefits. Placement service is designed to aid an individual to select and utilize opportunities within the Islamic banking industry.

3.3 Population and Sample

The population of the study consists of all bankable self-employed in the Northwest zone of Nigeria. It is estimated that there are 10, 357,734 bankable self-employed in in the geopolitical zone. The sample for the study was drawn from the estimated number bankable self-employed individuals from the accessible population who maintain account with a bank that operates Islamic banking system wholly or partially (conventional with Islamic window). The 400 sample was drawn from the four systematically selected states Kano, Katsina, Kaduna and Jigawa states using Yemani's formula.

3.4 Sampling Techniques

Purposive sampling was employed in drawn the samples. Researchers often believe that they can obtain a representative sample by using a sound judgment, which will result in saving time and money. The paper employed purposive sampling for the selection of bankable adults who are self-employed that maintain account with Banks offering Islamic Banking services as well as full fledge Islamic banks like Jaiz and Taj banks.

3.5 Data Collection

Data were collected from the self-employed adults who maintain bank account from the banks that include Ja'iz, Tajbank and Sterling Banks. The researcher visited each of the banks to administer the questionnaire to the target respondents. The respondents were briefed about the purpose of the study and with help of research assistants the researcher administered the questionnaire to the target respondents within the premises of the bank in the respective states. Participation was voluntary, therefore respondents were allowed to ask questions or seek further clarification while responding to the questionnaire at any time. The researcher used self-developed instrument with satisfactory psychometric properties in the data collection process.

4. Result

Multivariate analysis was employed in testing the hypothesis and in the preliminary assessment, Box's M test for homogeneity of variance was found significant at $p < .001$, Pillai's Trace is used instead of Wilks's lambda as the multivariate test statistic as recommended by Tabachnik & Fidell (2001) while Partial eta is used as the effect size indicator. The results show a significant interaction effect for Islamic Banking Practice with financial inclusion, Pillai's Trace = .338, F (6.003) = .000 and poverty reduction F (6.191) = .000, indicating that Islamic banking practice is efficacious in financial inclusion and poverty reduction in Northwest geopolitical zone, Nigeria.

Table 1: Tests of Between-Subjects Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	Fin_inclusion	10.693[a]	22	.486	6.003	.000	.265
	Pov_reduction	18.877[b]	22	.858	6.191	.000	.271
Intercept	Fin_inclusion	1239.731	1	1239.731	15312.	.000	.977
	Pov_reduction	1298.425	1	1298.425	9368.	.000	.962
Islamic_BP	Fin_inclusion	10.693	22	.486	6.003	.000	.265
	Pov_reduction	18.877	22	.858	6.191	.000	.271
Error	Fin_inclusion	29.714	367	.081			
	Pov_reduction	50.863	367	.139			
Total	Fin_inclusion	6204.639	390				
	Pov_reduction	6739.702	390				
Corrected Total	Fin_inclusion	40.407	389				
	Pov_reduction	69.741	389				

a. R Squared = .265 (Adjusted R Squared = .221)

b. R Squared = .271 (Adjusted R Squared = .227)

4.1 Discussions

The findings of the study revealed that of fintech-Islamic banking practice interact with financial inclusion which subsequently boost financial inclusion. The interaction indicates that fintech-Islamic banking practice has the capacity to capture more bankable adults so that they could have access to formal account, savings and loans, indicating that patronizing the Islamic banking services enables the customers to enjoy access to interest free loans that could help them adjust their economic position. The finding of the study is consistent with findings of Abdu, Jabir, Abdullahi and Rabiu (2018) who discovered that introduction of Islamic banking practice and finance has significant improve financial inclusion in Organisation for Islamic Cooperation (OIC) in Sub-Saharan Africa. The study employed World Bank's Global Financial inclusion index (Global Findex) dataset of 2015. The study also explored that households from OIC with Islamic banking and finance are more likely to be financially included than their counterparts in OIC countries without Islamic banking and finance. Similarly, the study corroborates the findings of Demirguc-Kunt, Klapper and Randall (2014) who also found that Muslims are significantly less likely than non-Muslims to own a formal account or save at a formal financial institution after controlling for other individual- and country-level characteristics. The study employed novel data in exploring the use of and demand for formal financial services among self-identified Muslim adults using a sample of more than 65,000 adults from 64 economies.

Naceur, Barajas and Massara, (2015) found that physical access to financial services has grown more rapidly in the OIC countries but the corresponding use of these services has not increased as quickly as expected. Similarly, the study provides tentative and relative weak evidence of positive link to credit to individual and household for investment.

Similarly, the finding revealed that fintech Islamic banking practice has significant impact of poverty reduction tendencies. This indicates that broader access to financial institutions and financial literacy will improve the level of financial inclusion and reduction incidence of poverty. World Bank (2015b) contended Islamic banking has a strong and reliable potential of proving access to finance that will guarantee financial inclusion especially in poor income countries.

The finding involving fintech Islamic banking and poverty reduction reveals that the later has the capacity to reduce poverty substantially when bankable adults are encouraged to explore the Islamic banking opportunity. The finding of the study is consistent with Kiyawa (2021) who discovered that fintech-Islamic banking practice mediates in relationship between gender and poverty reduction indicating that interaction of gender with fintech-Islamic banking practice will lead to poverty reduction in Nigeria when Islamic banking system is fully implemented practically through appropriate mechanism as the finding revealed that for every 1 unit of interaction of the mediating effect of fintech-Islamic banking practice in relationship between knowledge and patronage of Islamic banking and poverty reduction will lead to poverty reduction in Nigeria.

5. Conclusions & Recommendations

From the research findings it could be explored that fintech Islamic banking utilisation and financial inclusion require massive awareness and education. Education and awareness could further be enhanced to improve utilisation of fintech and financial inclusion when guidance services such as orientation, information and planning services are employed and put into use appropriately. These services have the capacity to increase the use of fintech in Islamic banking as well as ability to promote more financial inclusion among the bankable population using relevant mechanisms and approaches.

Fintech-Islamic banking practices demonstrate the need to intensify public education and awareness towards the distinctive characteristics of Islamic banking services and how they profitably suit the interest of customers in their financial dealings when it comes to intervention towards poverty reduction. Islamic banks have the potential of being marketed to various segments of customers extending beyond those who are concerned with the legitimacy of the facility from Islamic point of view and those who seek for service quality, convenience and efficient transactions.

Translation of research outcome into real practice could be a major milestone in Nigeria due to substantial number of people engulf in poverty trap. The poverty stricken society can be uplifted to a better economic position. Costumer education programmes are therefore crucial as they have the capacity to increase the level of awareness about the unique characteristics of Islamic banking services as they capacity to raise economic status.

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Integrasi Konsep Filantropi dalam Pembangunan Dana Takaful Mikro di Malaysia

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Abstrak

Takaful mikro merupakan satu instrumen kewangan yang patuh syariah yang menawarkan skim perlindungan kepada individu yang berpendapatan rendah dan miskin pada kos yang berpatutan. Penawaran polisi ini bertujuan memastikan setiap lapisan masyarakat di Malaysia mampu memiliki perlindungan takaful tanpa mengira latar belakang kewangan. Namun begitu, isu dana risiko takaful mikro masih lagi menjadi masalah utama disebabkan majoriti golongan B40 tidak mempunyai pendapatan yang tetap dan stabil untuk disiplin dalam membayar caruman takaful. Oleh itu, kajian ini bertujuan untuk menjelaskan potensi konsep filantropi Islam untuk dijadikan sebagai dana sokongan dalam pembangunan takaful mikro di Malaysia. Kajian ini adalah berbentuk kajian kualitatif yang menggunakan kaedah kajian perpustakaan dalam mendapatkan data. Hasil kajian mendapati bahawa integrasi konsep filantropi Islam adalah releven sebagai dana sokongan dalam pembangunan takaful mikro bagi membantu meringankan golongan B40 untuk membayar sumbangan. Dapatan kajian ini diharap dapat memberi peranan kepada pihak berkepentingan untuk memperkasakan lagi pembangunan industri takaful mikro dalam mendepani sebarang krisis kewangan yang timbul.

Keywords: Filantropi; Takaful mikro

1. Pengenalan

Takaful mikro adalah merupakan salah satu manifestasi pelaksanaan rangkuman kewangan (final inclusion) dalam sesebuah negara. Rangkuman kewangan juga merupakan faktor penyokong dan penentu kepada pertumbuhan serta kejayaan matlamat pembangunan yang lebih meluas. Secara umumnya, ia berperanan untuk memastikan pertumbuhan ekonomi negara yang mampan. Bank Negara Malaysia telah meletakkan polisi ekonomi di kedudukan penting selaras dengan matlamat dalam Sustainable Development Goals (SDGs) 2030 (BNM, 2016). Antara pendekatan yang dilaksanakan ialah dengan pewujudan takaful mikro yang menawarkan skim perlindungan kewangan mampu milik kepada golongan fakir dan miskin seperti kumpulan B40. Menurut Jabatan Perangkaan Malaysia (2020) kumpulan isi rumah yang mempunyai pendapatan purata RM4,850 dan kebawah sebulan adalah dikenali sebagai kumpulan isi rumah yang mempunyai pendapatan 40% terendah atau lebih dikenali sebagai golongan B40. Kumpulan B40 ini turut terdiri daripada miskin tegar, miskin dan mudah miskin. Takaful mikro dipercayai antara solusi yang ideal dalam menyatuni golongan B40 bagi memberi peluang kepada golongan ini untuk menikmati skim perlindungan dengan kadar caruman yang rendah sekaligus mampu meringankan beban mereka dalam menghadapi risiko-risiko seperti kematian, kemalangan, kesempitan kewangan dan seumpamanya (Abduallah Thaidi et al., 2021).

Namun begitu, walaupun amaun caruman atau sumbangan takaful yang dikenakan adalah pada harga yang rendah, isu kekangan kewangan atau kemampanan dana risiko adalah merupakan permasalahan yang kritikal

dalam perlaksanaan takaful mikro di Malaysia (Nik Abdul Rahim et al., 2019). Ini kerana, kebanyakan daripada golongan B40 tidak mempunyai pekerjaan dan pendapatan yang tetap bagi komited dalam membuat pembayaran caruman takaful mikro (Ndurukia et al. 2017; Rom & Rahman, 2012). Sehubungan dengan itu, menurut Nik Abdul Rahim et al. (2019) isu kemampanan dana risiko takaful mikro turut memberi kesan terhadap reputasi sesebuah syarikat pengendali takaful sekaligus menjejaskan pertumbuhan industri takaful mikro di Malaysia. Justeru itu, artikel ini menganalisis sorotan literatur berkaitan integrasi konsep-konsep filantropi seperti wakaf, zakat, sedekah, infaq dan seumpamanya bagi mengukuhkan pembangunan dana risiko takaful mikro dalam pasaran industri takaful di Malaysia.

2. Tinjauan Literatur

2.1 Konsep Takaful Mikro

Merujuk kepada Akta Perkhidmatan Kewangan Islam 2013, takaful ditakrifkan sebagai satu skim yang berasaskan persaudaraan, perpaduan dan bantuan bersama yang dibawahnya peserta takaful bersetuju untuk menyumbang kepada suatu kumpulan yang sama yang menyediakan manfaat kewangan kepada peserta takaful atau kepada benefisiarinya ketika berlakunya sesuatu kejadian yang telah dipersetujui terdahulu. Ini membawa maksud takaful adalah permuafakatan antara dua pihak atau lebih yang bersetuju untuk saling menjamin antara satu sama lain jika berlaku sebarang kerugian atau kerosakan yang disebabkan bencana atau musibah (Ahmad Mazlan et al., 2012).

Secara umumnya, takaful mikro adalah merupakan sebahagian daripada industri takaful, maka definisi dan peranannya adalah tidak lari dengan konsep takaful yang bertujuan menyediakan perlindungan kepada peserta atau benefisarinya. Namun perbezaanya adalah, takaful mikro lebih menumpukan kepada aspek pemerkasaan sosial yang mana ianya ditawarkan dengan bayaran caruman yang rendah atau mampu milik yang khusus kepada golongan yang tidak berkemampuan seperti kumpulan B40 (Abduallah Thaidi et al. 2021).

Mohamad Puad (2017) juga menjelaskan takaful mikro adalah merupakan alternatif penyediaan perlindungan berasaskan syariah bagi membantu melindungi golongan berpendapatan rendah pada kos yang berpatutan atau mampu milik. Perlindungan yang ditawarkan adalah berkaitan dengan risiko kehilangan, kemalangan mahupun bencana alam bagi mencapai pembangunan yang mapan. Melalui perlindungan ini, jaminan keselamatan dapat disediakan serta berupaya membantu mengeluarkan golongan ketidakmampuan ini daripada perangkap kemisikinan.

Sehubungan itu, Bank Negara Malaysia (BNM) telah menggesa syarikat insurans dan pengendali takaful untuk membangunkan produk berkonsepkan mikro atau mampu milik bagi meraikan penglibatan semua lapisan masyarakat yang berbeza latar belakang kewangan dalam mendapatkan perlindungan takaful. Produk-produk yang ditawarkan perlulah menepati garis panduan yang dikeluarkan oleh BNM sepertimana yang terkandung dalam Pelan Sektor Kewangan 2011-2020, iaitu takaful mikro yang dibangunkan mestilah mudah difahami, mudah dicapai, kos yang berpatutan dan proses tuntutan pampasan yang mudah (Ibrahim, 2012).

Menurut Bangaan Abdullah, Yakob & Ruslee (2019) usaha proaktif daripada BNM dan pengendali takaful di Malaysia telah menampakkan hasil yang positif yang mana terdapat pelbagai produk yang bercirikan takaful mikro telah ditawarkan di pasaran Malaysia seperti Pelan mySalam, Perlindungan Tenang, Pelan Takaful i-BR1M, Perlindungan Mikro 1 Malaysia, SSPN-i Plus, Skim Tabarru' Koperasi, Takaful Hayati. Malahan Sun Life Malaysia juga melancarkan produk insurans mikro pada kadar RM5 sebulan, khas untuk pelanggan U-Mobile.

Secara konklusinya, takaful mikro merupakan satu instrumen kewangan yang terbaik bagi membantu meningkatkan aspek sosioekonomi masyarakat yang kurang berkemampuan khususnya golongan B40 dalam menghadapi risiko ekonomi dan kejutan kewangan yang mendatang.

2.2 Konsep Filantropi Daripada Perspektif Barat Dan Islam

Terma filantropi adalah berasal daripada dua suku kata bahasa yunani. Pertama, philos yang bermaksud sayang atau cinta. Kedua, anthropos yang membawa maksud manusia. Maka, gabungan kedua-dua suku kata tersebut adalah membawa makna cinta atau sayang kepada manusia (Abdullah Alqari et al., 2018). Menurut Oxford Dictionary of Current English dan Tohari (2017) pengertian filantropi dalam bahasa inggeris adalah dinyatakan sebagai "love of mankind, practical sympathy and benevolence" yang membawa maksud sebagai cinta terhadap manusia, rasa simpati dan kebajikan.

Samiul Hasan (2004) menjelaskan filantropi adalah sebagai "The feeling which makes men who are materially comfortable, mentally uncomfortable so long as their neighbours are materially uncomfortable" iaitu yang membawa maksud sesuatu perasaan yang membuatkan seseorang yang secara materialnya selesa, tetapi secara mentalnya tidak selesa selagi mana jiran mereka tidak selesa secara materialnya.

Menurut Payton (1998) konsep filantropi membawa maksud tingkah laku sukarela yang dapat menyumbang kepada manfaat dan kebaikan umum serta membahagikan kepada tiga aspek iaitu voluntary giving (pemberian sukarela, voluntary service (perkhidmatan sukarela) dan voluntary organization (organisasi sukarela).

Menurut Don, Muhamat & Mohd Nasir (2020) dalam konteks amalan semasa hari ini, skop sumbangan filantropi yang diberikan adalah tidak terbatas kepada sumbangan material semata-mata seperti kerja-kerja sukarelawan dan termasuklah apa sahaja bentuk kerjasama yang boleh menyokong kesejahteraan hidup masyarakat dan memupuk kasih sayang antara sesama insan. Manakala dalam sudut pemberi sumbangan ia adalah merupakan insiatif persendirian sama ada individu, persatuan mahupun badan bukan kerajaan (NGO). Antara instrumen ekonomi konvensional yang boleh disifatkan sebagai asas kepada filantropi moden masa kini adalah endowmen dan 'CSR' yang fokusnya adalah kemaslahatan umum, terancang dan bersifat jangka panjang (Razali, 2017).

Ringkasnya, konsep umum filantropi adalah merupakan konsep yang berkait rapat dengan elemen kebaikan, kasih dan sayang serta sukarela sehinggakan sanggup menyumbangkan harta miliknya sama ada dalam bentuk wang ringgit, masa, tenaga dan sebagainya demi membantu pihak yang memerlukan sebagai ekspresi rasa cinta antara sesama manusia.

Sehubungan dengan itu, dalam konteks filantropi Islam, kedermawaan adalah merupakan suatu tuntutan dalam Islam yang mementingkan akan sifat kepedulian dan keadilan sosial sesama manusia (Razali, 2017). Amalan ini disarankan dalam pembangunan sosio-ekonomi masyarakat kerana ia merupakan salah satu bentuk instrumen pengalihan pendapatan orang kaya kepada orang miskin melalui peranan elemennya seperti zakat, wakaf, sedekah dan seumpamanya (Aris Puji & Muchlis, 2018).

Menurut Opir, Syed Abdullah & Abduallah (2020) kedermawaan Islam lebih menumpukan kepada aspek keadilan sosial yang berpanjangan sebagaimana wakaf dan lebih terarah kepada keperluan-keperluan mendesak sebagaimana zakat, sedekah dan infaq. Manakala, takaful, khairat, jihad dan taawun serta wasiat juga tergolong dalam kategori filantropi Islam (Hasan Bahrom, 2013).

Namun begitu, sifat sukarela adalah bukan merupakan ciri utama yang ditekankan dalam amalan kedermawaan Islam. Ini kerana derma yang wajib atas alasan ibadah sekalipun seperti zakat tetap dikategorikan sebagai amalan filantropi atas terdapatnya faedah kepada manusia yang menerimanya iaitu asnaf lapan. Fiqh Islam juga turut menegaskan, perubahan hukum boleh berlaku daripada sunat kepada hukum wajib dalam sesuatu yang bersifat sukarela iaitu berdasarkan kepada keadaan dan keperluan semasa (Wan Mohd Yusof et al, 2018).

Selain itu, keunikan konsep kedermawaan Islam juga adalah melangkaui amalan kebaikan sesama manusia yang mana Islam turut menganjurkan umatnya melakukan kebaikan terhadap semua makhluk ciptaan Allah SWT termasuk haiwan dan juga alam sekitar bagi tujuan taqarrub iaitu mendekatkan diri kepada Allah SWT (Mohd Soffian Lee, Abdul Aziz & Md. Isa, 2020). Dalam erti kata lain, Islam sangat mementingkan berkenaan hablumminallah (berbuat baik dengan Allah SWT) dan hablunminnas (berbuat baik sesama makhluk) yang merupakan tanggungjawab utama manusia diciptakan di muka bumi. Justeru itu, dengan berbuat amal kebaikan, dengan sendirinya misi kekhalifahan dan kehambaan yang diamanahkan oleh Allah kepada seluruh manusia dapat dicapai oleh manusia secara serentak.

Kesimpulanya, konsep kedermawaan Islam adalah sinonim dengan perkataan filantropi yang berfokuskan kepada kemaslahatan umum dan khusus. Lantaran itu, ianya digerakkan dan dilakukan atas dasar menghambakan diri kepada pencipta. Walaupun begitu, unsur kemanusiaan tidak dapat dinafikan sebagai satu elemen penting dalam filantropi Islam tetapi ianya bukanlah matlamat terakhir. Ini kerana ianya memfokuskan kepada kelestarian abadi melangkaui kehidupan dunia iaitu kehidupan akhirat.

2.3 Kajian Tentang Dana Sokongan Takaful Mikro

Kemampanan dana risiko takaful mikro adalah merupakan isu yang kritikal hingga ke hari ini. Justeru, terdapat beberapa kajian yang telah dijalankan berkaitan dana sokongan melalui beberapa pihak berkepentingan bagi mengukuhkan kestabilan dana risiko takaful di Malaysia. Setakat ini, antara dana sokongan yang dicadangkan oleh para pengkaji ialah daripada pihak kerajaan, zakat, wakaf, tanggungjawab sosial korporat (CSR) dan kombinasi pelbagai sumber yang sesuai.

2,3.1 Kerajaan

Menurut kajian yang dijalankan oleh Ahmed (2016) menyatakan bahawa dalam penawaran takaful memerlukan kepada dana sokongan daripada kerajaan iaitu melalui bantuan subsidi sebagai jaminan kepada pembiayaan takaful mikro yang dijalankan. Walaubagaimanapun, kajian ini tidak membincangkan tentang model takaful yang spesifik. Dalam artikel lain oleh Noor Ashikin Mohd Rom dan Zuriah Abdrul Rahman (2014) juga menyatakan penguatkuasaan polisi oleh kerajaan boleh ditawarkan dalam penawaran takaful mikro bagi membantu golongan miskin iaitu dengan menyediakan dana sokongan daripada subsidi untuk dicarum secara bulanan kepada kumpulan ini. Dalam kajian Michal Matual et al. (2013) telah mencadangkan kaedah sementara

dalam mempromosikan pembangunan pasaran insuran mikro adalah melalui penawaran harga diskaun dengan menggunakan dana subsisdi daripada kerajaan. Menurut Asiah, Ahmad Azam & Mohammad Taqiuddin (2020) juga menyatakan bahawa sokongan yang diperlukan bukan hanya tertumpu kepada dana kerajaan sahaja. Malah, sokongan berbentuk penguasaan, promosi, peraturan dan undang-undang adalah amat diperlukan dalam meningkatkan penawaran takaful mikro. Shamsudeen (2020) turut juga menyokong kepada penubuhan rangka kerja konsep pelan takaful mikro berkombinasikan dana kerajaan bagi membantu golongan B40 secara efektif dalam kajiannya.

2.3.2 Zakat dan Wakaf

Menurut Mohamad Zaharuddin et al. (2019) melalui kajiannya telah mencadangkan model takaful berasaskan wakaf bagi meningkatkan pernyertaan B40 dalam pemilikan takaful mikro. Namun, bagi memastikan keberkesanan pelaksanaan model ini kepada golongan B40 perlu kepada penyelesaian yang segera terhadap masalah utama yang timbul. Menurut Asiah, Ahmad Azam & Mohammad Taqiuddin (2019, 2020) juga mencadangkan penggunaan dana zakat dan wakaf sebagai seed fund kepada penawaran takaful mikro terhadap golongan warga emas di Malaysia agar tidak berlaku pengabaian kepada warga emas dalam penyertaan terhadap takaful mikro yang ditawarkan oleh syarikat pengendali takaful. Cadangan kepada model takaful mikro berasaskan zakat juga telah dicadangkan oleh Nik Abdul Rahim et al. (2018, 2019, 2020) tetapi isu yang berkaitan persoalan fiqh dan prosedur pelaksanaannya perlu dicari penyelesaian yang efektif bagi memastikan tidak mengenepikan keperluan asasi asnaf yang perlu diutamakan oleh pihak institusi zakat. Menurut Khairil Faizal et al. (2020) telah mencadangkan model hibrid wakaf berasaskan mudharabah, wakalah dan wakaf dalam penawaran takaful mikro. Namun, model ini masih lagi diperingkat cadangan kerana tidak terdapat perbincangan yang terperinci tentang struktur model ini dalam kajian yang dijalankan.

2.3.3 Tanggungjawab Sosial Korporat (CSR)

Berdasarkan kajian Asiah, Ahmad Azam & Mohammad Taqiuddin (2019, 2020), takaful mikro boleh ditawarkan sebagai sebahagian daripada tanggungjawab sosial korporat (CSR) oleh syarikat takaful. Hal ini, turut disokong oleh Sheila Nu Nu Htay, Nur Shazwani Sadzali dan Hanudin Amin (2015), Ahmed (2016) dan Shamsudeen (2020) yang menyatakan penawaran takaful mikro memerlukan sumbangan daripada organisasi yang dianggap sebagai tanggungjawab sosial korporat oleh syarikat takaful.

2.3.4 Kombinasi pelbagai sumber yang sesuai

Menurut Asiah, Ahmad Azam & Mohammad Taqiuddin (2020) sumbangan yang boleh didapati daripada organisasi, individu dan pelanggan takaful sendiri adalah merupakan dana sokongan yang diperlukan melalui pelbagai sumber yang sesuai. Ahmed (2016) menyatakan penawaran takaful mikro boleh didapati daripada sumbangan organisasi-organisasi luar sama ada daripada sektor kerajaan mahupun swasta. Dalam kajian James Midgley (2012) pula menjelaskan bahawa kerjasama yang berkesan diperlukan daripada firma komersial, agensi pembangunan antarabangsa, organisasi bukan kerajaan yang besar dan penderma antarabangsa bagi keperluan menyediakan dana sokongan terhadap penawaran takaful mikro. Menurut Haslifah Mohamad Hasim (2014) menyatakan dana sokongan yang signifikan dalam pembangunan penawaran takaful mikro adalah melalui sumbangan daripada bukan kerajaan (NGO) dan sumbangan daripada agensi. Terdapat juga kajian daripada Muhamed Hydara (2020) yang menjelaskan bahawa sumbangan individu dan organisasi melalui dana sedekah juga dapat menyokong kemampanan dana risiko takaful yang mana dalam kajiannya yang menumpukan kepada para petani wanita dalam memiliki pelan perlindungan takaful yang mampu milik. Dalam kajian lain daripada Muhamad Amir dan Mohd Adib (2016) juga menyatakan sumbangan dana berasaskan sedekah melalui 'crowdfunding' adalah instrumen kewangan moden yang sesuai dan signifikan untuk memperkukuhkan kestabilan dana takaful mikro.

3. Metodologi Kajian

Kajian ini adalah merupakan kajian berbentuk kualitatif yang melibatkan kajian perpustakaan bagi tujuan pengumpulan data. Kajian kepustakaan dilakukan bagi mengumpul data sekunder yang terdiri daripada buku, jurnal, tesis, kertas kerja, kertas prosiding, rencana dan laman web yang membincangkan berkaitan integrasi konsep filantropi dalam pembangunan dana takaful mikro. Kaedah analisis kandungan digunakan dalam usaha menganalisis data dan fakta yang diperoleh. Menurut Sabitha (2005), analisis kandungan adalah proses meneliti dan menjelaskan kandungan dokumen yang dikaji secara sistematik. Bryman & Bell (2007) juga menjelaskan bahawa analisis kandungan merupakan metod kajian yang dijamin ketelusannya kerana skema pengkodan dan prosedur persampelan boleh ditetapkan dengan jelas serta membolehkan kepada kajian lanjutan dan kajian semula

untuk dilakukan pada masa hadapan. Menurut Bryman (2008) pula analisis kandungan ini juga adalah metod yang anjal dan fleksibel kerana pelbagai jenis dokumen yang tidak berstuktur boleh diaplikasikan melalui metod ini.

4. Analisis Hasil Kajian

Secara umumnya, kesaksamaan dan keadilan adalah antara prinsip utama dalam membentuk hubungan sesama manusia. Bagi memastikan penglibatan masyarakat untuk saling membantu kepada yang memerlukan, terdapat beberapa elemen filantropi Islam moden yang merangkumi zakat, wakaf, sedekah, infaq dan hibah yang telah menjadi amalan kebiasaan masyarakat kini. Menurut Mohd Soffian Lee, Abdul Aziz & Md. Isa (2020) menyatakan elemen-elemen ini mampu untuk mengurangkan bebanan sosio-ekonomi masyarakat, mengurangkan kadar kemiskinan dan membantu mengurangkan kadar pengangguran dalam kalangan masyarakat. Justeru itu, usaha dalam membangunkan dana takaful mikro dapat dilaksanakan dengan lebih efektif dengan mengingtegrasikan elemen filantropi Islam moden seperti wakaf, zakat, sedekah dan tanggungjawab sosial korporat (CSR).

4.1 Wakaf

Wakaf ditakrifkan sebagai menahan atau mengapungkan harta untuk dikhususkan kegunaannya kepada pihak-pihak tertentu bergantung kepada syarat-syarat yang ditetapkan oleh pemberi wakaf. Takrifan ini disokong oleh Dr. Muhammad Al-Ahmad Abu Al-Nur yang menyatakan wakaf adalah pengekalan dan penahanan harta oleh pemiliknya daripada dijual, dipajak, dijadikan hadiah, disewa atau apa-apa bentuk pemilikan lain (Al-Syarbini,1997). Menurut Mahamood (2007) wakaf adalah merupakan salah satu instrumen yang bertujuan mendekatkan diri kepada Allah diatas tindakan individu yang mengagihkan sebahagian hartanya untuk tujuan amal dan kebajikan.

Menurut Kahf (1999) juga wakaf dapat disifatkan sebagai satu alat jaminan keselamatan yang setanding dengan instrumen zakat melalui agihan dan perkongsian manfaat daripada individu mahupun masyarakat kepada golongan miskin. Ini telah membuktikan elemen filantropi melalui wakaf berperanan besar dalam memenuhi keperluan dan kebajikan sosio-ekonomi masyarakat yang memerlukan. Peranan wakaf juga dilihat mampu mengurangkan bebanan fiskal yang ditanggung negara.

Secara praktikalnya dalam amalan semasa hari ini, wakaf tunai merupakan satu bentuk intrumen yang sangat fleksibel untuk diguna pakai. Wakaf tunai berpotensi besar dalam pengumpulan sumber dan jaminan terhadap akses sampaian dana ke tangan masyarakat. Ia dapat dibuktikan dalam konteks negara Malaysia yang mana nilai harta wakaf melalui dana wakaf tunai telah mencapai hampir trillion ringgit apabila dicampurkan dari segi jumlah saiz dan modal keseluruhan (Mohd Soffian Lee, Abdul Aziz & Md. Isa, 2020).

Menurut Muhammad Sofiyuddin & Mohd Zamro (2017) dana wakaf tunai telah berjaya memainkan peranan penting dalam pembangunan sosio-ekonomi masyarakat dan negara yang merangkumi semua bidang kehidupan manusia seperti sektor pendidikan, kesihatan, agama, sosial dan ekonomi. Tambahan pula, terdapat inisiatif daripada Majlis Agama Islam Negeri (MAIN) dan Yayasan Wakaf Malaysia (YWM) yang mana telah menawarkan pelbagai kaedah perwakafan seperti wakaf tunai pendidikan, wakaf tunai kesihatan atau hospitaliti, wakaf tunai pembangunan ekonomi, wakaf tunai bangunan komersil, saham wakaf, wakaf saham, wakaf kaki dan sebagainya bagi tujuan meningkatkan perwakafan secara tunai untuk disalurkan kepada masyarakat (Marina et al. 2020).

4.2 Zakat

Takrifan zakat dari sudut bahasa ialah bersih, suci dan bertambah. Manakala dari sudut istilah ia merujuk kepada kadar harta tertentu yang diberikan kepada yang berhak menerimanya dengan syarat-syarat tertentu (Ali Akbar Osman, 1995). Islam telah menetapkan bahawa zakat adalah sebagai filantropi wajib yang perlu diimplementasikan oleh umat Islam seperti yang dinyatakan di dalam Al-Quran. Pelaksanaan zakat adalah untuk memastikan kekayaan yang dimiliki tidak sepatutnya berlegar dalam kalangan golongan kaya sahaja tetapi harta tersebut perlu dikongsi oleh semua golongan yang fakir, miskin lagi memerlukan (Don, Muhamat & Mohd. Nasir, 2020). Menurut Zarina, Sanep & Mohd Ali (2012) zakat merupakan antara mekanisme utama agihan ekonomi yang seimbang bagi mengurangkan kadar kemiskinan, meningkatkan taraf dan kualiti kehidupan, menyediakan kehidupan yang selesa dan sejahtera seterusnya membawa kepada pembentukan negara yang berprestij pada masa hadapan. Proses pengagihan semula kekayaan secara seimbang dalam masyarakat sebenarnya adalah bertujuan untuk menjamin keadilan dan kestabilan sosial menerusi pengurangan jurang pendapatan dalam kalangan masyarakat (Patmawati, 2008).

Secara jelasnya, terdapat tujuh sumber zakat yang mesti dibayar daripada tujuh sumber kekayaan dan pendapatan iaitu zakat perniagaan, zakat hasil pertanian, zakat simpanan, zakat binatang ternakan, zakat perlombongan, zakat pendapatan dan zakat fitrah (Idris, 2006). Melalui sumber-sumber tersebut ia dapat dijadikan

sebagai sumber pembiayaan mikro kepada sebahagian umat Islam yang tidak mampu memperoleh pendapatan yang mencukupi untuk memenuhi keperluan asas mereka.

Menurut Mohd Noor et al. (2021) zakat juga berupaya menjadi alat sokongan kepada masyarakat ketika berlakunya krisis dan bencana. Peranannya yang signifikan telah dibuktikan ketika mendepani wabak COVID-19 baru-baru ini yang mana hampir RM200 juta bantuan zakat telah berjaya disalurkan kepada asnaf dan golongan yang terkesan dengan wabak tersebut antaranya peniaga kecil, pekerja dan individu yang telah terjejas sumber pendapatannya (Sinar Harian, 2020). Selain itu, sumbangan peralatan perubatan seperti peralatan pernafasan, topeng muka, termometer dan cecair pembasmi kuman juga hampir RM3.27 juta juga telah disumbangkan kepada hospital-hospital melalui dana zakat (Bernama, 2020). Ini menunjukkan bahawa institusi zakat sebagai institusi yang berteraskan kewangan sosial Islam iaitu institusi yang bukan bermatlamatkan keuntungan telah berperanan besar dalam membantu kerajaan dalam menghulurkan bantuan kepada golongan yang memerlukan bantuan kewangan dan keperluan harian demi kelangsungan hidup.

4.3 Sedekah

Sedekah adalah salah satu instrumen kewangan dan ekonomi yang mempunyai ciri unik yang fleksibel dan berbentuk sukarela tanpa sebarang ikatan atau paksaan. Keunikan instrumen sedekah ialah ia tidak terikat dengan sesuatu kadar atau nilai tertentu, bentuk material dan golongan penyumbang dan penerimanya (Zuhayli et al., 2007, Hastuti, 2016). Secara umumnya, ia merupakan satu pemberian oleh seseorang kepada orang lain yang memerlukan sama ada kepada fakir miskin, sanak saudara, sahabat, jiran mahupun untuk kepentingan fi sabilillah. Pelaksanaanya boleh dilakukan pada bila-bila masa bagi memperoleh pahala berlipat ganda daripada Allah SWT (Roslan et al., 2021). Islam amat mengalakkan umatnya untuk sentiasa bersedekah dan ganjarannya pula banyak dinyatakan di dalam Al-Quran. Menurut Islam juga, sedekah jariah akan menjadi keperluan dan tanggungjawab penting kepada individu muslim untuk membantu golongan yang berada dalam kesusahan sekiranya pemerintah iaitu pihak kerajaan mengalami kekurangan sumber untuk memenuhi tanggungjawab sosialnya terhadap rakyat (Hasbullah & Ab Rahman, 2020). Perkara ini menunjukkan peranan individu dalam menghayati tanggungjawab sebagai seorang insan di muka bumi dapat memenuhi keperluan fardu kifayah.

Menurut Razali (2017) pemberian sedekah dapat dijadikan sebagai asas pembiayaan untuk merancang, membantu dan menguruskan masyarakat yang memerlukan. Kemudian, sedekah juga boleh dianggap sebagai satu instrumen penyokong dan pelengkap kepada instrumen-instrumen yang wajib di dalam Islam seperti zakat, nafkah, kaffarah dan lain-lain. Manakala dalam segi pengurusannya, infaq dan sedekah boleh diuruskan atau dilakukan secara persendirian mahupun berkumpulan (Mohamed & Mohd Shafiai, 2021). Namun kebiasaannya di Malaysia, kebanyakan masyarakat membuat sumbangan derma melalui perantaraan badan-badan yang berautoriti seperti Yayasan Amal Malaysia, Mercy Malaysia dan banyak lagi (Roslan et al., 2021). Kemudahan platform yang sedemikian telah membuka peluang dan galakkan kepada orang ramai untuk turut serta terlibat dalam aktiviti derma dan sedekah bagi meringankan beban golongan yang memerlukan. Menurut Hasbullah & Ab Rahman (2020) juga kepentingan instrumen infaq dan sedekah melalui NGO mahupun individu telah diperakui keberkesanannya dalam membantu kerajaan meringankan beban rakyat yang berada dalam kesusahan terutamanya ketika Perintah Kawalan Pergerakan (PKP) dilaksanakan. Ini secara tidak langsung membuktikan peranan sumber infaq dan sedekah dapat menjamin kebajikan masyarakat ketika mendepani musibah yang tidak dijangka.

4.4 Tanggungjawab Sosial Korporat (CSR)

Tanggungjawab Sosial Korporat (CSR) adalah merupakan satu tanggungjawab atau komitmen yang perlu dilaksanakan oleh syarikat korporat kepada pihak berkepentingan seperti pekerja, masyarakat, persekitaran dan sebagainya. Ia bertujuan ke arah meningkatkan kesejahteraan organisasi dan masyarakat sama ada dalam aspek ekonomi, sosial, perundangan, etika dan alam sekitar yang menjangkaui proses pembuatan keuntungan (Che Man & P.Rameli, 2019). Menurut Kartini (2012) CSR juga merupakan suatu konsep tanggungjawab yang selari dengan konsep kedermawanan. Ini kerana kepentingan pelaksanaan CSR telah menyentuh elemen hubungan antara sesama makhluk yang menjadi tuntutan dalam Islam bagi memperoleh keredhaan Allah SWT (Boheran Nudin, Mustafa & Ahmad, 2016). Umumnya di Malaysia, organisasi korporat telah diberi penekanan untuk sentiasa menganjurkan aktiviti CSR dengan lebih banyak dan kerap sebagai bukti sumbangan kepada masyarakat di samping merupakan tuntutan daripada masyarakat sendiri (Arshad, Othman & Othman, 2012). Antara bentuk-bentuk bantuan yang diberikan dalam aktiviti CSR ialah seperti bantuan pendidikan, bantuan modal untuk memulakan perniagaan, dan program-program motivasi yang bertujuan membantu golongan yang tidak berkemampuan atau miskin. Menurut Che Man & Borhan (2010) pelaksanaan CSR oleh syarikat korporat sedikit sebanyak telah membantu mengurangkan kadar kemiskinan dalam negara. Melalui bantuan-bantuan tersebut secara tidak langsung telah berupaya membantu golongan miskin meningkatkan taraf hidup mereka ke arah yang lebih baik. Selain daripada memenuhi kepentingan masyarakat komitmen CSR juga mampu memastikan kemandirian dan kelangsungan hidup institusi korporat untuk tempoh jangka yang panjang bagi kelangsungan

pembangunan ekonomi negara (Che Man & P.Rameli, 2019). Pembangunan ekonomi yang memberangsangkan akan mewujudkan lebih banyak peluang pekerjaan. Dengan itu, masyarakat akan dapat menikmati kehidupan yang lebih baik di masa akan datang hasil daripada implikasi positif pelaksanaan CSR.

5. Kesimpulan

Tuntasnya, takaful mikro adalah merupakan salah satu inisiatif kerajaan dan syarikat takaful dalam menyatuni golongan B40 untuk memiliki pelan perlindungan takaful yang mampu milik. Pendekatan kepada elemen filantropi yang berlandaskan kepada rasa cinta dan kasih sesama manusia dilihat mampu memainkan peranan penting dalam pembangunan takaful mikro yang dijalankan. Hal ini kerana, melalui dana sokongan daripada wakaf, zakat, sedekah dan CSR dalam pembvangunan takaful mikro dapat membantu golongan yang kurang berkemampuan atau B40 untuk menjalani kehidupan yang penuh risiko dengan lebih sistematik dan terancang. Walaupun pelaksanaannya masih belum meluas dan menyeluruh di Malaysia, tetapi ianya mampu untuk direalisasikan dengan adanya kerjasama daripada pihak-pihak yang berautoriti dalam usaha menjadikan negara Malaysia sebagai negara yang bebas daripada kemiskinan dan kefakiran yang melampau. Justeru itu, idea ini wajar untuk dipertimbangkan dengan lebih terperinci sebagai salah satu pelan sokongan dalam memastikan kemampanan dana risiko takaful mikro serta bagi menjamin perkembangan industri takaful ke arah yang lebih baik.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Stock Liquidity and Financial Performance of Companies Before and After Stock Split (Study on Companies Listed in Indonesia Sharia Stock Index (ISSI) Period 2016-2018: Comparative Study)

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Abstract

The increase and decrease in investor interest are motivated by the high share price. Stock splits are the best reasons for companies to keep stock prices stable or affordable. A stock split can cause the share price to be lower, so it will easy to reach by small investors, this will lead to increased demand for stocks, and stocks will become more liquid. This study aimed to determine the difference in stock liquidity and financial performance of the company between before and after the stock split in companies listed in the Indonesia Sharia Stock Index (ISSI). The type of research used was quantitative research. Sampling techniques used purposive sampling so that as many as 31 companies were obtained. The window period set out in the study was 5 days before and 5 days after the stock for variable stock liquidity and 1 year before and 1 year after the stock split for the company's financial performance. The data analysis used was a different sample test paired with a Wilcoxon test for abnormally distributed data and a paired t-test sample test for normally distributed data. The results of this study can be concluded that there was a difference in stock liquidity between before and after but there was no difference in the company's financial performance between before and after the stock split.

Keywords: Stock Split; Stock Liquidity; and Financial Performance of the Company

1. Introduction

The capital market has an important role in the development of a country. The role connects those who need funds (issuers) with overfunded parties (investors), in addition to also serves as a means for the public to invest in financial instruments that aim to obtain a return. (Yuliari, 2019). According to the Indonesia Stock Exchange (IDX), the capital market is defined as a long-term financial instrument that can be traded in either bond, equities (shares), mutual funds, derivative instruments, or other instruments. When investing, the investor calculates the obtained in the future from each alternative investment of his stock. Investors strive to maximize returns and minimize risk by paying attention to stock price levels. (Fauz, 2016) When the stock price increase, the investor's buying interest will decrease which results in the demand for shares will also decrease, and when the stock price decreases then the investor's buying interest will increase.

The increase and decrease in investor interest are motivated by the high share price. To know the stock price, accurate information from a company is required. Such information can give the view to investors to consider in making an investment decision. (A'la, 2017). Investment decisions are also based on liquid and efficient capital markets. The capital market should be liquid when sellers can sell and buyers can buy securities quickly and that

it should to be efficient when the price of securities accurately reflects the value of the company. (Masyitoh, 2018). Disclosure of information by issuers is expected to carry out implementation through the delivery of information related to business or its effects. One of the information available is in the form of the company's financial statements and announcements on the company's actions. Financial statements refer to the company's past performance, while corporate announcements or actions provide information about the company's upcoming plans (Hadiwijaya, 2015). Corporate action that is often carried out by companies aims to increase the company's working capital, business expansion, increase stock liquidity and payments by issuing policies such as right issue, stock split, dividend distribution, bonus shares distribution, reverse stock split, dividend stock, and a cash dividend.

A corporate action is often done by companies and still an interesting phenomenon because it does not provide economic value for the company to do a stock split. Stock splits are the best reasons for companies to keep stock prices stable or affordable, increasing stock trading liquidity and restore stock prices to targeted trading sizes. This is supported by Bhuvaneshwari and Ramya's research which states that the stock split lead to a more positive and helps in predicting future returns (D.Bhuvaneshwari and K. Ramya, 2014). A stock split is also said to be a cosmetics stock, with the sense that this activity seeks to polish the stock to be more attractive in the eyes of investors but does not increase the prosperity of investors. Stock liquidity is the ease of a stock owned by investors to be converted into cash through capital market mechanisms. Stock liquidity is said to increase when the number of stock traded is proportionally greater than the number of shares outstanding (Indarti, 2011). The more liquid a stock is, the faster and easier it is for it to be traded or converted into cash. One of the indicators used to calculate stock liquidity is to calculate the trading volume of stocks. Trading volume activity is the number of transactions traded at any given time. Stock trading volume can be measured using stock trading activity (Harimawan, 2004).

The company's profit can be seen by analyzing the company's financial performance. With the results of the financial analysis, investors can assess the company that will be targeted to invest. The financial condition or performance of a company will affect the share price offered to the public and may affect the profitability of the company in the future. In addition to considering the company's valuation in investing, investors also consider the values it adheres to such as the teachings of religion. The majority of Indonesians are Muslims they are beginning to understand and develop sharia-based investments. The choice of investment facilities with sharia principles is one of them by investing in the sharia capital market. Sharia capital market is a capital market that applies sharia principles as a benchmark in its economic transaction activities. Patel et al tested the share price and the effect of stock liquidity on the Indian stock market. This test concluded that the stock split harmed the return of the stock and there was a decrease in the trading volume of the stock (Patel, 2016). Khajar's research examined the effect of stock splits into stock prices and stock trading volumes in the LQ-45 Index and stated that the stock price rose after the stock split but there was a decline in stock trading volume (Khajar, 2016). Sartika research tested the difference in financial performance before and after the stock split on the Indonesia Stock Exchange. The results showed that ROE and EPS were increasing with the meaning of the company's financial performance going better (Sartika, 2016). Research conducted by Dwilita and Satrya that tested the assessment of the company's financial performance on the Indonesian capital market that conducted a stock split based on the test concluded that the stock split decision did not affect the financial performance of the company's profitability (Satrya, 2018).

Some studies showed differences in findings regarding the stock split. The stock split itself is still a protracted puzzle between financial experts and the reaction to its announcement is still difficult to understand (Dwimulyani, 2008). This is indicated by a mismatch between theory and practice. Theoretically, a stock split only increases the number of shares outstanding and does not directly affect cash flow but in practice indicates that the market reacts to this event. There are some opinions about the stock split, but basically, the opinion is summed up into two groups. The first stock split is only a cosmetic change and the second stock split can affect shareholder profits, stock risk, stock price, trading volume, increase liquidity, and signals given to the market (Sutrisno, 2000). Based on the view of the opinion, researchers are interested in the truth of the opinion and want to re-examine the influence of stock split on the liquidity and financial performance of the company because the company that conducts the stock split is a company with good financial performance. The reason researchers used the object of shares listed in the Indonesia. Sharia Stock Index (ISSI) is the scope of the number of sharia stocks listed more numerous and diverse compared to shares listed in JII and JII70 (Herianingrum, 2015). Based on the given description, the researchers took the title of the study "Liquidity of Shares and Financial Performance of Companies Before and After Stock Split in Companies Listed in the Indonesia Sharia Stock Index (ISSI) Period 2016-2018: Comparative Study".

2. Literature Review

2.1 Capital Market

The capital market is a market for peddling a variety of long-term financial instruments that can be traded, both in the form of debt and capital. According to Husnan capital market is defined as a market that is specialized

for long-term financial instruments (securities) that can be traded, either issued by the government, public authorities, or private companies (Hunan). According to Capital Market Law No. 8 of 1995 on capital market defines that the capital market is an activity related to public offerings and securities trading, companies related to the securities it publishes, as well as institutions and professions related to securities. Everyday capital markets are referred to as stock exchanges. The existence of capital markets is indispensable in financial instruments because it can increase funding to support sustainable development.

Sharia capital market is part of Indonesia's capital market which also has the same role for the business world (Handayani, 2017). Sharia capital market is a capital market whose entire mechanism of activities is mainly about issuers, the type of securities traded, and the mechanism of trading is carried out based on sharia principles. Every trade transaction in the capital market is carried out following the provisions of Islamic law (Soemitra, 2017). The principles of the sharia capital market have been determined based on the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) as well as *Bapepam-LK* regulations (Aulianisa, 2010).

2.2 Stock

Stocks are one of the most well-known financial market instruments. Many investors are interested in stock investing because stocks can provide an attractive level of profit. Stock is defined as a sign of capital investment of a person or business entity in a company or limited liability company by investing, the party has a request for company income, a request for company assets, and attends the General Meeting of Shareholders (GMS). Stocks are distinguished into three, namely ordinary stock, preferential stock, and treasury stock. Common stock is a stock issued by a company with several one class only. Preferred stock is stock issued by companies by removing other classes of stock. This stock is a combination of the nature of bonds and stocks. While treasury stock is stock that has been issued by outstanding companies that have been repurchased by the company and not retired but kept for the treasury (Jogiyanto Hartono, 2017).

2.3 Corporate Action

A corporate action is one of the terms in the capital market that leads to strategic companies that are listed on the Indonesia Stock Exchange so it will affect the interests of shareholders. A corporate action is an activity of a company whose main purpose is to influence the share price on the stock exchange. An increase capital and the liquidity of stock trading is the reason the company performs such corporate actions. The company's activities included in the action include stock split, reverse stock split, General Meeting of Shareholders (GMS), dividend distribution in the form of cash or shares, warrants, bond emissions, right issue, and securities emissions without the right to pre-order securities (HMETD).

2.4 Stock Split

A stock split is one of the corporate actions that are often done by companies to increase the liquidity of stocks. A stock split is an issuer action in which the issuer splits the nominal value of the stock into smaller par values (Hernoyo, 2013). The price per stock is only after the stock split which is announced by 1/n of the previous price.

Such a high stock price will result in small investors not being able to reach it. Therefore, the company conducts a stock split corporate action to increase the number of stock outstanding and break the price into smaller to attract investors. The more stock in circulation, the more active trading on the exchange and the wider the spread of stock among investors. Some opinions on a stock split state that the stock split is a industrial stock and can affect profits for shareholders, signals given to the market, and stock risk. Stock split provides an overview of the condition of the company on a good financial performance therefore investors and observers give a positive signal to companies that conduct a corporation action with a short-term stock split.

A stock split is distinguished into 2 types namely split-up and split-down or split revers. A split-up is a decrease in the face value per share that aims to increase the number of stock outstanding as an example of a split-up with factors 2:1, 3:1, and 4:1. While split-down or reverse-split is an increase in face value per stock by reducing the number of stock outstanding in the market, for example, split-down or reverse-split with factors 1;2, 1:3, and 1:4 (Andrefa, 2014).

2.5 Signalling Theory

Signalling theory is a theory that observes the signs related to the condition of a company (Febrianti, 2014). The principle of signaling theory in each action contains information caused by the existence of asymmetric information. Asymmetric information itself is a condition between two parties where one party has more information than the other party, for example, the management of the company has more information than investors in the market. Thus the information obtained by investors will be received with a different response. If

the company manager can give a good signal to reassure investors and respond positively. A stock split is the delivery of information from the company manager through signaling (Ramadiyansari, 2013).

With information or signals circulating in the market will affect the decision of the investor in capturing a signal. Therefore, the concept of signaling theory is very instrumental in a condition in the company as a reference to whether the company can successfully give a positive signal to investors or the opposite is to give a negative signal to investors. Signaling theory encourages a company in conducting a stock split because the company manager will convey the good prospects in the future by the company to the public.

2.6 Trading Range Theory

Trading range theory is one of the theories of a stock split to reorganize the stock price with a predetermined price so that it will increase the liquidity of the stock (Purnamasari). This theory also states that a relatively high stock price will cause the company's shares to be less actively traded. If the stock price is too high then the company conducts a stock split so that the share price can be maintained at a predetermined price (Latifah, 2007). This theory also states that a stock split will increase the liquidity of stock trading.

2.7 Event Study

An event study is a theory that learns about the market reaction to an event to company information that has been published as an announcement. If an event contains information, it is expected that it will react in the market. It can be concluded that event study can be used to identify capital market reactions by approaching stock movement to an event. Event studies are widely used in specific events within the corporate sphere or the broader economic sphere, such as merger and acquisition announcements, dividend announcements, stock splits, initial offers, issuance of new debt or equity, and profit announcements (Sucipto, 2006).

2.8 Stock Liquidity

Stock liquidity is the ability to buy and sell stock securities at a predetermined price quickly. Stock liquidity is an asset for shareholders. Liquid stocks are stocks that can be easily traded on the capital market and easily disbursed into cash. The number of stock issued by a company is reflected in each stock when the company conducts stock emissions. According to Conroy et al in Adwita for stock liquidity can be measured using several parameters, among others (Kesuma, 2014).

1. Spread rate
2. Flow of information
3. Number of shareholders
4. Number of stock outstanding
5. Amount of transaction fee
6. Stock price
7. Stock price volatility
8. Trading Volume Activity

This study used stock trading volume parameters. Stock trading volume is an instrument used to see a capital market reaction to outstanding information. Stock trading volume can be calculated using the amount of trading volume activity. Trading volume activity can be formulated as follows:

$$\text{TVA} = \frac{stock\ of\ traded\ companies}{stock\ of\ companies\ outsanding}$$

2.9 Financial Performance

Performance is often associated with financial conditions in a company, and important to be achieved by the company it can reflect the company's ability to manage resources and allocate them. According to Siegal and Marcon in Muharam and Sakti, stated that performance is a performance assessment, which is a periodic determination of operational effectiveness in an organization, part of the organization, and its employees based on a set of goals, standards, and criteria. Performance is the ability of an organization to achieve a predetermined goal through the efficient and effective use of resources (Sakti, 2008).

The measurement of financial performance in the company depends on the point of view based on the objectives of the analysis. Therefore, the company's management needs to adjust the conditions in the company with performance assessment measuring instruments along with the objectives of financial performance measurement. The most important goal of performance measurement is to know an achievement of a set goal, so the interests of investors, creditors, and shareholders can be fulfilled. Financial performance is measured using

financial report analysis. The company's financial performance can be assessed by financial ratios, among others (Kaunang, 2013).

a. Liquidity Ratio
   The liquidity ratio explains the ability of the company to meet its maturing short-term obligations.
b. Solvency Ratio
   The solvency ratio describes the company's ability to finance long-term liabilities if the company is liquidated.
c. Activity Ratio
   The activity ratio is to describe the level of effectiveness of the use of company assets, or how far the company's assets are financed by the company or financed by external parties.
d. Profitability Ratio
   A profitability ratio is a ratio promoting the company's ability to generate profit.
   In the study in ratios were used in measuring the company's financial performance using profitability ratios.

2.10 The effect of Stock Split Policy on the Liquidity of the Company's stock.

A stock split is the company's activity conducted by the company manager by changing the number of stock outstanding and the nominal value of the stock by the split factor. A stock split is one of the actions taken by the company that aims to lower the price per stock that has been determined and will ultimately increase the total number of shares on the market to increase the liquidity of the company's stock (Mardiyati, 2011). The expression is in line with research conducted by Rahayu and Murti that resulted in the conclusion that a stock split can affect significant differences in stock liquidity. Khajar also conducted tests that resulted in the conclusion that there was a decline after the stock split.

Based on the description above, this study can be seen based on the following hypotheses:

H_1= There was a difference in stock liquidity before and after the stock split as measured by the method of trading volume activity.

2.11 The effect of Stock Split Policy on the Company's Performance.

The company's performance becomes a benchmark for investors in investments, so the company will look to maintain the financial position contained in the company's financial statements. A stock split is done by the company to send a positive signal to the market about the company's good financial performance in the future so that it will attract investor interest. Sartika researched the stock split which is considered that the company's financial performance is improved so, the test results can support signaling theory. Meanwhile, research conducted by Dwilita and Hadi showed that there was no significant difference in financial performance between before and after the stock split.

Based on the explanation above this study can be described based on hypotheses as follows:

H_2= There were differences in the company's financial performance before and after the stock split.

3. Research Methodology

This research used a quantitative approach, which is a research method based on a philosophy of positivism used to research certain populations or samples using data collection techniques, sampling, and quantifiable data analysis to test a predetermined hypothesis. The data used is secondary data sourced from the official website through the Website of the Indonesia Stock Exchange Yahoo Finance, the Financial Services Authority, the company's annual report and other media. The population used is companies listed in the Indonesia Sharia Stock Index (ISSI) that conducted stock split corporate actions in the period 2016-2018. The samples in this study were taken based on certain criteria, as for the criteria, among others:

1. Companies listed on the Indonesia Sharia Stock Index (ISSI).
2. Companies that conduct stock split corporate actions in the period 2016-2018 only once during the research period.
3. The Company does not conduct other policies such as right issue, bonus share, or other corporate actions during the observation period because it will be able to influence trading volume activity
4. The Company has clear data and stock split dates.
5. Company data is available to complete for analysis needs.

Of the above criteria, companies that meet the criteria of a total of 33 companies.

Variables are defined as attributes or values of objects, organizations, or activities that have variations and are drawn conclusions by researchers who have previously studied. In this study, the independent variable was the stock split announcement and the dependent variable was the liquidity of the stock and the financial performance of the company.

1. Stock split
   The stock split is defined as the breakdown of a stock with a larger number of stocks and the nominal value of the sheet becomes lower propositionally.
2. Stock Liquidity
   Stock liquidity can be measured by looking at the trading volume activity. Stock trading volume is the ratio of the number of stock in a given period traded to the number of stock outstanding on the market at any given time. The trading volume formula is as follows:

$$\text{TVA} = \frac{stock\ of\ traded\ companies}{stock\ of\ companies\ outsanding}$$

3. Financial of Performance
   The profitability ratio used in this study was Net Profit Margin (NPM), Return On Equity (ROE), and Return On Asset (ROA) with the following formula:

$$\text{NPM} = \frac{Earning\ after\ and\ tax}{sales.}$$

$$\text{ROE} = \frac{Earning\ after\ interest\ and\ tax}{equity}$$

$$\text{ROA} = \frac{Net\ income}{Total\ Asset}$$

The window period used is 10 days, which is 5 days before the stock split event and 5 days after the stock split for liquidity variables will be for financial performance 1 year before the stock split and 1 year after the stock split. Data analysis techniques used in research through the following stages:

1. Descriptive statistic analysis
   Descriptive statistical analysis is the analysis of research data to test the generalization of the results of research based on a single sample:
2. Data normality test
   In this study, the normality test data used was the Kolmogrov Smirnov test with normal distribution data when asymptotic sig> the confidence level used in this test is 95% or a= 5%.
3. Hypothesis test
   The hypothesis tests used were paired sample t-test and Wilcoxon Rank Test. Paired sample t-test is used if the data owned is normally distributed and the data distributed abnormally will be done with Wilcoxon Rank Test.

4. Result and Discussion

4.1 Result of the study

Table 1 presents the results of descriptive statistical analysis of variables in this study consisting of variable liquidity of stocks projected by trading volume activity and financial performance calculated using NPM, ROE and ROA by looking at the sample count (N) sample mean, maximum, minimum and standard deviation

Table 1. Descriptive Research variables

Variable	Mean	Minimum	Maximum	N
TVA	0,00565	0,00000	0,03968	31
	0,00169	0,00000	0,01446	31
NPM	255,958	-406	8042,49	31
	98,7238	-85	30338	31
ROE	13,5661	-1,9	47	31
	10,2616	-8	31	31
ROA	6,28161	-25	34,4	31
	6,492258	-6,08	30,91	31

Source: Data Processing, 2020.

This study conducted a normality test using one kolmogrov smirnov test. Data is said to be normal if the significance value is greater than a=0.05. Table 2 shows the results of testing the normality of variables. The test result of variable liquidity of the stock obtained a result of 0.00 which can be seen in the column Kolmogrov-Smirnov and Shapiro-Wilk. The significance value of the data is smaller than a=0.05 so it can be concluded that TVA data is not normally distributed. Normality test results for NPM data show a value of 0.00 which means that

the significance value was smaller than a=0.05 so it can be concluded that the data was abnormally distributed. Normality test results for ROE data shows significance values of 0.022 and 0.69 which were greater than a=0.05 and can be seen in the Kolmogrov-Smirnov and Shapiro-Wilk columns, so it can be concluded that the data was normally distributed. The normality test results for ROA data shows that the significance value was smaller than the value a=0.05 which can be seen in the Kolmogrov-Smirnov and Shapiro-Wilk columns so it was concluded that the data was abnormally distributed. Hypothesis test conducted in this study using paired sample t-test when data is normally distributed and Wilcoxon sign rank test if data is not normally distributed.

Table 2. Test data normality

	Kolmogrov-Smirnov			Shapiro-Wilk		
	Statistic	**df**	**sig**	**Statistic**	**df**	**sig**
TVAbefore	0,284	31	0	0,631	31	0
TVAafter	0,364	31	0	0,495	31	0
NPMbefore	0,518	31	0	0,199	31	0
NPMafter	0,537	31	0	0,178	31	0
ROEbefore	0,13	31	0,197	0,919	31	0,022
ROEafter	0,172	31	0,02	0,937	31	0,069
ROAbefore	0,179	31	0,004	0,864	31	0,001
ROAafter	0,185	31	0,008	0,895	31	0,005

Source: Data Processing, 2020.

Table 3 presents the results of hypothesis testing on stock liquidity variables. Because the data on stock liquidity is not normally distributed, data analysis will be conducted using Wilcoxon rating test. The result of Wilcoxon's rating test on TVA data obtained a significance value of 0.003. The result indicates that the significance value is less than the value a=0.05, then the hypothesis was accepted. Thus it can be concluded that the hypothesis that states there is a significant difference between the company's TVA before and after the stock split is proven.

Table 3. Hypothesis Tets Result for TVA

	TVAafter - TVAbefore
Z	-3,018[b]
Asymp. Sig. (2-tailed)	0,003

Source: Data Processing, 2020.

Table 4 shows the test results of the financial performance variable hypothesis projected with NPM. The test results used Wilcoxon's rating test on NPM data so that a significance value of 0.699 was obtained. The results indicate that the significance value was greater than a=0.05. Thus, the hypothesis regarding NPM there was no difference between before and after the stock split.

Table 4. Hypothesis Tets Result for NPM

	NPMafter - NPMbefore
Z	-,387[b]
Asymp. Sig. (2-tailed)	0,699

Source: Data Processing, 2020.

Table 5 shows the test results of the financial performance variable hypothesis projected with ROA. Because ROE data indicates normal distributed data, data analysis tests will be conducted using paired sample t-test. The results of hypothesis testing using paired sample t-test on ROE data obtained a significance value of 0.854. Since the result of the significance, value was greater than the value a=0.05, it can be stated that the hypothesis was rejected. Thus, the conclusion that can be known that the hypothesis states, there was no difference in the significance of ROE between before and after the stock split.

Table 5. Hypothesis Tets Result for ROE

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	ROEbefore - ROEafter	-0,21065	6,31043	1,13339	-2,52533	2,10404	-0,186	30	0,854

Source: Data Processing, 2020.

Table 6 shows the test results of the financial performance variable hypothesis projected with ROA. Due to abnormally distributed ROA data, data analysis will be conducted with Wilcoxon rating test. the results of the hypothesis test using Wilcoxon's rating test on ROA data obtained a significance value of 0.754. Since the result of the significance, value was greater than the value a=0.05, it can be stated that the hypothesis was rejected. Thus the conclusion that can be known that the hypothesis states, there was no difference in the significance of ROA between before and after the stock split.

Table 6. Hypothesis Tets Result for ROA

	ROAafter - ROAbefore
Z	-,314[b]
Asymp. Sig. (2-tailed)	0,754

4.2 Discussion

This study was conducted to test the difference between trading volume activity (TVA) and financial performance projected by net profit margin (NPM), return on asset (ROA), and return on equity (ROE) before and after the stock split announcement. The population used in this study was companies registered in the Indonesia Sharia Stock Index (ISSI) in 2016-2018. The samples used in this study numbered 31 companies that met the criteria. Testing was conducted using observations on t-5 days to t+5 after the stock split announcement for trading volume activity and h-1 year to h+1 year for the company's financial performance.

1. First hypothesis
   Based on the wilcoxon rating test calculations showed there was a significant difference between trading volume activity (TVA) before and after the stock split announcement shown in table 4.10 with a significance value smaller than a=0.05 obtained by 0.003.
   The results of the analysis test are in line with research conducted by (Khajar, 2016) where the researchers concluded that there was a difference between before and after the stock split. The difference indicates a decline in the company after the stock split announcement so the market reacts negatively to the information. If viewed from the existing theory, the stock split event should be a positive signal for investors in influencing investor decisions and making stocks more liquid (Firmansyah, 2016). But this study was inversely proportional to the theory, which shows that after the stock split trading activity volume decreased compared to before the stock split event. This is due to the lack of information that supports investors to know the announcement of a stock split policy, so investors can not receive from signaling theory (Lukianto Hanafie, 2016). On the other hand, investors also still fully do not believe that companies that do stock split will give a large return
2. Second hypothesis
   Testing on financial performance variables is proxy with NPM, ROE, and ROA. The results of the analysis tests either descriptively or non-parametric tests of the three indicators showed the same results that were insignificant with significant scores of 0.699, 0.854, and 0.754, respectively. This result supports the research conducted by Dwilita and Hadi who mentioned that the stock split did not have a significant difference in the company's financial performance between before and after (Hadi, 2018).
   Based on the underlying theory, the reason for the stock split activity can make the company's performance better but when viewed from the results is very inversely proportional. This is due to several things, namely, in the period of stock split some companies suffered losses, and in that period the economic condition is unstable which means that there are high inflation and monetary crisis. This greatly affects the company's ability to make a profit.
   The absence of profit growth can be due to the decision of the management of the company that prefers to expand the company from the proceeds of the sale of shares. Where the expansion of the company requires considerable funds and the profit gained from the expansion can be felt for a long period.

5. Conclusions and Suggestions

Based on the results of testing and data analysis conducted against companies that conducted stock splits in the period 2016-2018, it can be concluded as follows:

1. There was a difference in trading volume activity (TVA) of the company's shares between before and after the announcement of the stock split in companies listed on the Sharia Stock Index (ISSI) in 2016-2018 obtained by Wilcoxon rating tests showing that the significance level was less than the value of a=0.05. The difference was characterized by a downward trend at the time of the announcement of the stock split and followed by the next five days.
2. There was a difference in the company's financial performance between and after the stock split projected with NPM, ROE, and ROA in companies listed on the Sharia Stock Index (ISSI) in 2016-2018. The test results from all three indicators result in a significance value greater than a=0,05

5.1 Suggestions

Based on the results of the study and the limitations of the study, researchers can provide suggestions that can be useful to all parties concerned, among others:

1. For investors to reconsider the information provided by the company and be more careful before investing in a company that conducts a stock split because such information will not always be a positive signal for the company's future growth.
2. For further research that will conduct similar research to use larger sample with a research period of more than 5 years so that the research results become more accurate and add other indicators of stock liquidity and can also add indicators of other financial performance.
3. For companies, the results of this study can be taken as a consideration when the company will do a stock split, should look at and reconsider the condition of the company when doing a stock split, whether the performance and prospects of the company are good or vice versa. The company must also be careful in making informed decisions about the timing of stock split announcements.

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SWOT Analysis of Cash Waqf Fundraising Strategies in Waqaf-Based Educational Institutions (Case Study at Modern Islamic Boarding School Tazakka, Indonesia)

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Abstract

An effective waqf fundraising strategy is essential in waqf management. It is not easy to raise funds due to its non-obligatory status in Islam, especially in the current condition where the challenges are getting tougher. Although historically waqf has played a significant role in easing the burden on people in need, in current conditions it must be managed strategically. This study aims to analyse waqf fundraising strategies in Tazakka waqf institutions and find alternative strategies to be recommended for further implementation. This study uses a qualitative approach with a triangulation model. Data collection was obtained from observations, interviews, and documentation collection related to the current situation. Regarding the analysis of strategy, this research used SWOT analysis and found that the Tazakka waqf institution has applied the theory of fundraising strategy proposed by Sargeant which divides the fundraising strategy into four strategies, namely; Dialogue fundraising, corporate fundraising, multichannel fundraising, donor retention, and development. Based on the results of strategy analysis using SWOT analysis, this study resulted in eight recommended strategies to be implemented by Tazakka waqf institutions. This recommendation strategy includes increasing collection through other strategic programs, empowering waqif coordinators in expanding cash waqf collection, hiring more human resources, increasing cooperation in building Waqf Collection Units, strengthening collaboration and collection in educational institutions, increasing individual service programs, maximizing collaboration with LAZISWAF Tazakka partners in improving services, improving the quality of human resources through various activities such as training and delegation. This study can be a reference for waqf fundraising strategies in waqf-based educational institutions or waqf institutions. This study provides consideration for waqf institutions in choosing waqf fundraising models to develop waqf institutions in achieving the goals and vision and mission of the institution.

Keywords: Fundraising; Management; Strategy; Waqf

1. Introduction

Waqf has played a major role in the past Islamic civilization whether in the religious field as well as the social one. Although the use of *waqf* assets in Indonesia has traditionally been limited to religious matters, the use of *waqf* assets has expanded in recent years (Hasanah et al. 2017) The total area of *waqf* land in Indonesia is 54,770.96

hectares spread in over 409,525 locations. There are various kinds of the use of *waqf* land which comprises of mosques 44.02%, prayer rooms 28.15%, schools 10.70%, graves 4.43%, Islamic boarding schools 3.75%, and other social activities 8.95%(Sistem Informasi Wakaf, 2021).

Furthermore, it can be seen from the success history of *nazir waqf* in Egypt, especially at Al-Azhar University as the manager of *waqf* land. They could play an important role in financing educational operations needed by the university due to the abundance of *waqf* assets owned, both tangible and intangible, such as shares in several companies, banks, property and investment certificates, as well as apartments and settlements that are rented out to residents. *Waqf* management at Al-Azhar is very effective. It is evident by the capability of the university in managing university-owned hospitals for the general public and commercializing campus buildings and auditoriums, thereby generating sufficient income to cover the salaries of lecturers and employees, research funds, academic scholarships, elementary schools, and madrasas, student dormitories, libraries, and research institutes (Sa'adah and Wahyudi, 2016).

The problems currently faced by *nazir* are how to organize and manage assets to strengthen Islamic educational institutions, develop the community's economy, and protect significant liquid assets so that they are not lost/inexhaustible (Hassan and Shahid, 2010). Based on these situations, it is important to create excellent fundraising management and administration.

However, due to a large number of fundraising operations carried out by social organizations, such as the institutions that manage these *waqf*s, a fundraising plan is needed to utilize the potential and resources of the organization. The fundraising approach used by social service organizations to conduct fundraising operations should be tailored to match the goals of the organization. Social service organizations need a fundraising strategy to carry out fundraising activities in various ways that make it easier for donors to donate. (Rachmasari, Nulhaqim, and Apsari 2016)

Fitri and Wilantoro (2018) observed that many *waqf* institutions still have the problem of *nazir* being less creative, understanding society a traditional worldview, and having an insufficient managerial ability. As a result, it inhibits the growth of *waqf*. This *waqf* program is not yet ideal, meaning that the collection of *waqf* funds is still limited to short-term planning compared to long-term planning (Suryani and Mursyidah 2020).

Based on the previous phenomenon, an effective fundraising strategy is needed. *Nazir*s are obliged to manage *waqf* assets properly, to contribute to the long-to term sustainability of the organization. However, due to the large number of social organizations that carry out fundraising activities, a fundraising plan is needed to utilize the potential and resources of the organization (Huda, 2015). In this case, the application of SWOT analysis is one of the processes to find out more appropriate organizational strategies.

SWOT analysis is a systematic method of identifying various elements for developing organizational strategy. In general, finding the best strategy for an organization begins by identifying external opportunities and threats, and analysing internal strengths and weaknesses. Hopefully, by identifying the external and internal facts, the institution will be able to fulfil its objectives effectively and efficiently (Istiqomah and Andriyanto 2018).

In addition, carrying out fundraising activities is not only by collecting funds, but the scope is more universal and comprehensive, this greatly affects the growth and existence of the institution. understand the situation of fundraising, it can be viewed from these factors, there are motivation, program, and method. Direct and indirect are two types of basic methods in carrying out special activities by *nazir* in collecting funds/power from the community (Huda, 2013).

Fundraising strategies used by social service organizations are usually a direct or face-to-face dialogue in the search for sources of funds carried out by fundraisers, some collaborate with companies to obtain benefits and convenience through the agreements and objectives of inter-institutional cooperation. In addition, social institutions usually carry out the media coverage a strategy by using various media channels to broadcast or notify the programs carried out by these institutions, finally maintaining donor loyalty and developing donors, such as; performing a good relationship with the donor and services donors (Rachmasari, Nulhaqim, and Apsari 2016).

The establishment of the Tazakka Foundation cannot be separated from the establishment of the Modern Islamic Boarding School in Tazakka. The Tazakka Foundation started from house-to-house preaching and religious learning activities. Since being pioneered by the Tazakka Foundation, which is based in Bandar District, Batang Regency, Central Java Province, it has been committed to three areas of activity: *da'wah*, social, and education ("Selayang Pandang - Tazakka.or.Id" n.d.). Tazakka Foundation is one of the *waqf*-based educational institutions that has already proven in managing *waqf* to optimize its ability to help the pesantren economy (Iskandar, 2019).

In the field of education, the Tazakka Foundation established the Modern Islamic Boarding School Tazakka on September 6, 2009. It was officially established during *iftar jama'i* and *tabligh Akbar* event by inviting religious, intellectual, and community leaders. Around 1,500 congregates attended the event which was being held on the land that would be purchased to build the Tazakka Modern Islamic Boarding School. On this occasion, a *waqf* fundraising was held for the purchase of land to be built for the Islamic boarding school. The enthusiasm of the public reached Rp 900 million in a short time. Since then, the community's encouragement to realize the

establishment of a modern Islamic boarding school in Bandar Batang has increased. ("Selayang Pandang - Tazakka.or.Id" n.d.)

For this reason, this study will try to explore and understand the cash *waqf* fundraising strategy in the Modern Islamic Boarding School Tazakka, to provide alternative fundraising strategies that are applied to *waqf* institutions or *waqf*-based educational institutions.

2. Literature Review

2.1 Cash Waqf and its Legal Basis

Before discussing cash *waqf*, it is necessary to disucss *Waqf. Waqf* is initially taken from the word *waqf-yaqifu-waqfan* which means to stop, as opposed to *istamarra* which means to continue. *Waqf* in Arabic is synonymous (*taraduf*) with the term *habs*, which comes from the root word *habasa-yahbisu-habsan* and means "to hold back". The Prophet *sallallaahu 'alaihy wasallam* (PBUH) also used the term *habs* (hold), which refers to the act of withholding something whose benefits are used for good and is recommended by Islam (Qahaf 2005).

In terminology or literally, *waqf* has several definitions that are often put forward by scholars: First, Hanafi scholars formulate the definition of *waqf* by holding the property of the person who performed *waqf* and giving alms for current or future good. Second, according to Malikiyah scholars, *waqf* is a contract that makes the benefits of the property owned, even though it is in the form of rent or the results are like dirhams (money) with a certain *sighat* within a certain period by the applicable provisions with the will of the *waqif* (Rozalinda, 2016).

As a guide for Muslims, the Qur'an contains information about *aqidah, shariah*, morals, and history. Likewise, the hadith whose source is from the Prophet Muhammad PBUH is a messenger to convey revelation. So, we need to know in advance which verses from the two main legal sources support the *waqf* commandment, including the following:

مَثَلُ الَّذِيْنَ يُنْفِقُوْنَ اَمْوَالَهُمْ فِيْ سَبِيْلِ اللّٰهِ كَمَثَلِ حَبَّةٍ اَنْۢبَتَتْ سَبْعَ سَنَابِلَ فِيْ كُلِّ سُنْۢبُلَةٍ مِّاۤئَةُ حَبَّةٍۗ وَاللّٰهُ يُضٰعِفُ لِمَنْ يَّشَاۤءُۗ وَاللّٰهُ وَاسِعٌ عَلِيْمٌ

The parable of those who spend their substance in the way of God is that of a grain of corn: it grows seven ears, and each ear hath a hundred grains. God giveth manifold increase to whom He pleaseth: and God careth for all And he knoweth all things. (QS. Al-Baqarah: 261) (Ali 1983)

Allah SWT makes an example of those who spend their wealth in the way of Allah with a seed as described by Allah in the verse. Phrase " في سبيل الله" was interpreted by 'Abduh with the benefit of the people who can deliver to His pleasure, moreover, the benefits are comprehensive and the effect is very imprinted. Their parable is like sowing seeds in fertile soil so that they produce multiplied results. As for the similarities between "spending wealth in the way of Allah" and "a seed that grows seven ears. In each ear a hundred seeds" because those who spend their wealth in the way of Allah will get rewards in this world that are doubled as if they sow seeds in the ground fertile (Lasmana, 2016).

إِذَا مَاتَ ابْنُ آدَمَ انْقَطَعَ عَمَلُهُ إِلاَّ مِنْ ثَلاَثٍ: صَدَقَةٍ جَارِيَةٍ أَوْ عِلْمٍ يُنْتَفَعُ بِهِ أَوْ وَلَدٍ صَالِحٍ يَدْعُو لَهُ

"When a person dies, his deeds are cut off, except for three things: almsgiving, useful knowledge, and a pious child who always prays for him." (HR. Muslim)

Cash *waqf* is a *waqf* performed in cash by a person, group of people, institutions, or legal entities. Another view of cash *waqf* is *waqf* in the form of money, which is then productively handled by the *nazir* with the benefit being used for *mauquf alaih*. As a result, the money submitted to the *mauquf alaih* must first be invested by the *nazir*, and then the profits of investment are distributed to the *mauquf alaih*. "Cash *waqf* is a legal act of *waqif* to separate and/or surrender part of the money to be used forever or for a certain period by its interests for worship and/or general welfare according to *sharia*." by the explanation of the Regulation of the Minister of Religion Number 4 of 2009 concerning Administration of Cash *Waqf* Registration Article 1 (Menteri Agama RI, 2009).

Based on the fact that cash *waqf* has a lot of flexibility and offers many benefits that other goods do not have. On May 11, 2002, the Fatwa Commission of the Indonesian Ulema Council issued a fatwa on cash *waqf* legislation stating that it is permissible (Engel 2010).

2.2 Fundraising Strategy

Strategy is a decision to engage in various activities or to engage in activities differently from rivals (Eddy Yunus, 2016). The process of planning steps for the future with the company, developing the organization's vision and mission, setting strategic goals, and designing strategies to achieve these goals to produce the best value that comes from commitment, is known as strategy formulation. The strategy chosen must be in line with the company's objectives to improve the company's position. According to Rothwell (2005), the process of strategy formulation is described as follows:

1) Establishment of Vision, Mission, and Goals

2) Identifying Past and Present Strategies
3) Diagnosing Past and Present Performance
4) Setting Objectives
5) SWOT Analysis and Strategy Formulation
6) Developing Evaluating and selecting Alternative Strategies

Fundraising can be interpreted as helping social enterprises grow along with the terminology that fundraising is not only considered in the context of fundraising. This is understandable because generosity and public concern do not have to be in the form of money, therefore fundraising in the form of other resources that can help social and individual activities is very possible (Huda, 2015). Fundraising factors should be considered when running an optimal fundraising campaign (Abidah 2016). Analysis of needs, segmentation, identification of donor profiles, goods, and advertisements are elements in raising funds. Motivation, program, and method are three ways to characterize the essence of fundraising. Motivation is described as a collection of ideas, attitudes, and motivations that encourage potential contributors to donate a portion of their income. Institutions must continue to educate, disseminate, promote, and convey information in the context of fundraising to raise awareness of the need for potential donors, to carry out program activities, and to manage institutional activities (Huda 2015).

A fundraising strategy will give the best results in the effort to raise funds. This opinion is supported by Sargeant (2010), a fundraising strategy is an element of the approach to achieving goals and differentiating fundraising activities carried out by other organizations (Huda 2015). In this case, Sargeant divides the fundraising strategy used by social service organizations into four strategies:

1. Dialogue Fundraising
   The dialogue fundraising strategy is a strategy that is carried out in direct dialogue or commonly described as a face-to-face. This strategy is the easiest and most effective strategy to do to raise a large amount of money. According to Smith (1997), social service organizations can focus on certain donors who are the target in carrying out this strategy. In a face-to-face strategy or dialogue fundraising, good interaction is needed to raise funds. In interacting with potential donors, good skills and abilities are needed to carry out this strategy (Huda 2015).
2. Corporate Fundraising
   A corporate fundraising strategy is an activity to build the development of social organizations in cooperation with companies that have common interests. In establishing cooperation with certain companies, organizations must have certain information, such as terms and conditions, and the programs offered, therefore social organizations can approach potential companies with the programs offered (Huda 2015).
3. Multichannel Fundraising
   The multichannel fundraising strategy aims to obtain funding for the organization's survival through diversity and support in the use of various channels and communication media to the public. By utilizing various communication channels and media, it will be easier for organizations to convey information and invite the public to contribute. (Huda 2015)
4. Retention and Development of donor
   There are many reasons why donors in social service organizations stop their financial support. This is due to poor service quality, poor communication, and no notification of financial statements from the organization. Therefore, organizations need to consider strategies for maintaining and developing bonds with donors. So that it can maintain loyalty and maintain the trust of donors to the organization (Huda, 2015).

2.3 SWOT analysis

SWOT analysis is an abbreviation of strengths and weaknesses, opportunities and threats, where SWOT is used as a model in analyzing either a profit-oriented or non-profit organization with the main aim of knowing the state of the organization. More comprehensively, Fahmi (2014) used a tool for analyzing and determining decisions by placing a SWOT matrix approach. This matrix clearly illustrates how the opportunities and threats faced by the company by adjusting to the strengths and weaknesses faced by the company in order to generate strategy that must be carried out. This matrix is illustrated in Table 1.

Table 1. Matriks SWOT.

Internal / External	**Strength (S)** Determine 5-10 internal strength factor	**Weakness (W)** Determine 5-10 factors of external weakness
Opportunities (O) Determine 5-10 external opportunity factors	Strategi SO Create strategies that use strengths to take advantage of opportunities	Strategi WO Create strategies that minimize weaknesses to avoid threats
Threats (T) Determine 5-10 external threat factors	Strategi ST Create strategies that use strength to overcome threats	Strategi WT Create strategies that minimize weaknesses to avoid threats

Source: Freddy Rangkuti (Membedah Kasus Bisnis Analisis SWOT, 2016)

After looking at the table, there are four alternatives for institutions to carry out *waqf* fundraising strategies. The alternative fundraising strategies include:

1. SO (*Strength-Opportunity*) Strategy
   This strategy uses the internal strengths of the organization to take advantage of external opportunities. The SO strategy is achieved by implementing the ST, WO, and WT strategies. If the company has a major weakness, the company will try to turn that weakness into a strength. If the company faces a major threat, the organization will try to avoid the threat if it concentrates on the opportunities that exist (I Fahmi 2013).
2. WO (*Weakness-Opportunity*) Strategy
   This strategy aims to improve the company's internal weaknesses by taking advantage of existing external opportunities. One alternative to the WO strategy is for the organization to recruit and train staff with the required skills and qualifications (I Fahmi 2013).
3. WT (*Weakness-Threet*) Strategy
   This position is very difficult for the company, but the company can overcome this difficult position. The company must minimize weaknesses or if possible the company will eliminate internal weaknesses and avoid existing external threats to achieve organizational goals (Rangkuti 2016).

2.4 Previous Studies

Before starting the discussion, many previous studies and studies were evaluated and reviewed to determine the core point of the topic to be discussed.

Miftahul Huda, (2014) in his research entitled "Manajemen Fundrising Wakaf Potret Yayasan Badan Wakaf Universitas Indonesia Yogyakarta Dalam Menggalang Wakaf" revealed that some waqf assets are not managed effectively, so they cannot be developed productively. The nazir fundraising waqf management approach developed by UII not only produces waqf efficiently but also sustainably. The raising of waqf assets also aims to promote social entrepreneurship for the benefit of the people and to improve people's welfare (Miftahul Huda 2014).

Rahmi Septiyani, (2018) in her journal, "Telaah Stategi Fundraising Wakaf tunai Mewujudkan Pemberdayaan Masyarakat". This study aimed to identify strategies for collecting cash waqf from BMH East Java, as well as the role of waqf collection techniques in achieving community empowerment. This research is using the qualitative approach with a case study strategy. BMH East Java used two techniques for collecting cash waqf funds, according to the findings: proactively collecting waqf in the field and using creative promotional and advertising media (Septiyani, Djalaluddin, and Munir 2018).

Muhammad Shulthoni, (2018) in the journal "Waqf fundraising management: A conceptual comparison between traditional and modern methods in the waqf institutions". Found that the financial theoretical framework for Islamic generosity, particularly waqf, is the topic of this research. Waqf is expected to play a bigger role in overcoming current social problems, with financial sustainability being one of the biggest difficulties for waqf institutions. It is necessary to investigate the different fundraising approaches that can be used to improve waqf institutions (Shulthoni and Saad 2018).

Syamsuri, (2019) in his journal "Strategies of Islamic Education Institutions in Fundraising Waqf to Create Economic Independence in the Era of the 4.0 Industrial Revolution". The purpose of this study is to explore the approach of Islamic Education Institutions in collecting cash waqf to achieve economic independence in the period of the industrial revolution 4.0. The scope of the discussion will cover the topic of distribution management and waqf fundraising, with the ultimate goal of responding to the needs of the poor. The findings of this study indicate that having a solid waqf fundraising plan implemented by nadir can indirectly improve people's welfare and build economic independence (Syamsuri and Wibisono 2019).

3. Research Method

In this study, the main source is primary data which is generated through direct interviews with informants. The primary data in this study was obtained through in-depth interviews, and using unstructured interviews, so that in obtaining data or information they were not stuck in the interview text. In this study, researchers conducted interviews with several informants who were considered competent in this field, Deputy Director of Waqf Tazakka, LAZISWAF Tazakka's Permanent Partner & Waqif, information and publication division, Head of the Department of Institutional and Foreign Cooperation Modern Islamic Boarding School Tazakka, Scholarship Recipient at Tazakka Institute.

Collecting data is an important and very decisive job in research. Data research is said to be successful if the data can be collected. On the other hand, if data cannot be obtained or cannot be collected, then a study is considered unsuccessful or failed (Sangadji and Sopiah, 2010). In this data collection technique, triangulation can be interpreted as a data collection technique by combining various data collection techniques to obtain the same data source. These methods include participatory observation, in-depth interviews, and documentation to obtain the same data source simultaneously (Ibrahim, 2015).

This type of research is in the form of qualitative research, namely the researcher uses inductive reasoning techniques and thinks that many points of view can be articulated. Qualitative research focuses on social issues and individuals' feelings and views (Emzir, 2016). Along with literature and theories related to history, systems, and appropriate fundraising management to be applied to Modern Islamic Boarding School Tazakka.

4. Results and Analysis

4.1 First Question of Research

Cash *waqf* requires the right fundraising strategy. The pattern or model of fundraising and good management will have an impact on achieving the goals and benefits of cash *waqf*. This is because management is a series of processes consisting of strategic planning, managing resources, and developing assets to achieve goals and results. Organizing cash *waqf* can be done through three main models, namely fundraising, organization, and distribution of benefits (Imari and Syamsuri 2017).

4.2 Cash Waqf Collection Strategy

Waqf is a social empowerment system owned by Islam for the economic development of the people. Muslims in Indonesia have long known and implemented *waqf*, it provided people's endowment funds to benefit the welfare of society. This, if associated with the number of the Muslim population in Indonesia, would be very appropriate. However, it takes the right *waqf* collection strategy to be able to exploit this system optimally (Fuadi, 2018). Based on this, collecting *waqf* assets is an obligation that must be carried out by an institution that collects *waqf* assets. The collection of *waqf* both in terms of direct dialogue, cooperation, utilizing owned media, and building good relations with donors is explained as follows:

4.2.1 Dialogue Fundraising Strategy

This strategy is a strategy that directly interacts with donors to obtain funds faster than other strategies. In carrying out this strategy, the institution's management must have good interaction skills to get donors. Through the capabilities of fundraisers, in the end, they can invite the community to be involved in donating to social service organizations by the donor targets determined by the organization. In addition, fundraisers must be able to give confidence to potential donors (Rachmasari, Nulhaqim, and Apsari 2016).

4.2.2 Corporate Fundraising Strategy

The corporate fundraising strategy carried out by Tazakka *waqf* institutions is purposed to develop various funding sources for Tazakka institutions for the long-term sustainability of education and service programs in building partnerships and networks with companies. A corporate fundraising strategy is a context for building the development of social service organizations in cooperation with companies that have certain interests (Rachmasari, Nulhaqim, and Apsari 2016).

4.2.3 Multichannel Fundraising Strategy

From the first establishment, the Tazakka *waqf* institution started by using a face-to-face strategy or dialogue fundraising which was considered an effective way to get funds. Then the Tazakka *waqf* institution seeks to

develop another strategy, which is the multichannel fundraising strategy because by using this strategy, it can increase the source of obtained funding and as an anticipatory step if one of the other fundraising strategies does not function effectively. Variations of the acquisition strategy or multichannel, carried out by Tazakka *waqf* institutions include:

4.2.4 Telefundraising

Telemarketing or telefundraising is a way of fundraising carried out by Tazakka *waqf* institutions via phone. In this case, the management gets community contact, one of which is when the community fills in their data when *waqf* is offline after a routine study or at the Tazakka *waqf* office. The *waqf* funds that are collected are focused on building infrastructure and supporting facilities of the Tazakka institution.

4.2.5 Online fundraising

Online fundraising or digital fundraising is related to fundraising activities carried out online. The public can donate through the services provided on the LAZISWAF Tazakka website and the Tazakka Mobile application which will later be transferred through the personal WhatsApp chat of the Tazakka *waqf* institution to make transactions.

4.2.6 Crowdfunding

Crowdfunding is one of the channels for collecting funds carried out by Tazakka *waqf* institutions in raising money or also known as joining ventures from the community to make things happen. In this case, the crowdfunding that has been carried out by the Tazakka *waqf* institution is the construction of educational facilities at the modern Tazakka cottage such as the construction of 2 basketball courts, the initiation of construction of Tazakka girls

4.2.7 Community fundraising

Community fundraising is a fundraising activity carried out by the community and the results of the activities are donated to the Tazakka *waqf* institution. Community fundraising has been carried out, namely activities held by the Alumni guidance of the KBIH Muzdalifah class of 2016 and 2017 that held friendship and reunion events. On the occasion of the reunion held at the Rabithah Pondok Modern Tazakka Building Hall, H. Budi Waluyo as Treasurer of the 2017 class at the meeting handed over cash *waqf* from all 2017 congregations in the amount of Rp. 32.400.000 and 501 SAR.(“Reuni Haji Alumni KBIH Muzdalifah Tradisikan Gerakan Zakat & Wakaf - Tazakka.or.Id” n.d.)

4.3 Retention and Development Donor Strategy

The Tazakka *waqf* institution carried out this donor retention and development strategy as an opportunity. Thus, this strategy can maintain the trust of donors and even develop donors in the long term so that the Tazakka institution strives to provide the best service to donors and potential donors. Donors' trust in Tazakka *waqf* institutions is hopefully able to increase public awareness of caring for educational institutions that produce community cadres and institutions that always think about the benefit of the people. In implementing this strategy, the Tazakka *waqf* institution also builds regular communication with its donors by providing information related to accountability reports sent via email or inviting inauguration and general agendas. In addition, there is also an information service to respond quickly to complaints, criticisms, and suggestions from donors. The services provided by Tazakka *waqf* institutions to donors are as follows:

4.3.1 The legality of fundraising

The Tazakka *waqf* institution has the legal entity as one of the *Nazir* cash *waqf* by the Central Indonesian *Waqf* Agency (BWI) with registration number: 3.3.00188 in 2018. In this case, the methods and mechanisms of fundraising to financial reports from fundraising activities of Tazakka *waqf* institutions were submitted to the government.

4.3.2 The Information Service

This will provide complete information to the public or donors either directly through fundraisers or from websites and social media that the public can easily access. In addition, donors can contact customer service regarding complaints and suggestions for Tazakka *waqf* institutions.

4.3.3 The Ease *of payment*

Some various ways and alternatives make it easier to pay for donations, including; payment by debit card, payment by *waqf* pick-up service, and auto withdrawal. Ease of payment in *waqf* at Tazakka *waqf* institutions by providing various choices of donation and alternative payments to make it easier for donors to donate at Tazakka *waqf* institutions.

4.3.4 Accountability Report

The responsibility of the Tazakka *waqf* institution to its donors is to provide periodic reports. The Tazakka *waqf* institution ensures that it provides regular reports to donors and that funds are used efficiently for the facilities and infrastructure needed for the modern Tazakka Islamic boarding school

5. Analysis

To analyze the strategy, one should know the state of the organization more comprehensively. In this case, it is necessary to identify the company's internal and external conditions so that later on it can be analyzed and provided as a guide so that the company becomes more focused on carrying out its duties and objectives (Murpin and Fatihudin 2020). The following are the results of identification after conducting interviews and observations:

5.1 Internal

Internal analysis is used to determine the strengths and weaknesses of the Tazakka *Waqf* Institution in carrying out its role as a *waqf* institution in charge of collecting and managing the main *waqf* funds and distributing the results from the management of these funds. To analyze the internal environment, internal and external factors need to be identified. Internal and external factors were obtained from interviews with respondents from internal and external LAZISWAF Tazakka. From the interviews, there are five strength factors and four weakness factors. The explanation of the internal factors of LAZISWAF Tazakka is as follows:

5.1.1 Strengths

Some of the strengths that LAZISWAF Tazakka has are:

1. It has excellent programs in the field of education
   LAZISWAF Tazakka in conducting activities has many advantages, there are the image of the institution that has been built on the Tazakka Institute is good so the strategic program of LAZISWAF Tazakka is a program related to education. This makes LAZISWAF Tazakka's trust even greater. This can be seen from the results of interviews with internal parties LAZISWAF Tazakka as revealed by the deputy director of *Waqf* Tazakka.
2. Reliable collection experience
   Another advantage that LAZISWAF Tazakka has in collection is that LAZISWAF Tazakka is a *waqf* institution that has been established in 2012 or has been around for 9 years. Thus, experience and evidence of development are considered superior and able to provide an example to other *waqf* institutions.
3. *Waqif* loyalty
   Among the characteristics of LAZISWAF Tazakka with other *waqf* institutions is that LAZISWAF Tazakka has many loyal *waqif*s. They became loyal donors as the the result of the attention that LAZISWAF Tazakka always gives them as good relations. It can also be seen from the number of *waqif* who prefer to perform *waqf* on their assets by simply registering the *waqf* at their home, office, or residences. Furthermore, the donors always broadcast the programs owned by this *waqf* institution to be able to provide more benefit for the people.
4. It has a systematic program
   Regarding the collection of LAZISWAF Tazakka, fund management is an important means to shape the image of the institution and build interest in raising funds. Many LAZISWAF Tazakka's donors are loyal to donating because of the commitment of LAZISWAF Tazakka that keeps its responsibility over the *waqf* funds.
5. Transparency and accountability
   The collection and management finances at LAZISWAF Tazakka are always reported through various media such as WhatsApp groups and personal chats. In addition, LAZISWAF Tazakka also publishes *waqif* through bulletins and magazines so that the *waqif* can find out the circulation of money in LAZISWAF Tazakka. In addition, donors will be invited to the groundbreaking ceremony of building construction or the inauguration of the building to report to the donors the results of the funds that have been given.

5.1.2 Weaknesses

Some of the weaknesses of LAZISWAF Tazakka are:

1. Limited Human Resources
   Human resources are essential to carry out achievements in an institution. One of the weaknesses of LAZISWAF Tazakka is the limited number of adequate human resources in each section. For this reason, it is necessary to create a maximum performance from each LAZISWAF Tazakka line.
2. Limited branch office
   As time goes along, it requires every institution to engage in the social sector and always thinks about the progress and growth of the institution. The lack of LAZISWAF Tazakka in facing the demands of community service from various regions requires LAZISWAF Tazakka to create branch offices that can play a more significant role in an area. Meanwhile, LAZISWAF Tazakka still didn't have a branch office.
3. The Limited Online Innovation Space
   Some sections of LAZISWAF Tazakka have limited space, one of which is the online collection section. This is one of the weaknesses of LAZISWAF Tazakka. Because amid the development of other zakat institutions in developing service innovations in the media sector, LAZISWAF Tazakka is still just starting and has not provided much room for it.
4. The Lack of collaboration services
   Collaboration is one of the main activities that LAZISWAF Tazakka has given to each of its *waqif*, both individually and in groups. Seeing the importance of this activity, LAZISWAF Tazakka encountered several problems in fulfilling all services requested by donors. Due to the limitations of this nadir, LAZISWAF Tazakka must try to realize that all requests for donors and funds are also other elements that must be considered.

5.2 External

The external environmental analysis was conducted to determine the external environmental conditions around LAZISWAF Tazakka and their effect on the existence of LAZISWAF Tazakka in the future. Therefore, it is necessary to analyze external factors; These external factors were obtained through interviews with respondents from internal and external parties. Therefore, from the interviews, the researcher can recover at least four factors of opportunities and obstacles or threats of LAZISWAF Tazakka in maintaining the sustainability of the institution.

5.2.1 Opportunity

Some of the opportunities that LAZISWAF Tazakka has are:

1. Huge potential of cash *waqf*
   Seeing the collection of cash *waqf* that still has not been able to realize the potential of existing cash *waqf*, LAZISWAF Tazakka believes that this potential must continue to be explored. Thus, one of the opportunities for LAZISWAF Tazakka to raise substantial funds is behind the institution's consistency in implementing programs that suit the vision, mission, and goals of the institution.
2. Public trust
   Trust is the main capital to run a business, in the field of trade or services. The best step has been taken by LAZISWAF Tazakka where public trust in LAZISWAF Tazakka is one of the most extraordinary opportunities in carrying out fundraising activities or administrative programs.
3. Large location area in Central Java
   As an institution that has been executed in Islamic boarding schools, LAZISWAF Tazakka already has a sufficient location but there are still many areas that have not become the object of ownership of LAZISWAF Tazakka.
4. The Loyalty of the community coordinator/*waqif*
   The collection area owned by LAZISWAF Tazakka is quite large, although it does not has a branch office. However, with the loyal donors and coordinators of LAZISWAF Tazakka, they will be able to reach even more because the coordinator of LAZISWAF Tazakka does not only act as *waqif* and *waqif* coordinator. They are also able to act as the institutional image and informants of LAZISWAF Tazakka.

5.2.2 Threat

Some of the threats or challenges of LAZISWAF Tazakka:

1. BWI dual function

BWI as the government institution that carries out two functions, both as regulator and implementer, is a challenge for other *waqf* institutions, including LAZISWAF Tazakka because the absorption of BWI and public trust in government institutions have a significant influence on fundraising. In addition, several policies issued by the government can facilitate the collection of BWI itself. In the end, this is perceived as a challenge that must be faced continuously to help LAZISWAF Tazakka itself in facing the existing challenges.

2. The spread of modern lifestyles and consumerism in Batang society
   The increasing consumer lifestyle will bring influence and threat to institutions in the collection of social funds and certainly will impact LAZISWAF Tazakka. As a result of the attitude of people who use their wealth more in fulfilling their lifestyle, the sense of caring and the desire to donate is reduced. In the end, this will be a threat to the fundraising in LAZISWAF Tazakka.
3. Competition and Innovation of other *Waqf* Institutions
   Behind the development of the emergence of various *waqf* institutions, innovation and institutional commitment are important things to pay attention to because the current era requires every provider of goods or services to have innovations that can attract public interest. LAZISWAF Tazakka as a social institution must always improve the innovation and commitment of the institution so that it is always in demand. Thus, innovation becomes a big challenge for LAZISWAF Tazakka in maintaining the existence of the institution.
4. Inflation
   Like other *waqf* institutions, LAZISWAF Tazakka has a challenge from the external side, which is the inflation that needs to be watched out for because it will have a significant impact on the attractiveness of collections and the public's desire for *waqf*.

6. SWOT Analysis on Collection Strategy

SWOT (Strength-Weakness-Opportunity-Threat) analysis was conducted to obtain the institutional strategy developed through the analysis of the company's internal and external factors. SWOT analysis is used to provide clear results regarding the strengths and weaknesses of the institution so that it can respond to opportunities and threats that exist from the external side of the company.

Table 2. Analysis matriks SWOT.

External \ Internal		Strengths	Weaknesses
		1. Having excellent programs in the field of education 2. Proven collection experience 3. *Waqif* loyalty 4. Has a systematic program 5. Transparency and accountability	1. Limited Human Resources 2. Don't have a branch office for service 3. Limited Online Innovation Space 4. Lack of collaboration services
Opportunity	1. Huge potential cash *waqf* 2. Public trust 3. Large location area in East Java 4. Loyalty of *waqif* coordinator	1. Increasing Collection through other strategic programs 2. Empowering *waqif* coordinators in expanding the collection of cash *waqf*	1. HR addition & development 2. Increase cooperation in building the *Waqf* Collection Unit
Threat	1. BWI dual function 2. The spread of modern lifestyles and consumerism in Batang society 3. Competition and Innovation of other *Waqf* Institutions 4. Inflation	1. Strengthening collaboration and gathering in educational institutions 2. Improving individual service programs	1. Maximizing the collaboration of LAZISWAF Tazakka partners in Service improvement 2. Improving the quality of human resources through various activities such as training and delegation

Source: Primary data analysis

The SWOT Matrix provides alternative strategies that can be used by LAZISWAF Tazakka in implementing current conditions by looking into the company's internal and external factors from the factors that collaborate to produce alternative output strategies. The alternative strategies that LAZISWAF Tazakka must use are:

6.1 S-O (Strengths-Opportunities) Strategy

1. Increase Collection through other strategic programs
   By looking at LAZISWAF's shortcomings, Tazakka runs previous several programs. Problems with several previous services require LAZISWAF Tazakka to maximize partners who have collaborated with LAZISWAF

Tazakka. To support the LAZISWAF program, Tazakka does not only run the basic program, but other institutions also have a role. Thus, the relationship of each partner can complement each other.

2. Empowering *waqif* coordinators in expanding the collection of cash *waqf*
   The empowerment of the LAZISWAF Tazakka coordinator will greatly assist the institution in expanding the collection network because the loyalty of the *waqif* coordinator is one of the strengths of the institution in utilizing external resources.

6.2 W-O (Weaknesses-Opportunities) Strategy

1. HR addition and development
   Increasing the number of human resources for LAZISWAF Tazakka's management will make it easier for the institution to carry out its activities more effectively and eliminate public perceptions of LAZISWAF Tazakka regarding management's slow response in responding to requests for assistance.
2. To Increase cooperation in building the *Waqf* Collection Unit
   To have a branch office in each region, the best step that LAZISWAF Tazakka can take is to collaborate with a zakat institution that has just grown into a cash *waqf* collection unit, so that the legalization of the cash *waqf* collection unit is taken by the legality of LAZISWAF Tazakka and can carry out programs that are by LAZISWAF Tazakka especially to maintain the reputation of the institution.

6.3 S-T (Strengths-Threats) Strategy

1. Strengthening collaboration and collection in educational institutions
   One of the strategies in conditions of access and threats currently being faced is to face external threats such as the BWI monopoly, lifestyle, and existing competition. LAZISWAF Tazakka must defend itself and focus on strengthening collections through educational institutions because LAZISWAF Tazakka has added value in the field of education.
2. Improving individual service programs
   LAZISWAF Tazakka as an initial institution must be able to see the strengths and threats that are currently being faced, such as lifestyle and consumerism that are rooted in society as big problems in raising funds. Then one alternative that can be done by LAZISWAF Tazakka is to look at the existing advantages, including increasing individual service programs. As a result, the community will continue to participate in channeling their *waqf* funds.

6.4 W-T (Weaknesses-Threats) Strategy

1. Maximizing the collaboration of LAZISWAF Tazakka partners in service improvement
   By looking at LAZISWAF's shortcomings, Tazakka runs several programs that it has. Problems with several service devices require LAZISWAF Tazakka to maximize partners who have collaborated with LAZISWAF Tazakka. To support the LAZISWAF Tazakka program, the management does not only run the basic program, but other institutions also have a role. Thus, the relationship of each partner can complement each other.
2. Improving the quality of human resources through various activities such as training and delegation
   Understanding of the institution is required for all administrators, the vision and mission of LAZISWAF Tazakka are attached to the personality of the employees to support the development of the institution. human resource development can be done through the delegation of external activities, and so on.

7. Conclusion

Based on the results of research on the strategy of collecting cash *waqf* funds at LAZISWAF Tazakka, the following conclusions are drawn;

Based on the results of research and discussion of strategies for collecting cash *waqf* funds, LAZISWAF Tazakka implemented a dialogue fundraising strategy, corporate fundraising strategy, multichannel fundraising strategy, donor retention, and development strategy. In the dialogue fundraising strategy, several weeklies, monthly, and annual study programs are implemented. Apart from that, *waqf* socialization activities are carried out in the Tazakka Institution fostered communities. While the corporate fundraising strategy carried out by the Tazakka *waqf* institution by building a partnership network with the company aims to encourage and accelerate the progress of the Tazakka institution, as for the companies that are partnerships with the Tazakka *waqf* institution, namely: PT. Gaido Azza Darussalam Indonesia, Chefi's Arabian Cafe & Resto. Then for the multichannel fundraising strategy, the Tazakka *waqf* institution implements telefundraising, online fundraising, crowdfunding, and community fundraising strategies. For the retention and development strategy of donors, the Tazakka *waqf* institution implements a proposal to collect *waqf* through a legal entity issued by the Indonesian

Waqf Board, provides complete information services, provides several alternative payments in donating for the convenience of donors, and carries out accountability reports.

Based on a SWOT analysis of internal and external factors at LAZISWAF Tazakka, it can be formulated that there are at least 8 alternative strategies that can be applied by LAZISWAF Tazakka in the current conditions, namely: (1) Increasing Collection through other strategic programs, (2) Empowering *waqif* coordinators in expanding collection of cash *waqf*, (3) Addition of human resources, (4) Increasing cooperation in building *Waqf* Collection Units, (5) Strengthening cooperation and collection in educational institutions, (6) Increasing individual service programs, (7) Maximizing collaboration with LAZISWAF Tazakka partners in improving services, (8) Improving the quality of human resources through various activities such as training and delegation.

8. Recommendation for Future Research

Based on the results of data analysis regarding the collection strategy on internal and external conditions at the Tazakka *Waqf* Institution, the researcher recommends the following;

It is recommended that Tazakka *waqf* institutions use more media to present the institution to the public, such as national television advertisements and marketing through educational institutions, especially universities. After that, responding to potential donors by sending direct response messages to viewers or followers on social media is an effective step to take. In addition, to increase the collection of institutional funds, it is better to do more partnerships in government institutions and private institutions, as has been done by Tazakka *waqf* institutions at this time.

Tazakka *waqf* institutions should use various techniques, including increasing new programs and partnerships in the collection, either individually, in groups, or through agencies, to continue to increase and be stable. Then by increasing the quality and quantity of human resources, it is recommended that the internal management of the institution be improved.

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Research Trend in Takaful: A Meta Analysis

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Abstract

Research in Takaful has seen a significant increase in current years. Since Takaful is an important component of Islamic financial system, yet the research in the area is still scarce. This study aims to present past and current research on Takaful to direct future publication. This study employs meta-analysis; a combination of bibliometric analysis and content analysis. This bibliometric analysis examines 398 research publications from 1989 to 2022 while the content analysis has been performed on recent Takaful literature published over the period of 2021 to 2022 as to highlight recent research contribution. In this paper, bibliometric information was analyzed using Microsoft Excel to extract the raw data and perform frequency analysis, VOSviewer for data mapping, and Harzing's Publish and Perish for citation analysis. Harzing's Publish and Perish has been selected as it facilitates the search on literature with high impact and performance in terms number of citations per author and the publications' performance through h-index and g-index. The number of research publications have grown significantly especially starting from 2012. Most articles were published in English, mainly in journals. The highest research contributions and the most co-authors come from Malaysia. Takaful studies have been conducted widely across the globe and the publication numbers are increasing over the years. To the best of our knowledge, there is limited article discussing bibliographic information on Takaful publications by employing both Harzing's Publish and Perish and VOSviewer software to extract data from the Scopus database. This study reveals the widely used themes and future themes. It is highly recommended to employ other academic databases and to use other software to perform the extended analysis.

Keywords: Takaful; Islamic insurance; Islamic mutual insurance; Islamic cooperative insurance

1. Introduction

Takaful is an important component of Islamic financial Institutions given its current growth in total assets. Although Takaful is regarded as the smallest Islamic financial sector by assets, its significant growth during the outbreak of COVID-19 in 2020 has seen a 16% increase in the global Takaful sector. The pools of Takaful assets are concentrated in the GCC, MENA counties and Southeast Asia, mainly in Saudi Arabia, Iran, and Malaysia respectively. It is projected that global Takaful asset will experience a significant growth of 46% in 2025 within a five-year period from 2020 which amounted to $91 billion. (ICD-REFINITIV, 2020).

Malaysia, as one of the International Islamic finance hubs has taken a proactive approach in developing policy and guidelines for Takaful Operators (TOs) operating in the country through the function of the Bank Negara

Malaysia (BNM). Thus, an analysis of the past Takaful literature is needed to see its publication trends and other important information on the most influential authors and citation analysis around the world.

We adopt a bibliometric analysis, with data visualization techniques through VOSviewer and citation metrics analysis by employing Harzing's Publish and Perish (Fauzan, and Jahja, A. S., 2021 and Fauzan, Ibrahim, M., and Jahja, A. S. , 2021). At the moment, there are only three publications on Bibliometric analysis related to Takaful literature performed by Kusmayadi, D. et. al (2021) Hassan, M.K. et. al (2020) Nasir, A. et. al (2020). As represented by the year, it shows that study on Takaful metadata is still scarce and at the beginning phase. To the best of our knowledge, only Nasir, A. et. al (2020) employed Scopus database and the sample selection was limited to publication between 2000 to 2019 only and none of the study analyzed data through both Harzing's Publish or Perish and VOSviewer simultaneously. Harzing's Publish or Perish software could facilitate in examining the publication impact and performance through number of citations, g-index, and h-index. This study analyzed the first Takaful publication in 1989 until recent publication in 2022 and it provides a thorough analysis of keywords development coupled with content analysis on recent publications.

Further, we also found that only Hassan, M.K. et. al (2020) conducted content analysis on Takaful research published between 2019 and 2020 in the meta-analysis study and the sample selection was limited to 20 publications only. This study also performed content analysis on a larger scale of Takaful publications. We conducted a traditional literature review on 54 recent Takaful research published between 2021 to 2022. Thus, we would not undermine recent publication to gauge for future research.

Researchers can examine publication trends and to study the impact and performance of Takaful publications through keyword analysis, authors analysis, and citation analysis. Four main research questions posed in this study: First, how the publication trend in Takaful research has developed and been distributed? Second, who are the most actively contributed authors in terms of publication? Third, what is the current citation performance of the publications? Fourth, what are the possible direction of future research.

This study examines the results in various ways in response to the research questions. The raw data has been exported to Microsoft Excel and analyzed directly such as number of publications based on authors and the publication trend. Scopus.csv file has been exported and analyzed through VOSviewer software to generate data visualization on research collaborations. The findings on citation analysis have been gathered through scopus,ris file by employing Harzing's Publish and Perish software. It is hoped that this study could provide a meaningful insight for researchers around the world to explore future potential areas in Takaful research.

2. Methodology, Data, and Analysis

Scopus has been employed as the leading database to extract the data for the purpose of the study. Given its reputation as one of the largest academic databases, Scopus also provides searchable citation, single abstract, and has the function to search literature through abstract sources. Bibliometric analysis has been applied as it assists in providing bibliographic indicators of the literature. Takaful literature is regarded as limited in number. Given its significant contribution to the growth of Islamic finance, bibliometric research may provide meaningful insights for researcher to analyze substantial data on Takaful publications in terms of prominent works and their relationships.

We further analyzed the content of selected literature for recent publication. The combination of quantitative analysis (bibliometric) and qualitative analysis (content) is common in social science literature but still at infancy stage in finance study (Zamore, S. et. al, 2018). Thus, we conduct further content analysis on literature from our sample selection published in 2021 until 2022 to highlight recent publications in which subsequently could gauge to the direction for future research. Publications without author keywords are not included in the content analysis.

Bibliometric and citation analyses have been recently adopted by prior studies (e.g., Hassan, M.K. et. al 2020 and Gu. 2004). For instance, Hassan, M.K., et. al (2020) conducted bibliometric meta-analysis, with data visualization methods and supported with content analysis. Particularly in knowledge management (KM) stream, Gu (2004) conducted a general bibliometric analysis on 1407 global KM publications published during 1975–2004 and it assisted with exploratory investigation on major players and disciplines in KM publications.

The bibliometric analysis provides the avenue for the researchers to perform from the very basic analysis through Microsoft Excel to the extent of complex analysis by employing VOSviewer and Harzing's Publish and Perish (PoP). Moed, H.F. et.al (2002) stated that a bibliometric analysis may reveal authors publication performance and how they collaborated between them. They added that Bibliometric study could provide quantitative outcomes. Bibliometric analysis on Takaful is very limited but recently has grown quickly (Hassan, M.K., 2020).

Further, we couple the bibliometric analysis and content analysis following a more traditional approach of literature review by adapted the study on meta-analysis performed by Hassan, M.K. et. al (2020). The sample selection for our content analysis is based on the literature derived for bibliometric analysis. We performed the content analysis on recent papers published within the year 2021 and 2022 as to avoid bias. (Hassan, M.K. et. al, 2020).

3. Source and Data Collection

Basically, we focused on all documents related to Takaful from the very beginning of its publication. The scanty numbers of research in Takaful require us to extend the timeframe of Takaful publications to the period of four decades. Hence, the duration of the sample selected is from the year 1989 to the year 2022.

Based on Figure 1, the related keywords have been used to extract files from the database which are (Title: ({"Takaful" OR "Islamic insurance" OR "Islamic mutual insurance" OR "Islamic cooperative insurance"}). For the purpose of this study, we analysed documents extracted on June 21, 2022, at 1.08 p.m. The search query produced 435 documents. All the documents extracted have been indexed and 37 documents have been removed after the data cleaning process. No duplication of documents during the search process, therefore, 398 documents will be utilised for further analysis.

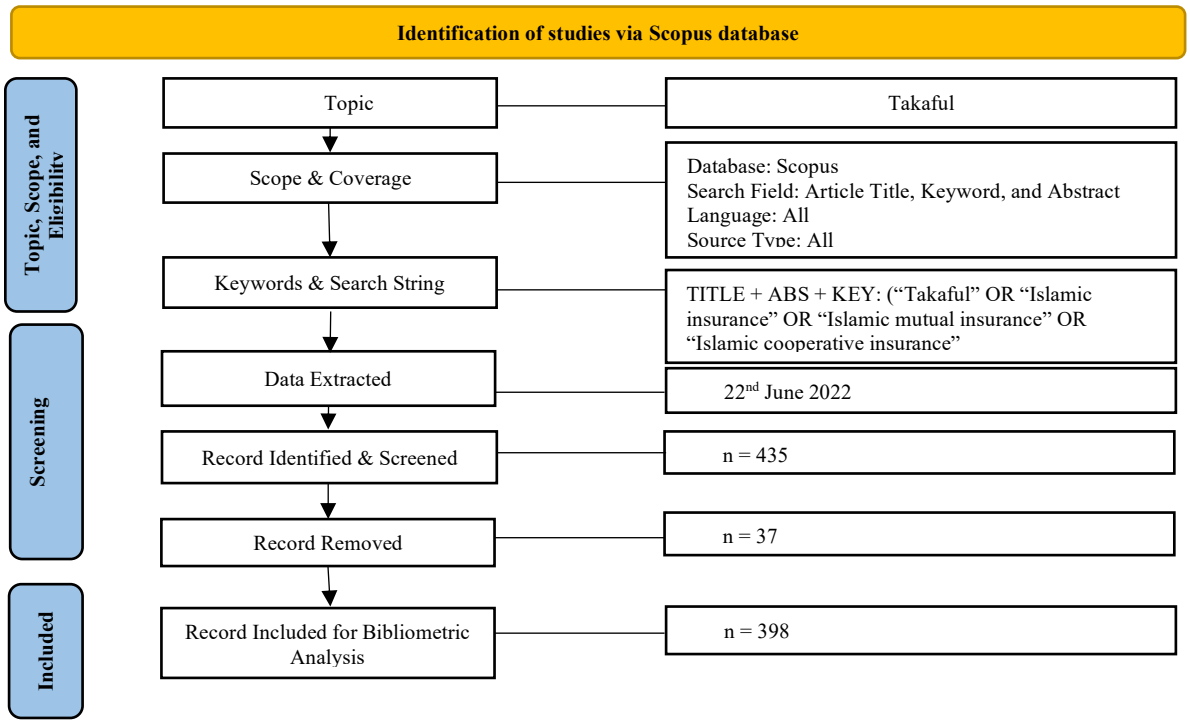


Figure 1. Flow Diagram of The Search Strategy

4. Results and Discussion

This study analysed three aspects of the literature namely the evolution and distribution of Takaful research, key areas of Takaful research, and lastly major players in Takaful publications. As such, this study examined the number of published studies per year, source types, language of document, subject area, most active source titles, distribution of publication across by country, most active institutions, authorship, frequency of keywords, and citation analysis.

The findings mainly presented in terms of frequency and percentage. The number of documents depicting the frequencies of the data appeared after the data extraction. Further, for growth trajectory, the data is presented as total documents retrieved per year including the percentage and cumulative percentage. We present the citation analysis as a citation metric and report the 10 most cited articles on Takaful.

4.1 Source Type

Table 1 summarizes the spread of the Takaful publications in five different source types. Most of the publications were published in Journal.

Table 1. Source Type

Source Type	Number of Document	Percentage (%)
Journal	320	80.40%
Book	47	11.81%
Conference Proceeding	22	5.53%
Book Series	8	2.01%
Trade Journal	1	0.25%
TOTAL	398	100.00%

4.2 Publication Year - Evolution of Published Studies

Data on publication year analyze the evolution of research publication. It reports the research productivity based on total documents published every year. Further, it helps researchers to study the focus of research area over time. Figure 2 summarizes the publication trends.

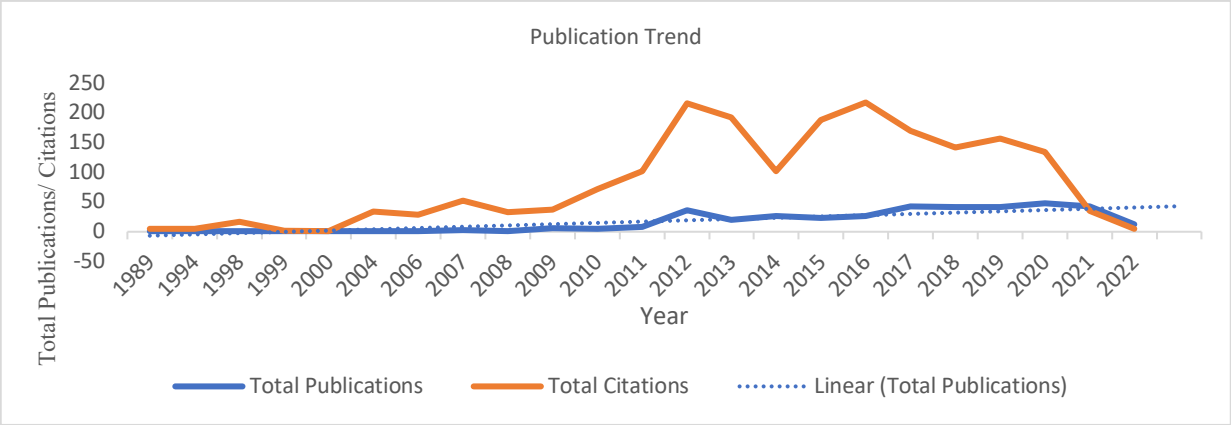


Figure 2. Total Publications and Citations by Year

4.3 Languages of Documents

Scopus sets an English written abstract and title as one of the minimum criteria for a journal to be indexed in its database. Bibliometric study concerns with the bibliometric information as the dataset such as language is vital to the research area. It does not analyzed the content of the documents.

As presented in Table 2, English is the main language in Takaful publication. It comprises 97.74% from the total 398 documents. Researchers also used Malay, Arabic, Russian, Ukrainian, and Urdu in their studies.

As one single document probably belongs to two or more subject areas, this answers the question why the total number of documents for language are higher than the original documents of 398. Further explanation is included in the discussion on the subject area.

Table 2. Languages of Documents

Language	Number of Document	Percentage (%)
English	389	97.74%
Malay	4	1.01%
Arabic	3	0.75%
Russian	2	0.50%
Ukrainian	1	0.25%
Urdu	1	0.25%
TOTAL	400	100.00%

4.4 Subject Area

This research also examined the publications based on the subject areas as summarized in Table 5. Study in Takaful was extensively published in the area of Business, Management, and Accounting with 187 documents (46.98%). This data is vital for researchers in Takaful to analyze the common subject areas of the published literature.

However, there are also other subject areas not related to Takaful specifically Social Sciences namely Engineering, Computer Sciences, Biochemistry, Genetics and Molecular Biology, Environmental Science, Agricultural and Biological Sciences, Energy, Chemical Engineering, Pharmacology, Toxicology and Pharmaceutics, Medicine, Earth and Planetary Sciences, and Materials Science which comprised less than 10% respectively from the total number of subject areas.

As explained above that one single document probably belongs to two or more subject areas, Table 3 answers why total documents for the subject area exceed the 398 documents extracted directly from the Scopus database.

Table 3. Subject Area

Subject Area	Number of Document	Percentage (%)
Business, Management and Accounting	187	46.98%
Economics, Econometrics and Finance	178	44.72%
Social Sciences	103	25.88%
Arts and Humanities	41	10.30%
Computer Science	36	9.05%
Engineering	29	7.29%
Multidisciplinary	17	4.27%
Mathematics	16	4.02%
Decision Sciences	11	2.76%
Environmental Science	10	2.51%
Biochemistry, Genetics and Molecular Biology	7	1.76%
Physics and Astronomy	7	1.76%
Energy	6	1.51%
Medicine	6	1.51%
Chemical Engineering	5	1.26%
Agricultural and Biological Sciences	4	1.01%
Pharmacology, Toxicology and Pharmaceutics	4	1.01%
Psychology	3	0.75%
Earth and Planetary Sciences	2	0.50%
Materials Science	2	0.50%
TOTAL	674	169.35%

4.5 The Most Active Source Title

Basically, there are five types of sources in Scopus namely Journal, Conference Proceedings, Book, Book Series, and Trade Journals (Aidi Ahmi, 2021). As such, the classifications of publication are assigned to related source titles.

This study also presents the most active source titles with four or more research publications on Takaful. Table 4 summarizes the information on the publishers. Journal of Islamic Accounting and Business Research produced the highest Takaful publications with 29 documents (7.29%).

Table 4. Top 20 Source Title

Source Title	Number of Document	Percentage (%)
Journal Of Islamic Accounting And Business Research	29	7.29%
Journal Of Islamic Marketing	20	5.03%
Takaful Islamic Insurance Concepts And Regulatory Issues	13	3.27%
Jurnal Pengurusan	11	2.76%
International Journal Of Islamic And Middle Eastern Finance And Management	10	2.51%
Isra International Journal Of Islamic Finance	10	2.51%
Journal Of King Abdulaziz University Islamic Economics	9	2.26%
Arab Law Quarterly	8	2.01%
Academy Of Accounting And Financial Studies Journal	7	1.76%
Al Shajarah	7	1.76%
Asian Social Science	7	1.76%
Aip Conference Proceedings	5	1.26%
Far East Journal Of Mathematical Sciences	5	1.26%
Lecture Notes In Networks And Systems	5	1.26%
Advanced Science Letters	4	1.01%
Australian Journal Of Basic And Applied Sciences	4	1.01%
Geneva Papers On Risk And Insurance Issues And Practice	4	1.01%
Humanomics	4	1.01%
Intellectual Discourse	4	1.01%
New Developments In Islamic Economics Examples From Southeast Asia	4	1.01%
TOTAL	17	42.71%

4.6 Keyword Analysis

This section examines the author keyword only. For the purpose of this analysis, minimum occurrence of keywords has been set to six keywords as to optimize the number of findings. Different setting for number of occurrences may produce different result. Therefore, we limit out findings to less than 30 keywords. Hence, 24 keywords from the total 1015 keywords have been extracted from the VOSviewer software.

Based on Figure 3, there are four clusters represented by colors. Clusters in red color mostly relates to "Takaful" and "Insurance" while the remaining clusters are colored in yellow, green, and blue Figure 3.

Figure 4 has been generated from VOSviewer software using the overlay visualization mapping type. It maps the most recent and older keywords being used in the Takaful area. Further, it represents the evolution of the term as compared to other visualization types. The most recent keywords are colored in yellow while the older terms are colored in purple. The frequent recent keywords being used are Saudi Arabia and Religiosity.

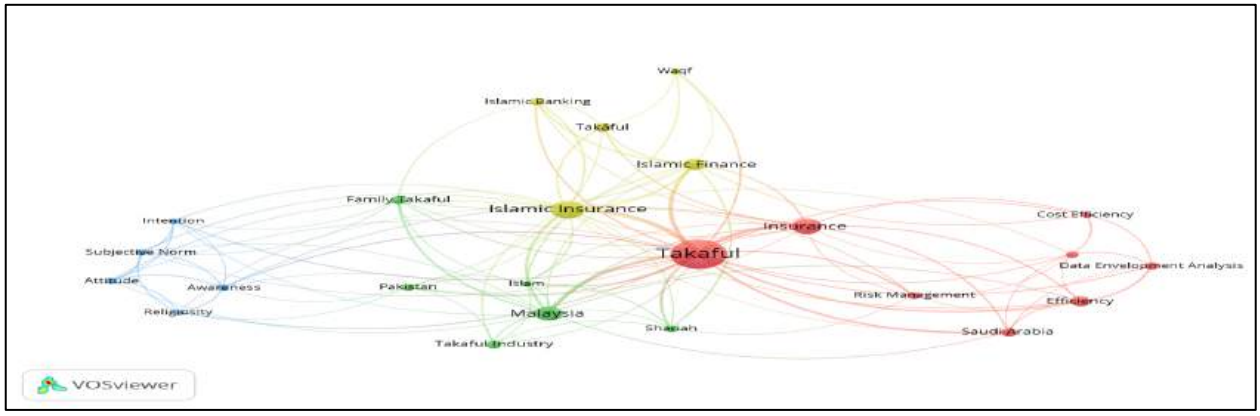


Figure 3. Network Visualization Map of the Author Keywords
Source: VOSviewer

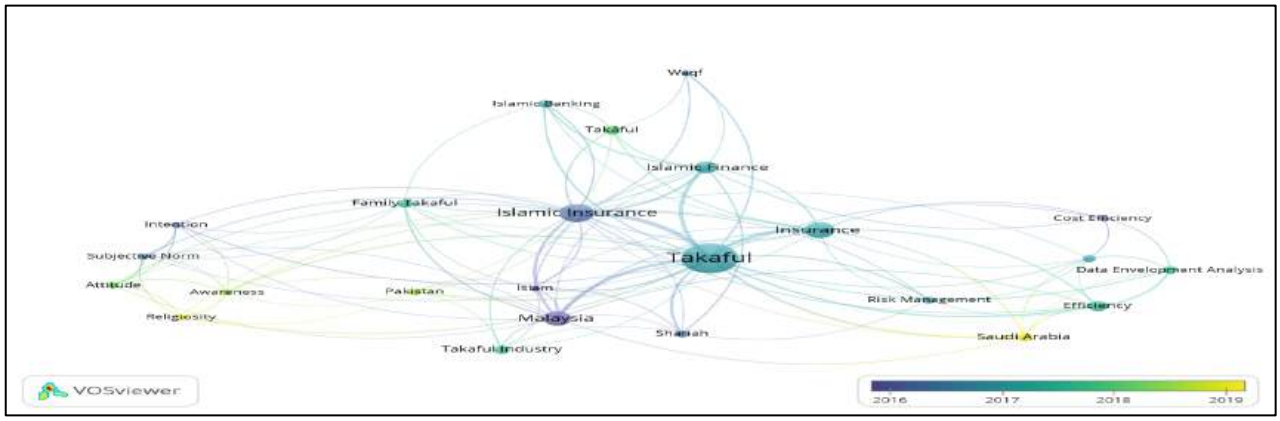


Figure 4. Overlay Visualization Map of the Author Keywords
Source: VOSviewer

Table 5 represents the frequency of keywords based on the four clusters discussed on Figure 3. The selection of cluster categories is based on the frequencies of keywords in each document. Further examination on the document titles and abstracts are needed to ensure the accuracy of the keywords' grouping.

In summary, research on Takaful mainly focus on red clusters and very few in blue-cluster category. It reveals that Takaful research concentrated in the discussion of input-output analysis in comparison to insurance on the aspect of efficiency while less publications related to consumers' behavioural aspect.

Table 5: Articles with Their Most Frequently Occurring Keywords

Cluster	Most Frequent Keywords
Cluster one – Red	"Takaful" (142 occurrences); "Insurance" (43 occurrences); "Efficiency" (17 occurrences); "Saudi Arabia" (12 occurrences); "Risk Management" (8 occurrences); "Data Envelopment Analysis" (10 occurrences); "Cost Efficiency" (6 occurrences); and "Corporate Governance" (8 occurrences).
Cluster two – Yellow	"Islamic Insurance" (54 occurrences); "Islamic Finance" (24 occurrences); "Takaful" (13 occurrences); "Islamic Banking" (10 occurrences); and "Waqf" (6 occurrences).
Cluster three – Green	"Malaysia" (34 occurrences); "Family Takaful" (11 occurrences); "Takaful Industry" (13 occurrences); "Shariah" (8 occurrences); "Islam" (6 occurrences); and "Pakistan" (8 occurrences).
Cluster four – Blue	"Attitude" (7 occurrences); "Awareness" (7 occurrences); "Subjective Norms" (7 occurrences); "Intention" (6 occurrences); and "Religiosity" (6 occurrences).

4.7 Geographical Distribution of Publications

Table 6 summarizes the top 20 countries with the most contributions in conducting research on Takaful. Researchers from Malaysia produced the highest publications with 247 number of documents which accumulated 62.06% from the total documents followed by Pakistan with 35 documents (8.79%) and Saudi Arabia with 28 documents (7.04%).

Table 6. Top 20 Countries Contributing to the Publications

Country	Total Publication	% (N=497)
Malaysia	247	62.06%
Pakistan	35	8.79%
Saudi Arabia	28	7.04%
United Kingdom	26	6.53%
Indonesia	22	5.53%
United States	15	3.77%
United Arab Emirates	13	3.27%
Australia	11	2.76%
Turkey	11	2.76%
Nigeria	7	1.76%
Bahrain	6	1.51%
Russian Federation	6	1.51%
Morocco	5	1.26%
Qatar	4	1.01%
Spain	4	1.01%
Finland	3	0.75%
Iran	3	0.75%
Oman	3	0.75%
Tunisia	3	0.75%
Algeria	2	0.50%

4.8 Authors Analysis

This section focuses on authorship analysis. We analyzed the collaboration between authors in Takaful into different contexts, namely by authors and countries. Researchers could gain benefits through collaborations in their research. They could discover new things, lessen the problem-solving process, save time in the decision-making process, and spare the remaining time in more productive research activities.

The first part of our discussion focuses on the total publications based on the number of contributing authors. Table 7 shows 24.87% publications were single authored with 99 publications. The remainders of the publication were multiple authored. There were two publications produced by eight authors and 12 authors respectively.

Table 7. Number of Author(s) per Document

Author Count	Total Publications	% (N=398)
Malaysia	247	62.06%
Pakistan	35	8.79%
Saudi Arabia	28	7.04%
United Kingdom	26	6.53%
Indonesia	22	5.53%
United States	15	3.77%
United Arab Emirates	13	3.27%
Australia	11	2.76%
Turkey	11	2.76%
Nigeria	7	1.76%
TOTAL	398	100.00%

Data for Figure 5 has been generated through VOSviewer software. Authors with publications of less than five articles have been excluded. From the total number of 398 authors, only 13 authors met the threshold. The highest number of collaborations among authors came from Ghazali P.L. followed by Mamat M. There are three clusters of research collaboration present in red, blue, and green clusters. Clusters which are not connected to each other resemble authors with no research collaboration. Most researchers resorted to work in silos.

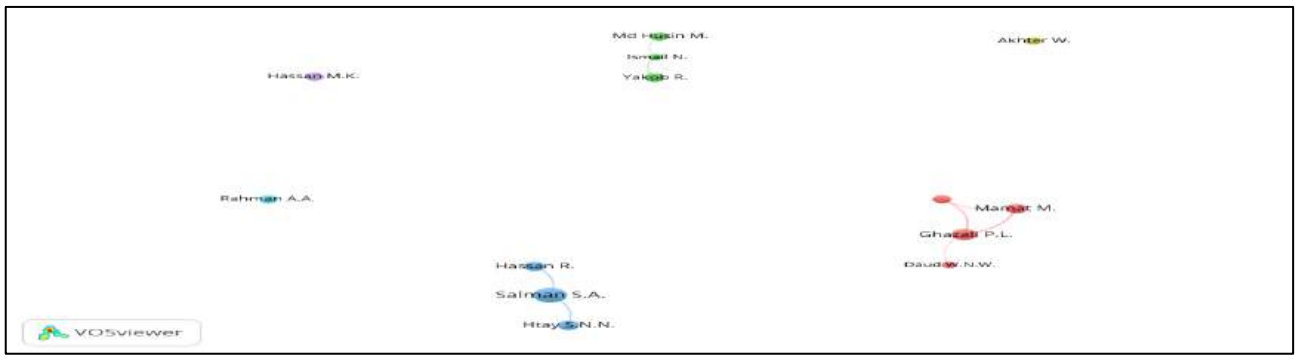


Figure 5. VOSviewer Visualization of a Term Co-authorship Network Based on the Author
Source: VOSviewer

Figure 6 presents authors' collaboration in terms of their affiliations based on countries. During the analysis, the minimum number of documents have been set to one while the minimum number of citations have been set to three. From the total number of 48 countries, only 33 countries met the threshold. We can see clearly that the central node of research collaborations comes from Malaysia. All clusters are connected to different clusters. There are active research collaborations between Asian countries. A few authors from Western countries also collaborated in their research.

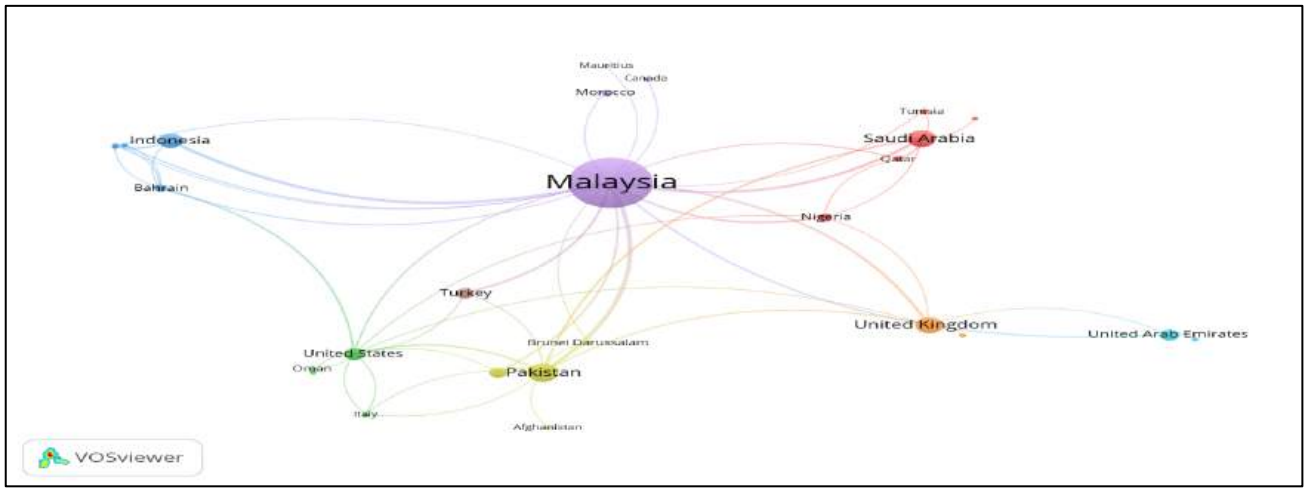


Figure 6. VOSviewer Visualization of a Co-authorship Network Based on the Country
Source: VOSviewer

4.9 Most Influential Institutions

This section focuses on analyzing main institutions that produced more than five publications. We can see the dispersion of contributed researchers around the world by presenting the institution with the country it originated.

As shown in Table 8. there were 160 institutions have contributed in Takaful research. Majority of the institutions that produced more than two publications originated from Malaysia. The International Islamic University Malaysia (IIUM) produced the highest number of publications with 55 documents which comprised of 13.82% from the total number of institutions.

Table 8. Most Influential Institution with a Minimum of Two Publications

Institution	Number of Document	Percentage (%)
International Islamic University Malaysia	55	13.82%
International Islamic University Malaysia, Institute of Islamic Banking and Finance	36	9.05%
Universiti Kebangsaan Malaysia	25	6.28%
Universiti Teknologi MARA	22	5.53%
Universiti Malaya	21	5.28%
Universiti Utara Malaysia	19	4.77%
Universiti Sains Islam Malaysia	18	4.52%
Universiti Sultan Zainal Abidin	18	4.52%
International Centre for Education in Islamic Finance	16	4.02%
Universiti Putra Malaysia	14	3.52%
Universiti Malaysia Terengganu	12	3.02%
Universiti Teknologi Malaysia Kuala Lumpur	10	2.51%
University of New Orleans	7	1.76%
Azman Hashim International Business School	7	1.76%
Al-Imam Muhammad Ibn Saud Islamic University	6	1.51%
La Trobe University	6	1.51%
Universiti Malaysia Sabah	6	1.51%
Universiti Kuala Lumpur	6	1.51%
University of the Punjab	6	1.51%
Universiti Malaysia Kelantan	6	1.51%

4.10 Citation Analysis

Table 9 summarizes the citation metrics. Extracting data to PoP software would enable researchers to perform extended analysis. Microsoft Excel summarizes only the raw data, but PoP software encapsulates the output of the raw data. PoP software was exploited to study the impact and performance of publications. Extended analysis would benefit the researchers on how they can contribute for future research.

H-index and g-index are the metrics to measure the productivity and citation impact. The h-index shown in the table is 23. It denotes there were 23 Takaful publications with at least 23 citations each throughout the publication years. Further, Table 13 also shows the g-index of Takaful publications. It indicates that there are 30 publications with at least 900 (30x30) citations.

Table 9. Citation Metrics

Item	Data
Publication years	1989-2022
Citation years	33
Papers	398
Citations	1978
Cites/year	59.94
Cites/paper	4.97
Cites/author	1.97
Authors/paper	2.69
h-index	23
g-index	30

Table 10 concludes the top 20 highly cited articles in Takaful. Research paper titled 'The cost efficiency of takaful insurance companies' written by H.A. Kader, M. Adams, P. Hardwick and research titled 'Establishing construct validity and reliability: Pilot testing of a qualitative interview for research in takaful (Islamic insurance)' written by M. Dikko received 52 citations respectively. Both papers received the highest number of citations.

Table 10. Highly Cited Articles

No.	Title	Authors (Year)	Source	Cites	Cites per year	Cites per author	GS Rank
1	The cost efficiency of takaful insurance companies	H.A. Kader, M. Adams, P. Hardwick (2010)	Geneva Papers on Risk and Insurance: Issues and Practice	52	4.33	17	381
2	Establishing construct validity and reliability: Pilot testing of a qualitative interview for research in takaful (Islamic insurance)	M. Dikko (2016)	Qualitative Report	52	8.67	52	244
3	Audit committee attributes and firm performance: Evidence from Malaysian finance companies	B.S. Kallamu, N.A.M. Saat (2015)	Asian Review of Accounting	48	6.86	24	266
4	The roles of mass media, word of mouth and subjective norm in family takaful purchase intention	M. Md Husin, N. Ismail, A. Ab Rahman (2016)	Journal of Islamic Marketing	42	7	14	245
5	Religious influences on consumers' high-involvement purchasing decisions	H. Siala (2013)	Journal of Services Marketing	41	4.56	41	316
6	Islamic takaful: Business models, Shariah concerns, and proposed solutions	A.R.A. Wahab, M.K. Lewis, M.K. Hassan (2007)	Thunderbird International Business Review	39	2.6	13	390
7	Introduction to Islamic Banking and Finance	B. Kettell (2012)	Introduction to Islamic Banking and Finance	37	3.7	37	346
8	Determinants of demand on family Takaful in Malaysia	M. Sherif, N. Azlina Shaairi (2013)	Journal of Islamic Accounting and Business Research	37	4.11	19	326
9	Determinants of islamic insurance acceptance: An empirical analysis	F. Ab. Rahim, H. Amin (2011)	International Journal of Business and Society	34	3.09	17	370
10	Islamic insurance: A modern approach to Islamic banking	A. Khorshid (2004)	Routledge	34	1.89	34	393
11	Islamic financial system: The Malaysian experience and the way forward	M. Akram Laldin (2008)	Humanomics	33	2.36	33	388
12	Do Muslims intend to participate in Islamic insurance?: Analysis from theory of planned behaviour	M. Md Husin, A. Ab Rahman (2016)	Journal of Islamic Accounting and Business Research	33	5.5	17	246
13	What drives consumers to participate into family takaful schemes? A literature review	M.M. Husin, A.A. Rahman (2013)	Journal of Islamic Marketing	33	3.67	17	319
14	Integration of waqf-Islamic microfinance model for poverty reduction: The case of Bangladesh	M.A. Haneef, A.H. Pramanik, M.O. Mohammed, M.F. Bin Amin, A.D. Muhammad (2015)	International Journal of Islamic and Middle Eastern Finance and Management	30	4.29	6	271
15	Predicting intention to participate in family takaful scheme using decomposed theory of planned behaviour	M.Md. Husin, A.Ab. Rahman (2016)	International Journal of Social Economics	30	5	15	252

16	Evidence on the relationship between Takaful insurance and fundamental perception of Islamic principles	R.C. Maysami, J.J. Williams (2016)	Applied Financial Economics Letters	29	1.81	15	392
17	Perception and adoption of Islamic insurance in Malaysia: An empirical study	L.O. Ayinde, A. Echchabi (2012)	World Applied Sciences Journal	27	2.7	14	336
18	A bibliometric review of takaful literature	A. Khan, M.K. Hassan, A. Paltrinieri, A. Dreassi, S. Bahoo (2020)	International Review of Economics and Finance	26	13	5	74
19	Governance mechanisms and efficiency: Evidence from an alternative insurance (Takaful) market	Y. Karbhari, I. Muye, A.F.S. Hassan, M. Elnahass (2018)	Journal of International Financial Markets, Institutions and Money	26	6.5	7	164
20	Factors that influence individualsâ€™ intentions to purchase family takaful mediating role of perceived trust	S. Aziz, M. Md Husin, N. Hussin, Z. Afaq (2019)	Asia Pacific Journal of Marketing and Logistics	24	8	6	130

4.11 Content Analysis and Future Research Directions

Content analysis has been performed thoroughly based on the clusters provided in the keyword analysis discussion. Thus, the content analysis has been categorized into four different streams with recent publications between 2021 to 2022 to better gauge the major aspects of Takaful publications providing directions for future research based on the gaps highlighted in the literature. This is consistent with Hassan, M.K. et. al (2022) and Hassan, M.K. et. al (2020).

Research streams has been further analyzed and categorized into sub-categories. This analysis adapted the research performed by Hassan, M.K. et. al (2022**).**

4.11.1 Review of Research Stream 1: Takaful literature development, performance, efficiency, service quality, impact of COVID-19 on service recovery, governance mechanisms, system, risk management, and insurance performance

Takaful products and services have been evolved rapidly and its growing market penetrations have attracted many researchers to conduct study on the industry performance, service quality, governance mechanisms, and risk management. Its performance can be further evaluated based on its financial performance, service quality, and competitive advantage. The higher demand for Takaful research enabled researchers around the world to analyze the literature performance. Hassan M.K. et. al (2022) revealed the empirical studies on Islamic banking are plenty whereas research on Takaful and corporate finance are at emerging state. In addition, detail examination of Shariah audit research based on a systematic literature review has been conducted by Khatib S.F.A. et. al (2022). 53 literature have been derived from Scopus and Web of Science and they found that Shariah auditing research is increasing over time in Malaysian context except for Takaful institutions. The literature shows that the Islamic institutions perform better most of the time while at times, they did not perform as compared to the conventional counterparts. (Hassan M.K. et. al, 2022).

In addition, Kusmayadi D. et. al (2021) performed study on the development of Islamic insurance articles. Data has been gathered from the dimensions.ai database over the period between 2014 to 2021. Bibliometric analysis has been performed through R biblioshiny software. 500 articles have been analyzed. The findings of the analysis show that the development of articles with the theme of Islamic insurance has increased.

Abdul Razak S.H. et. al (2021), Nizar N.S. & Falikhatun (2021), Al-Amri K., et. al (2021), Sukmaningrum P.S. et. al (2022), and Al Arif M.N.R. & Firmansyah B. (2021) investigate Takaful industry based on the financial performance. Abdul Razak S.H. et. al (2021) compare the performance between Takaful and insurance companies and they revealed that both institutions perform at par in terms of their premium. They found out that Takaful has better investment income and foreign owned firms perform better than local firms. Nizar N.S. & Falikhatun (2021) examines the effect of Islamic intellectual capital on takaful financial performance in Southeast Asia and the Middle East between 2016 until 2019. 155 observations have been conducted among Sharia insurance firms in Southeast Asia and Middle East countries. They revealed Structural Capital Efficiency has a positive and significant effect while

Capital Employed Efficiency has a negative and significant impact on Takaful financial performance. Besides, Human Capital Efficiency has no significant effect on Takaful financial performance.

Al Arif M.N.R. & Firmansyah B. (2021) examined the relationship between market structure and profitability in Indonesia Takaful industry specifically the Islamic life insurance. The regression technique with panel data has been employed and they found out that market structure affected the profitability of Islamic life insurance industry and there is no collusive behaviour in the industry. Ismail M. (2021) investigated the effect of the gross domestic product (GDP) and population on the investment yield of Indonesia sharia insurance in Indonesia. It was revealed that GDP did not influence the investment yield but the population did influence the investment yield. Further, an empirical study on the stock returns of Islamic and conventional insurance has been conducted by analyzing daily closing stock prices of 20 Saudi insurance companies. The result of the study revealed that Islamic and Non-Islamic Stock returns have negative correlation. (Benlagha N. & Hemrit W., 2021)

The performance of Takaful companies can also be analysed through Board of Directors effectiveness (BDE) and Shariah Committee quality (SCQ). Eldaia M. et. al (2020) measured the BDE and SCQ by using indices and return of asset and return of equity has been used as proxies to measure performance. They revealed there are positive association between BDE and performance where Muslim, independent, and female directors are attributes which lead to performance. In addition, high level of SCQ integrated with high level of BDE also could improve performance.

Furthermore, performance of Takaful Operators (TOs) in Malaysia has been evaluated by applying data envelopment analysis technique and using ratio analysis gathered from annual reports. The study was performed to examine the effects of additional cost imposed by the goods and services tax (GST) implementation on TOs performance. The result proved there is a decline in average technical efficiency for takaful operators upon GST implementation (Che Mohd Salleh M., 2022).

Mao J., et. al (2022) revealed that service recovery performance (SRP) is very important for the takaful insurance industry to maintain and attract new clients for the survival and continued of Takaful business. The study used convenient sampling technique data collected from the employees working in the Takaful industry in Pakistan. There is a link between human resources management practices (HRMP) such as human capital, training, job description, teamwork, empowerment, and rewards and service recovery performance (SRP) directly and indirectly through the employee commitment.

Mihardjo L.W.W. et. al (2021) examine key human resources practices namely human capital, training and rewards which could influence employee commitment and SRP of Takaful industry agents in Southeast Asian region. It is found that human capital, training and reward significantly influence commitment of employee which eventually influenced the SRP to be improved further.

Al-Amri K., et. al 2021 analyzed Takaful efficiency using data envelopment analysis. Return on equity, return on assets, and insolvency risk have been used as financial measurements to test differences in performance between the mudharaba (profit-sharing) and the wakala (fee-based) models for compensating managers. The result of the study proves that the mudharaba model performs better than the wakala model. Sukmaningrum P.S. et. al (2022) revealed that Family Takaful in Malaysia had called productivity due to increase in technological change but still low in technical efficiency. They added that technological innovation and delivery of services could increase productivity.

Abdur Rehman M, et. al, 2021 examines specific dimensions of service quality and relationship marketing on customers' perceptions of corporate image in the Takaful industry. Malaysia and Saudi Arabia were selected as sample because they are regarded as the two fast-growing markets for Islamic financial services. Based on Malaysian context, personalization, reliability and tangibility have been chosen as positive perceptions of service quality and Islamic ethical behaviour and structural bonds have been selected as positive perceptions of relationship marketing dimensions which have a significant influence on the corporate image. Alternatively, the Saudi Arabian opted assurance and reliability as positive perceptions of service quality and Islamic ethical behaviour, structural bonds and financial bonds as positive perceptions of relationship marketing dimensions which have significant impact on the corporate image while Osman I. et. al (2021) analyzed a proposed model based on a combination of relationship marketing and service quality dimensions as a significant predictor of corporate image.

COVID-19 Pandemic has a negative impact on businesses and individuals (Eldaia M. et. al (2021). Aldoghan M. (2021) & Eldaia M. et. al (2021) evaluate the impact of COVID-19 in Takaful industry. Aldoghan M. (2021) found out human capital, training, rewards, internal career opportunities, job description, and staff participation had a positive and significant relationship with the service recovery performance while Eldaia, M. et. al (2021) revealed that Islamic economy being affected by the virus incidence.

Further, this research stream also analyses Corporate Governance (CG) strength. Based on study conducted by Mohd Zain F.A. et. al (2021), CG strength has a positive and significant effect on the voluntary adoption of AAOIFI Disclosure Standards by takaful operators which indicate its important role in the TOs information disclosure in the annual reports.

Further, study conducted on governance mechanisms indicated the larger size of BOD and the higher number of outside directors will eventually give positive impact on wakalah Takaful insurance in South East Asia (SEA) region and nondual functions and a larger size of Shariah board together with a highly-concentrated ownership structure

have a positive impact on the Takaful insurance performance in both the SEA and GCC regions. The higher the Shariah board meetings resulted in higher performance of all types of Takaful insurance providers in the sample selection. The moderating effect of the director's seniority found that it negatively moderates the relationship between the governance mechanisms and the Takaful performance in both regions (Sallemi N. et. al 2021).

A feasibility study that examines qualitatively the advantages, challenges, and variables related to the implementation of the National Health Insurance (NHI) system in Saudi Arabia has been conducted by Puteh S.E.W. et. al (2022). It is concluded that this is a viable alternative scheme

Study on Shariah compliance risk management in the provision of wakaf-zakat housings has been conducted by Puteri Nur Farah Naadia M.F. & Khairuddin A.R. (2021). They revealed that risks must be properly managed as to mitigate risk of loss and damages to properties but there is inadequate of risk management guidelines in the provision of wakaf-zakat housings. Further, Muhamat A.A., (2022) examined the risk management part of TOs. The study revealed that TOs are part of the critical chain in the risk management process as they involve in issuing compensation to victims (takaful participants).

Finally, this research stream also inclusive of research on insurance performance. Lim Q.-M. et. al (2021) conducted study on conventional insurance firms in Malaysia operating between 2000 and 2017. The study revealed that life insurers are more efficient and competitive than general insurers.

4.11.2 Review of Research Stream 2: Islamic finance

Over the past decades Islamic finance has expanded immensely across the globe. Its presence founded in many countries including Muslim-majority post-Soviet Central Asian and Transcaucasian region. It is undeniable that the expansion of Islamic finance has attracted keen interest among key players in politics and business (Nagimova A.Z. 2022).

This section of research stream categorised all the discussion related to the segments of Islamic financial market, Islamic finance discussions namely Islamic financial literacy Takaful, Zakat, Hibah, Islamic micro finance, micro entrepreneurship, and Islamic social teachings which provide the social welfare solutions like Zakat and Waqf.

Nagimova A.Z. (2021) & Nagimova A.Z. (2022) study on the Islamic financial market by focusing in Kazakhstan market. The former revealed that despite the moderate market volumes represented by Islamic bank, Islamic windows, Islamic leasing company and microfinance companies, Islamic finance in Kyrgyz Republic has further growing with the presence of many large foreign Islamic banks in the country. The latter analyzed the growth of the Islamic Finance industry in Kazakhstan, and its dependency on two key investors: Islamic Development Bank and Abu Dhabi Government. Despite the small share of Islamic banks and Islamic leasing (ijara) companies, Kazakhstan is deemed potential for sukuk issuance and Islamic insurance (takaful) development.

Benamraoui A. (2021) critically examined the effect of COVID-19 on the world economy and financial markets. The author further discussed the actions taken by the governments and corporations improve the resilience to withstand the impact of the pandemic across the globe. Data was taken from various sources which inclusive of the International Monetary Fund (IMF), Organization for Economic Co-operation and Development (OECD), the World Bank, and other relevant secondary data sources. The study found out that Islamic finance and economy provides a tremendous solution through its investment instruments and key principles namely profit and loss sharing, Takaful, and Waqf to combat with the negative economy impacts on economic output, unemployment, and market volatility.

Further, study on developing a valid and reliable Islamic financial literacy (IFL) scale has been conducted by Dinc Y. et. al (2021). They successfully developed a practical scale for countries inclusive of countries which do not operate Islamic financial institutions. The scale provides good fit indexes and reliability scores.

Studies on Takaful have been conducted by Alokla J., et. al (2022) and El Attar A. & El Hachloufi M. 2022. The former developed an intense understanding of the solvency factors of the Gulf Cooperation Council (GCC) and Malaysian Takaful firms. They revealed that firm size and wakalah fees significantly decrease solvency while return on assets and the risk retention and investment income ratios are not significantly associated with solvency. The latter designed an optimization program that could obtain a marketable and profitable takaful product by using the retakaful as a safety and technical support tool.

The effectiveness of Zakat in improving welfare is questionable. Arifin N. & Anwar A.Z. (2021) conducted interviews and in-depth observations from national zakat management organizations in Indonesia. It is found that Zakat helps the economy in which the recipients channelled the money for business start-up but it is proved that the payment is not efficient enough.

Study on Hibah has been conducted by Rahim A.K.A. et al (2021). To date, there are many forms of hibah namely Trust Hibah (Hibah Amanah), Conditional Hibah (Hibah Mu'allaqah), Hibah with discussion (Hibah Bi al-Thawab), hibah in saving account (Wadiah) and rental (al-Ijarah) accounts and hibah in Takaful benefit. This study revealed that Hibah could incentivize clients by storing their cash in the related financial institutions.

Micro entrepreneurship also has been discussed in this research stream. Research done by Alrashedi M.Y. et. al (2021) analyzed that micro-takaful and entrepreneurship training act as effective moderating and mediating factors between the Islamic microfinance and micro-entrepreneurship in Yemen. The findings from 290 responses in Sana'a

Yemen revealed that micro entrepreneurship is at critical level and the unemployment issues still continue while Microfinance has a significant and positive impact on Micro entrepreneurship. Migdad A.M. (2022) also stressed on Islamic microfinance (IsMF). The author analyzed the correlation between IsMF and Takaful in volatile economic conditions and further proposed the model for sustainable application. Enacting laws to protect micro-enterprises and collaborations between institutions is deemed unavoidable.

Tajmazinani A.A. & Mahdavi Mazinani Z. (2021) conducted a study on series of strategies and solutions for providing social welfare according to Islamic teachings which inclusive of Zakat and Waqf. They provided a conceptual framework based on the Islamic teachings like takaful (co-operation), tawazun, and Tadawul. The practice of social welfare includes both obligatory which is Zakat and non-obligatory actions namely Waqf by the Islamic state and individual Muslims.

4.11.3 Review of Research Stream 3: Takaful rules and regulations and Shariah permissibility

Malaysia is regarded as the leading country in the segment of Takaful (Riad M.R. et. al, 2022). It also plays a proactive approach when it comes to providing standards and guidelines for Takaful Operators (TOs). Muhamad F.H., (2021) stated that with its growing potential in Islamic banking, Malaysia is set to become a hub for takaful in the Asia region. Malaysian market is placed in the top three in the world.

This section of research stream groups literature that discuss the aspects of rules and regulations together with Shariah guidelines that TOs need to abide with. Fikri S.M. et. al, (2022) and Riad M.R. et. al (2022) discussed the legal aspects of Takaful product and industry while Shamsudheen S.V. et. al (2022), Saputra J. et. al (2021), and Soualhi Y. & Djafri F. (2021) discussed the Shariah guidelines embedded in Takaful operation and products.

Fikri S.M. et. al (2022) conducted study on Micro- takaful. The study revealed that there is deficit in trust among public members toward insurance and takaful. Thus, by matching the rules and guidelines of Micro- takaful, further scrutinized on the extended distribution channel is deemed necessary.

A study on comparative legal research approach has been conducted by Riad M.R. et. al (2022). They employed analytical method in studying Moroccan legal documents in comparison to Malaysian legal documents related to Takaful. It is found that the Moroccan law is comprehensive and could facilitate the emerging Takaful market.

Shamsudheen S.V. et. al 2022 analyzed the impact of information overload of Takaful underlying contracts on the sales performance. The study suggested that the management of TOs should equip the salesforce with Shariah knowledge and nature which underlying the Takaful contracts and higher attention should be channels to the salesperson at the direct selling channel as the slowing growth of the Takaful market could be due to the "saddling effect" of information.

Islamic scholars are still under discussion on the validity of life insurance in Takaful market. Saputra J. et. al (2021) revealed that there are some concealed elements and some absent points related to the concept of loss and surplus sharing practiced by Takaful Operators (TOs). Thus, they developed a new model of the premium for an equity-linked policy (Unit-linked product) by considering the properties of Takaful contracts namely Tabarru and Mudarabah.

Study on Sharī'ah compliance of the pricing elements in Familty Takaful products has been performed by Soualhi Y. & Djafri F. (2021). They conducted open-ended interviews as well as content analysis to examine the conformity of family takāful pricing mechanism with the Sharī'ah principles of price-setting (tas'īr). It is revealed that the assumptions of mortality and morbidity are Sharī'ah compliant are based on the principles of ibāhah (permissibility), maslahah (public interest), istiqrā' (induction) and 'urf (custom).

4.11.4 Review of Research Stream 4: Customers' behavioural aspect or customer purchase intention towards Takaful products

Takaful is regarded as a financial instrument that could replace the conventional insurance. It is properly regulated and monitored by the authority and all the products must comply solidly with Shariah guidelines. The Takaful premiums not only contributed by the Muslims' policy holder but also inclusive of non-Muslims' contributor. In UAE, although 76% of the population is Muslim, its share of Takaful business is less than 10% despite being the pioneer in the Takaful industry (Rizwan S. et. al, 2021). Similar case in Malaysia, a study by Abdullah N. et. al (2021) revealed that only 40% of the citizens own a life insurance or family Takaful although majority of the population is Muslim. They also added many untapped markets segment in insurance industry for the iGeneration population that Takaful agent can focus on.

Research stream number four analyzed customer purchase intention towards Takaful products. Riaz S. et. al (2021), Sarfraz A. & Khurshid Mian A. (2021), and Poan R. et. al (2021) highlighted the significant and positive relationship between religiosity and customer participation in Takaful. Akhter W., et. al. 2021 also agreed that higher Shari'ah perception could positively affect the customer satisfaction in the Takaful industry. Apart from religiosity, product awareness and subject norm also influence customer purchase intention in Takaful (Poan R. et. al, 2021). Riaz S. et. al (2021) added reputation as another factor that could influence customer buying interest of Family

Takaful product. Finally, Muhamad F.H. (2021) stressed that the Takaful products itself and technology could influence the buying interest of customers.

Sarfraz A. & Khurshid Mian A. (2021) also added religiosity mediate the relationship of traditional value and consumer adoption of Takaful as multiple factors of confusion hinder and prevent the existing and potential customers to adopt Takaful product and services. Among the confusions are lack of consensus among religious scholars in standardizing Takaful business model, lack of knowledge or awareness, and the lack of skilled or trained personnel.

Ibrahim M.A. et. al, 2021 investigated the factors that can influence Bumiputera contractors' acceptance of the Contractor's All Risks (CAR) Takaful (Islamic insurance) product using the theory of reasoned action (TRA). They agreed on the fact that religiosity is the most important factor that influence Bumiputera contractors' acceptance of the CAR Takaful product.

Poan R. et. al (2021) examined purchase intention on Takaful products and services in Indonesia and found that trust is vital in influencing the purchase intention and among the factors that leads to trust are religiosity, awareness, and subjective norm.

Muhammad M.Z. et. al (2021) conducted study on factors that could influence entrepreneurs to choose Takaful over conventional insurance in Kota Bharu, Kelantan. Among the factors that could affect the respondents purchase behaviour on Takaful products are product features, expertise, satisfaction, understanding and religiosity.

In contrast, Rizwan S. et. al (2021) emphasized that religion is not a significant moderator that could influence purchase intentions of Health Takaful customers in the UAE. They further revealed brand equity and customer perceptions towards Takaful products have a positive relationship.

Muhamad F.H. (2021) analyzed the relationship between technology, product offered, and consultancy which is deemed to have significant relationship with customer satisfaction who purchased takaful products. Survey has been conducted on 150 respondents among the community in Kelantan. The findings revealed that indicated that products and consultancy have a strong positive relationship with customer satisfaction while technology is deemed to have a moderate positive relationship with customer satisfaction.

Further, Bangaan Abdullah H.-S. et. al. (2021) conducted study on Micro-takaful in Malaysia. They revealed married and employed women are more likely to purchase a micro takaful plan compared with male as gender and knowledge do have positive and significant effect on the inclination to own a Micro-takaful plan.

iGeneration population focus on internet of thing. The behaviour towards purchasing life insurance mainly focus on service quality variables of insurance company as well as perceived value of life insurance policy while the role of agent does not have significant impact on the dependent variable of iGeneration behavior (Abdullah N. et. al, 2021).

5. Conclusion and Suggestion

This study focused to analyze trends and research development in the field of Takaful by employing bibliometric analysis. According to Moed, H.F. et.al (2002), a bibliometric analysis may provide the basic picture of interaction between contributing authors in the field under consideration and at the same time may be able to provide quantitative outcomes. Although bibliometric analysis has its own objective, but it still has certain limitations. First, the keywords are confined to "Takaful", "Islamic insurance", "Islamic mutual insurance", and "Islamic cooperative insurance" through the search query on research title, abstract, and keyword. Different keywords may provide different outcomes. Further screening needs to be done as there were documents not related to the study. Future research can be conducted with other search queries.

Second, Scopus was the only database used to run the search query. Documents which are not being indexed by Scopus have not been included in the study. Future research may also include other database such as Web of Science and Google Scholar to expand the outcomes of the documents produced. Despite the limitations mentioned above, this research has contributed to the current contribution by providing the overview of Takaful research trends since its first publication. This research also compliments and expands previous studies on Takaful.

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Kepakaran Pengurus: Satu Elemen Keberkesanan Pengurusan Wakaf di Majlis Agama Islam Negeri (MAIN)

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Abstract

Perkembangan sistem wakaf di negara Timur Tengah telah berkembang dengan adanya Masjid al-Haram, Masjid al-Nabawi dan Universiti al-Azhar. Ia menjadi ikon institusi wakaf yang telah memberikan sumbangan yang terbesar di dunia. Malaysia juga tidak ketinggalan di dalam merencanakan pembangunan wakafnya. Dalam usaha merealisasikan agenda pembangunan harta wakaf tersebut, Majlis Agama Islam Negeri (MAIN) merupakan institusi yang menjadi pemegang amanah dalam pengurusan wakaf di negeri-negeri di Malaysia. Oleh itu, kepakaran pengurusan wakaf MAIN dilihat sebagai cabaran utama di dalam mengendalikan tadbir urus wakaf. Justeru itu, kajian ini dibuat untuk mengenalpasti elemen penting yang mempengaruhi tahap kepakaran pengurus wakaf di MAIN. Kajian ini menggunakan kaedah kualitatif iaitu menggunakan kaedah temubual bersama pengurus wakaf MAIN. Hasil kajian ini dapat memberikan sumbangan penting dalam bentuk literatur akademik dan memberikan kesan yang positif terhadap pengurusan wakaf di institusi-institusi wakaf di Malaysia.

Keywords: Wakaf; Kepakaran; Keberkesanan Pengurusan Wakaf; MAIN

1. Pengenalan

Majlis Agama Islam Negeri (MAIN) merupakan institusi kerajaan yang menguruskan wakaf secara berasingan dan mempunyai pengurus dan pekerja di dalam pentadbiran yang berbeza. Di Malaysia, institusi yang menguruskan hal ehwal agama adalah ditadbir secara berasingan dan mempunyai pengurusan dan pentadbiran di setiap negeri masing-masing (Ahmad Shazrin, 2018). Ia bermula sebelum tertubuhnya pembentukan Malaysia lagi. MAIN merupakan institusi yang menjadi pemegang amanah di dalam menguruskan wakaf di negeri-negeri di negara ini. Malaysia mempunyai tiga belas buah negeri dan sebuah Wilayah Persekutuan iaitu Wilayah Persekutuan Kuala Lumpur, Putra Jaya dan Labuan, manakala pengurusan wakaf dikendalikan oleh MAIN masing-masing. Disebabkan itu, pengurusan dan pentadbiran wakaf di Malaysia adalah tidak seragam dan menjadi persoalan banyak pihak, di mana majoriti individu menyangka sistem pengurusan wakaf di Malaysia dikendalikan oleh satu sistem pengurusan sahaja. Pengurusan aset wakaf dikendalikan oleh dua entiti, iaitu Pusat Pungutan Zakat & Baitumal dan Wakaf. Sebagai pemegang amanah pihak pengurusan mempunyai hak untuk mentadbir dan menjalankan apa-apa aktiviti pembangunan. Pihak pengurusan juga turut berhak mengagihkan hasil zakat dan wakaf kepada mereka yang layak. Walau bagaimanapun, atas alasan undang-undang, pentadbiran harta wakaf tertakluk kepada syarat dan objektif dari individu pewakaf tersebut. Wakaf di Malaysia boleh dibahagikan kepada dua iaitu wakaf khas dan wakaf am. Di dalam menguruskan harta wakaf khas, MAIN terikat oleh undang-undang di dalam memberikan sumbangan wakaf tersebut. Walau bagaimanapun, MAIN telah membuka peluang untuk menggunakan budi bicaranya dalam mendapatkan hasil yang lebih baik daripada harta wakaf tersebut. Sebagai

contoh, MAIN boleh menyewakan harta wakaf tersebut dan harta wakaf khas ini akan mempunyai akaun berasingan. Sementara itu, untuk menguruskan wakaf am adalah lebih fleksibel.

2. Latar Belakang Kajian

Jabatan Zakat Wakaf dan Haji (JAWHAR) telah ditubuhkan pada 27 Mac 2006 di bawah Jabatan Perdana Menteri dengan salah satu fungsinya ialah merancang, melaksana, memantau dan menyelaras pembangunan institusi wakaf agar dapat berfungsi dengan lebih berkesan dalam pembangunan sosio-ekonomi ummah. Dalam usaha membangunkan harta wakaf di Malaysia, MAIN telah melakukan projek pembangunan dengan usahasama pihak JAWHAR. **Jadual 1** menunjukkan kemajuan perkembangan projek wakaf berimpak tinggi yang dilaksanakan oleh pihak MAIN di beberapa negeri di Malaysia bersama JAWHAR.

Jadual 1. Projek Wakaf Berimpak Tinggi JAWHAR Bersama MAIN

Bil	Projek wakaf	MAIN
1	Bangunan ruang niaga sebanyak 8 unit di Mukim Ulu Kinta, Tambun, Perak.	Perak
2	Bangunan Hotel Seri Warisan sebanyak 45 bilik di Taiping, Perak.	Perak
3	Bangunan rumah kedai sebanyak 16-unit Mukim Utan Ajis, Perlis.	Perlis
4	Bangunan Kompleks Pendidikan Maahad Al-Mashoor Balik Pulau, Pulau Pinang.	Pulau Pinang
5	Pangsapuri kos rendah sebanyak 152 unit di Butterworth, Pulau Pinang.	Pulau Pinang
6	Perumahan kos rendah sebanyak 77 unit di Sungai Nibong, Pulau Pinang.	Pulau Pinang
7	Bangunan asrama anak yatim perempuan di Mukim Derga, Alor Star, Kedah.	Kedah
8	Bangunan asrama anak yatim lelaki di Machang, Kelantan.	Kelantan
9	Bangunan Hotel Klana Beach Resort sebanyak 82 bilik dan pusat peranginan di Port Dickson, Negeri Sembilan.	Negeri Sembilan
10	Bangunan kompleks Darul Saadah untuk saudara baru berbangsa Tionghua di Seremban, Negeri Sembilan.	Negeri Sembilan
11	Bangunan Pusat Dialisis di Batu Pahat, Johor.	Johor
12	Bangunan Pusat Perlindungan Wanita di Taman Perling, Johor.	Johor
13	Bangunan Hotel di Pantai Puteri, Melaka.	Melaka
14	Bangunan Hotel Grand Puteri sebanyak 180 bilik di Kuala Terengganu, Terengganu.	Terengganu
15	Dua Bangunan asrama pelajar lelaki dan perempuan di Besut, Terengganu.	Terengganu
16	Membeli kelengkapan teknologi untuk Dewan Besar Kompleks Islam di Kuching, Sarawak.	Sarawak

3. Permasalahan Kajian

Jadual 2 menunjukkan bilangan projek wakaf berimpak tinggi yang dilaksanakan oleh MAIN di Malaysia bersama pihak JAWHAR. Sebanyak 16 projek wakaf berimpak tinggi telah dilaksanakan dengan nilai RM290.62 juta dan meliputi keluasan tanah wakaf sebanyak 23.771 hektar. Walau bagaimanapun, keupayaan MAIN untuk melaksanakan projek wakaf berimpak tinggi adalah tidak sama di semua negeri. MAIN yang paling aktif melaksanakan projek wakaf ialah Pulau Pinang dengan tiga (3) projek pembangunan; Negeri Sembilan, Johor dan Terengganu masing-masing memiliki dua (2) projek pembangunan; manakala Melaka, Kelantan, Kedah dan Perlis mempunyai satu (1) projek pembanguan wakaf. Walau bagaimanapun, empat MAIN lagi tidak mempunyai sebarang projek wakaf berimpak tinggi.

Jadual 2. Bilangan Projek Wakaf Berimpak Tinggi JAWHAR bersama MAIN

Negeri	Jumlah Projek
Pulau Pinang	3
Perak	2
Negeri Sembilan	2
Johor	2
Terengganu	2
Melaka	1
Kelantan	1
Kedah	1
Perlis	1
Sarawak	1
Kuala Lumpur	0
Selangor	0
Sabah	0
Labuan	0

Bagi melaksanakan projek pembangunan wakaf berimpak tinggi, MAIN memerlukan sejumlah dana yang besar yang menjejaskan keupayaan MAIN untuk membangunkan harta wakaf. Sehubungan itu, bagi mengatasi kekurangan dana, pihak MAIN perlu mengemukakan permohonan dana melalui JAHWAR (Hairolanuar, 2018). Disebabkan kekurangan dana, MAIN perlu aktif dalam aktiviti pengumpulan dana wakaf. Sehubungan itu, dalam mengaktifkan aktiviti pengumpulan dana wakaf, keberkesanan dan keupayaan pengurusan MAIN adalah sangat penting. Elemen pemain (*player)* yang meliputi tiga kategori iaitu pengurus, pekerja dan pengguna serta pewakaf adalah sangat penting dalam menentukan keberkesanan pengurusan MAIN.

Kekurangan kepakaran (*lack of skill*) pengurus wakaf merupakan salah satu cabaran utama yang memberi kesan negatif terhadap pengurusan wakaf di Malaysia. Terdapat ramai di kalangan pengurus wakaf MAIN yang tidak mempunyai kelayakan sebagai *mutawali* atau pengurus wakaf. Dalam sesetengah kes, institusi yang mahu dilantik sebagai *mutawali* juga tidak layak menjadi institusi wakaf (Ainulashikin Marzuki *et al*., 2018). Ramai yang bersetuju bahawa *mutawali* yang berkelayakan adalah orang yang mempunyai latar belakang akademik atau pengalaman di dalam industri berkaitan dalam menguruskan aset wakaf. Pengurus wakaf seharusnya mempunyai kelayakan dalam bidang pengurusan kewangan atau berpengalaman luas dalam mengendalikan pengurusan kewangan. Ini penting kerana kemahiran dalam mengumpul dana dan membangunkan aset wakaf adalah penting supaya aset wakaf mampu menjana pendapatan dan mampu membayar kos penyelenggaraannya sendiri. Akibat daripada kekurangan kemahiran pengurusan, banyak aset wakaf terbiar dan tidak produktif, atau yang lebih teruk lagi berlaku penyusutan dan kerugian dari aset wakaf tersebut. Elemen kepakaran pengurusan ini juga mempengaruhi kecekapan tadbir urus. Apabila kepakaran pengurus wakaf itu rendah ianya akan mengakibatkan urus tadbir yang lemah (p*oor governance*). Amalan tadbir urus dalam pengurusan wakaf tunai juga merupakan salah satu cabaran utama. Sebagai contoh, terdapat garis panduan yang tidak jelas di antara peranan dan tanggungjawab pengurus di institusi wakaf. Salah satu implikasinya adalah kurangnya akauntabiliti dan menyebabkan niat serta tujuan penderma wakaf tidak dapat dipenuhi. Keadaan itu amat berkait rapat dengan masalah kekurangan kemahiran dan kecekapan pengurusan wakaf terutama di kalangan pengurus dan kakitangan institusi wakaf (MAIN) di Malaysia.

4. Kajian Literatur

Keberkesanan organisasi bukanlah satu konsep semata-mata. Ia adalah tanggapan abstrak yang dibina secara sosial oleh penyelidik organisasi (Quinn dan Rohrbaugh, 1983). Pelbagai maksud keberkesanan boleh dibawa oleh penyelidik terhadap kajian di organisasi. Ianya bergantung kepada tema atau tajuk objektif kajian bagi penyelidik. Civitillo (2021) memberikan definasi keberkesanan pengurusan bagi sesebuah organisasi bukan berasaskan keuntungan (OBK) sebagai tahap kualiti perkhidmatan yang tinggi meliputi agihan tugas pekerja mengikut unit, pembangunan latihan pekerja, komunikasi yang baik dalam memberikan arahan tugas, prosedur kerja dalaman, dan hebahan maklumat di kalangan sukarelawan. Manakala dari sudut faktor luaran pula, bilangan sukarelawan yang meningkat adalah merupakan faktor penting kepada keberkesanan pengurusan.

Oleh itu, keberkesanan pengurusan wakaf adalah amat mustahak bagi memastikan pengurusan wakaf di institusi-institusi wakaf dilakukan dengan lancar, cekap dan efisien. Ini penting supaya pengurusan wakaf dapat mencapai objektif dan fungsi organisasi dalam mengurus dan memberikan perkhidmatan wakaf yang terbaik kepada masyarakat. Menurut Sharfizie et. al. (2022), faktor pengurus yang mempunyai kemahiran komunikasi yang baik dengan pekerja adalah penting dan menjadi penentu kepada keberkesanan institusi wakaf. Sebagai

contoh, dengan menggunakan bahasa komunikasi yang betul dapat meningkatkan motivasi di kalangan pekerja di institusi wakaf. Selain itu, keberkesanan pengurusan di institusi wakaf bergantung kepada kecekapan penggunaan sumber dana wakaf, wujudnya suatu alat pengukuran prestasi wakaf, penjajaran prestasi kerja dengan objektif organisasi wakaf, pendedahan maklumat wakaf kepada umum, kempen kesedaran wakaf, perancangan aktiviti program wakaf, pelaporan aktiviti program wakaf kepada umum, dan penghargaan kepada pekerja institusi wakaf.

Pitchay (2021) mendapati faktor sikap, gelagat dan tingkah laku pengurus merupakan faktor penting mempengaruhi pekerja untuk berwakaf dan memberi kesan terhadap keberkesanan pengurusan wakaf. Selain itu, Nor Asiah et. al. (2017) menyatakan cabaran utama pengurusan harta di institusi wakaf ialah untuk memastikan sumber kewangan yang cukup dan terjamin serta memastikan bahawa pengurus wakaf adalah orang yang berpengalaman bukan sahaja dalam pengurusan harta tetapi juga pengurusan aset. Menurut Mohamad Zaim et. al. (2015), faktor keberkesanan pengurusan wakaf dipengaruhi oleh faktor kesedaran wakaf yang tinggi di kalangan masyarakat, pendidikan awal, tadbir urus serta usahasama antara MAIN dan JAWHAR di dalam pembangunan aset wakaf. Manakala kempen berwakaf, kepakaran, usahasama syarikat korporat, konsep amanah iaitu akauntabiliti serta penyelarasan pengurusan wakaf di MAIN setiap negeri mampu meningkatkan kualiti pengurusan wakaf. Selain itu, Latif et. al. (2013) merumuskan bahawa faktor keberkesanan institusi wakaf dipengaruhi oleh kewangan, maklumat, tenaga pakar, pengurusan tadbir urus dan pemasaran. Di antara lima faktor tersebut, faktor kepakaran, tadbir urus dan pemasaran empunyai hubungan yang positif terhadap pengurusan praktikal di wakaf pendidikan.

Saripah et. al. (2018) di MAIK Kelantan pula mendapati institusi wakaf memerlukan pengurusan perundangan, kepakaran dan teknologi maklumat bagi memastikan keberkesanan pengurusan wakaf. Selain itu, Noraina Mazuin dan Nur Azni (2021) mendapati penentu kepada kestabilan institusi wakaf adalah terletak kepada polisi perundangan, peningkatkan kapasiti, kepakaran, program keusahawanan, infrastuktur dan tadbir urus. Senada dengan dapatan terdahulu, Ahmad Zaki et. al. (2008) juga menyatakan bahawa kepakaran adalah amat perlu dalam membangun dan memajukan institusi wakaf pendidikan yang merupakan satu pelaburan penting dalam melahirkan modal insan berkualiti. Pelbagai cabaran dihadapi dalam membangun dan memajukan institusi pendidikan wakaf. Pengurusan tenaga pakar, pengurusan pentadbiran dan pengurusan pemasaran merupakan faktor penyumbang utama kepada pembangunan harta wakaf pendidikan di Malaysia. Faktor kepakaran ini juga turut sama disokong oleh kajian Latif et. al. (2013), Mohamad Zaim et. al. (2015), Saripah et. al. (2018) dan Noraina Mazuin dan Nur Azni (2021).

4. Metodologi kajian

Kajian awal ini melihat kepada amalan pengurusan wakaf di dua buah negeri iaitu Pulau Pinang dan Kedah. Di Pulau Pinang, Majlis Agama Islam Negeri Pulau Pinang (MAINPP) ditubuhkan menurut kuasa Seksyen 4 Undang-Undang Pentadbiran Agama Islam Tahun 1959 (Pindaan 2004) bagi menasihati Yang di-Pertuan Agong dalam perkara berkaitan dengan hal ehwal agama Islam khususnya di Negeri Pulau Pinang. Sebelum tertubuhnya MAINPP, pentadbiran wakaf ditadbir di bawah Hindu And Muslim Endowment Board 1901 manakala MAINPP hanya mewujudkan bahagian-bahagian secara khusus bagi mengawal selia hal ehwal pentadbiran pada akhir tahun 80-an. Di bawah struktur organisasi MAINPP, unit wakaf berada setaraf dengan unit pentadbiran dan kewangan, sumber am, undang-undang, pembangunan, pelaburan dan akaun. Struktur dalaman unit wakaf pula hanya menpunyai seorang ketua bahagian wakaf yang mengurus wakaf secara keseluruhan dan dibantu oleh penolong tadbir pengurusan tanah, asset dan hal ehwal ekonomi. MAINPP juga mempunyai anak syarikatnya dikenali sebagai Wakaf Pulau Pinang Sdn. Bhd. Fungsi anak syarikat itu ialah menguruskan hartanah wakaf di bawah MAINPP. Manakala bagi Negeri Kedah pula, Majlis Agama Islam Negeri Kedah (MAIK) telah ditubuhkan pada 4 April 1963. MAIK kemudiannya diisytiharkan sebagai sebuah institusi rasmi yang menjaga hal ehwal agama Islam di Negeri Kedah pada tahun 2008 di bawah Enakmen Pentadbiran Undang-Undang Islam (Kedah Darul Aman) 2008.

Kajian ini telah merangka beberapa soalan sesuai dengan objektif kajian dan permasalahan kajian seperti yang telah dibincangkan sebelum ini. Persoalan kajian menumpu kepada pengurusan wakaf di MAINPP dan MAIK. Persoalan kajian meliputi bagaimanakah elemen faktor kepakaran mempengaruhi keberkesanan pengurusan wakaf di institusi-institusi tersebut yang merangkumi persoalan berkaitan tadbir urus dan pengurusan wakaf seperti dalam jadual 1 di bawah.

Jadual 1. Kepakaran

Tempoh pengalaman tadbir urus	1. Berapa lama pengalaman tuan/puan dalam menguruskan wakaf di MAIN? 2. Berapakah bilangan staf dibawah seliaan tuan/puan dan dibahagikan kepada berapa pecahan unit?
Produk/Jenis wakaf	3. Berapakah produk/jenis wakaf terdapat di MAIN? Bolehkah tuan/puan jelaskan.
Cabaran tadbir urus	4. Apakah cabaran yang pernah tuan/puan hadapi semasa menguruskan wakaf di MAIN? a) Dari sudut cabaran mewujudkan produk wakaf.
Kelayakan Akademik	5. Sebagai pengurus apakah bidang kelulusan akademik tuan/puan.

Kajian ini berbentuk kualitatif yang mengaplikasikan rekabentuk ekplorasi terhadap fenomena (amalan pengurusan wakaf). Objektif yang ditetapkan adalah untuk mengukur serta meninjau persepsi dari pihak MAIN berkenaan mengenai tahap kepakaran pengurus dalam urus tadbir wakaf di negeri masing-masing. Instrumen kajian yang digunakan untuk mendapatkan maklumat bagi kajian ini adalah penyelidikan dokumentasi dan temubual separa berstruktur. Antara dokumen yang digunakan adalah risalah, buletin dan lain-lain dokumen yang berkaitan. Manakala temubual bersemuka telah diadakan bersama wakil MAINPP dan MAIK. Kesemua sesi temubual dan transkripsi rakaman telah dibuat bagi memudahkan proses membuat analisis.

Analisis data dilakukan menggunakan perisian (software) analisis data kualitatif iaitu Atlas-Ti. Menurut Ekasatya Aldila Afrrian (2016), perisian tersebut sangat berguna dalam membantu proses analisis data jenis kajian kualitatif bersifat *Grounded Theory*. Charmaz (2003) menyatakan bahawa *Grounded Theory* adalah satu kaedah induktif yang sistematik bagi menjalankan penyelidikan kualitatif yang bertujuan untuk membangunkan kajian teori. Teori yang dibangunkan adalah merujuk kepada dua sumber rujukan iaitu: pertama, kaedah yang terdiri daripada strategi metodologi yang fleksibel; dan kedua, jenis pertanyaan. Terdapat juga para pengkaji yang menyifatkan ianya sebagai proses mengumpulkan data dan menganalisis data. Strategi membangunkan teori ini bertujuan untuk membina teori-teori peringkat pertengahan dan secara langsung ianya bertujuan untuk menganalisis data. Analisis ini memberikan fokus kepada abstrak dan teori konseptual yang menjelaskan fenomena empirikal yang dikaji. Meskipun kajian ini mampu untuk menetapkan tema di peringkat awal sebelum dianalisa, penyelidik lebih cenderung untuk menggunakan tema yang terbit daripada analisis data. Hal ini bertujuan memberikan ruang yang luas kepada penyelidik untuk mentafsir informasi yang diperolehi serta dapat mengurangkan risiko untuk terlepas informasi kerana terikat dengan tema awal. Selain itu, ia bertepatan juga dengan rekabentuk kajian ini. Akhirnya, kajian ini berjaya mengenalpasti enam (6) tema terbitan hasil daripada analisis data yang dilakukan.

5. Hasil Kajian

Penyelidik telah berjaya membuat temujanji dan menemubual wakil dan pengurus MAINPP serta MAIK, dan telah berjaya memperolehi maklumat yang diperlukan. Semua informan iaitu wakil dan pengurus wakaf MAINPP serta MAIK telah menjawab soalan yang dikemukakan dan memberikan kerjasama yang baik kepada penyelidik. Di antara perkara penting yang diperolehi dari temubual adalah seperti berikut:

1. Hasil kajian ini mendapati pengurus wakaf mempunyai pengalaman yang lama. Sebagai contoh pengurus MAINPP telahpun berkhidmat selama 23 tahun di MAINPP. Oleh yang demikian, dalam mengurus wakaf negeri, pihak MAINPP telah meletakkan pengurus yang sesuai berdasarkan pengalaman individu. Hal ini turut sama berlaku di MAIK, iaitu ketua menguruskan pembangunan hartanah wakaf telah berkhidmat selama 11 tahun. Oleh itu, kajian ini mendapati pengalaman merupakan elemen penting dalam tadbir urus institusi wakaf. Ini kerana, pengalaman dapat memberikan peluang untuk membina kemahiran individu yang seterusnya menghasilkan kepakaran dalam mengurus asset wakaf.

> *"Saya telah berkhidmat dalam pengurusan wakaf selama 23 tahun."*
>
> (*Informan* 1)

> *"Pengalaman saya menguruskan pembangunan hartanah wakaf selama 11 tahun."*
>
> (*Informan* 2)

2. Selain itu, kajian ini mendapati hasil daripada pengalaman tersebut telah membawa kepada suatu transformasi iaitu dari corak tadbir urus yang lama kepada corak tadbir urus yang baharu. Ini disebabkan corak urus tadbir lama (tradisional) mempunyai beberapa isu berkaitan wakaf yang perlu ditangani segera. Oleh yang demikian, transformasi tadbir urus yang baharu telah berjaya mengatasi isu wakaf tersebut.

> *"Dulu sistem pengurusan lama. Orang dulu-dulu wakaf tanah tak daftar, jadi waris datang tuntut tanah. Takkan atok moyang kami nak biar kami hidup miskin. Jadi sekarang ni, nak serah tu nak bagi tanah tu kat kami perlu rekod dan daftarkan kepada MAIN, supaya kami dapat urus."*
>
> (*Informan* 1)

3. Kajian ini mendapati MAIK mempunyai organisasi pengurusan merangkumi enam (6) bahagian dan dua (2) unit. Bahagian Wakaf pula terdiri daripada enam (6) orang kakitangan. Bahagian wakaf ini turut dibantu oleh Bahagian Pembangunan Hartanah, Bahagian Penyelidikan dan Perancangan Strategik, Bahagian Khidmat

Pengurusan, Bahagian Kewangan & Pelaburan dan Bahagian Pusat Bimbingan Islam. Manakala terdapat dua (2) unit, iaitu unit perundangan & seketeriat dan unit audit dalam.

> *"Kita kat sini ada ada 6 bahagian dan 2 unit" Saya incharge Bahagian Pembangunan Hartanah iaitu menguruskan projek-projek pembangunan wakaf di Kedah."*
>
> (*Informan* 2)

4. Kajian mendapati MAINPP mempunyai dua (2) bentuk produk wakaf di mana ianya dibahagikan kepada dua (2) iaitu wakaf sosial dan wakaf komersial. Wakaf sosial adalah berbentuk masjid, kubur, sekolah dan sebagainya. Wakaf sosial ini bertujuan untuk kegunaan orang awam. Bagi pembangunan hartanah wakaf sosial ini, pihak MAINPP melibatkan usahasama dengan pihak Jabatan Wakaf, Zakat dan Haji (JAHWAR). Manakala wakaf komersial adalah berbentuk seperti bangunan untuk tujuan sewaan komersial. Pembangunan aset wakaf berbentuk komersial ini dikendalikan oleh anak syarikat MAINPP sendiri iaitu Wakaf Pulau Pinang Sdn. Bhd.

> *"Kat sini ada dua wakaf, satu, bentuk sosial, dua, bentuk komersial. Kalau yang untuk sosial tu kita ada usahasama dengan JAHWAR. Kalau yang bentuk komersial tu kita bagi kat anak syarikat la."*
>
> (*Informan* 1)

5. Kajian ini mendapati terdapat cabaran yang dihadapi pengurus wakaf dalam mewujudkan satu-satu produk wakaf. Hal ini memerlukan penelitian yang khusus dan melibatkan banyak pihak dalam mewujudkan produk wakaf. Sebelum mewujudkan sesuatu produk wakaf, pihak MAIN perlu mendapatkan kelulusan Majlis Fatwa kerana ianya melibatkan soal Sariah dan juga hukum. Begitu juga dengan aspek undang-undang dan perjanjian yang perlu dipatuhi oleh pihak MAIN. Selain itu, cabaran dari sudut kesedaran berwakaf di kalangan masyarakat juga penting di mana pelbagai kempen dan kaedah perlu dilakukan oleh pihak MAIN.

> *"Ohh.. cabaran kami bila nak bangunkan satu produk wakaf. Banyak pihak terlibat. Satu Majlis Fatwa, lepas tu kena check bahagian syariah, hukum kata boleh ke tak. Lepas tu nak kena buat perjanjian, tu bahagian undang-undang pulak.. jadi banyaklah yang kami kena teliti satu per satu tu."*
>
> (*Informan* 1)

> *"Kita nak tingkatkan kutipan dana wakaf tunai. Sekarang ni kita giatkan potongan gaji kakitangan awam. Langkah tu, kami guna tagline atau kata-kata yang boleh buat orang nak berwakaf. Contoh orang banyak buat zakat sebab orang tahu zakat tu kan wajib, tapi sebenarnya Allah lebih sayang kat orang yang Allah tak suruh tapi orang tu buat. Wakaf ni sunatkan, jadi bila orang dengar macam tu baru orang nak buat wakaf. Jadi kami kena buat kerja-kerja promosi."*
>
> (*Informan* 3)

6. Akhir sekali, kajian ini mendapati pengurus wakaf MAIN adalah berkelulusan pengajian Islam. Berdasarkan kajian lepas, masyarakat selalu memandang isu Syariah tidak penting di dalam pengurusan wakaf. Berdasarkan temubual, kajian ini mendapati bagi pengurusan yang melibatkan aset wakaf, adalah mustahak seseorang pengurus wakaf itu perlu mempunyai pengetahuan tentang Syariah Islam. Ini disebabkan pengurusan wakaf melibatkan banyak isu agama Islam dan juga hukum Syariah. Selain itu juga, kajian ini mendapati pengalaman dan kemahiran seseorang pengurus wakaf mendorongnya melantik ketua untuk setiap bahagian penting dalam urus tadbir wakaf mengikut bidang kepakaran masing-masing, contohnya bidang kejuruteraan di bahagian pembangunan hartanah wakaf, dan bidang pengurusan di bahagian penyelidikan dan pengurusan strategik wakaf.

> "*Bidang saya ialah pengajian Islam di UKM. Sebenarnya bila kita nak urus wakaf ni kita kena tahu hukum-hukum. Sebab wakaf ni dalam bidang agama, jadi kita kena tahu bab tu dulu. Untuk nak urus kewangan tu, pembangunan tu kita perlu ada kepakaran-kepakaran tu, jadi sekarang ni kepakaran setiap baagian tu kita perlu isi. Kalau dia enginier untuk pembangunan dia kena tahu kerja dia tu melibatkan pembangunan wakaf, itu penting*".
>
> (*Informan* 1)

> *"Saya bidang engineering sebenarnya di bahagian pembangunan hartanah wakaf ni. Jadi saya terlibatlah dengan projek-projek pembangunan ni. Bukan satu kerja senanglah bila kita nak bangunkan hartanah wakaf ni, banyak yang perlu kita buat dari sudut kewangan dari sudut progress projek, itu semua saya kena pastikan"*
>
> (*Informan* 2)

> *"Saya PhD dalam bidang pengurusan sebenarnya, saya di bahagian penyelidikan dan perancangan strategik di MAIK ni. Bahagian ni baru ditubuhkan dan saya baru 8 bulan kat sini. Keje saya kena laksanakan apa yang terdapat dalam perancangan strategik MAIK. Semua projek yang direct dari YDP Raja Muda saya perlu buat. Contohnya projek gelandangan di Kedah ni, Baginda nak tangani isu gelandangan dengan wakaf ni"*
>
> (*Informan* 4)

6. Kesimpulan

Kajian ini meneliti faktor kemahiran pengurus dalam memastikan kecekapan dan keberkesanan pengurusan wakaf berdasarkan sampel dua MAIN di Malaysia. Kajian ini mendapati pengurus wakaf di MAINPP dan MAIK merupakan pengurus wakaf yang mempunyai pengalaman yang lama dan luas dalam mentadbir wakaf di negeri masing-masing. Pengalaman yang luas serta kemahiran yang tinggi ini sudah tentunya menghasilkan kepakaran bagi mengurus wakaf. Walau bagaimanapun, terdapat beberapa isu tertunggak yang berpunca dari urus tadbir wakaf terdahulu sebelum MAIN ditubuhkan yang tidak dapat elakkan. Kajian ini juga mendapati bagi meningkatkan kecekapan pengurusan wakaf, setiap ketua bahagian dalam urus tadbir wakaf perlulah diisi oleh individu yang pakar dalam bidang berkaitan. Sebagai contoh, ketua bahagian pembangunan hartanah wakaf perlulah dilantik di kalangan jurutera atau juru ukur, ketua bahagian kewangan dipilih di kalangan akauntan, manakala bahagian pengurusan strategik wakaf pula diketuai oleh seorang pengurus atau penyelidik yang berkelayakan.

Selain itu juga, kajian ini mendapati generasi pengurusan wakaf yang terkini telah banyak membawa perubahan kepada amalan pengurusan wakaf. Pihak pengurusan wakaf di MAINPP dan MAIK telah banyak mentransformasi corak tadbir urus wakaf dari corak tadbir urus lama (tradisional) kepada corak tadbir urus yang baharu. Transformasi pengurusan ini penting agar kemajuan dan pembangunan wakaf dalam masa 10 tahun atau 20 tahun akan datang akan dapat diperingkatkan. Secara tidak langsung, transformasi ini telah membawa kepada kemajuan tadbir urus dan pembangunan wakaf di Malaysia.

Kajian ini juga mendapati aspek pemasaran atau promosi amat penting kepada pembangunan wakaf. Kesedaran masyarakat tentang berwakaf menyumbang kepada transfomasi pengurusan wakaf, di mana pelbagai kaedah telah dilakukan oleh pihak MAINPP dan MAIK dalam memasarkan wakaf kepada pengguna serta bakal pewakaf. Sehubungan itu, pemasaran dilihat merupakan elemen penting dan menyumbang kepada keberkesanan tadbir urus wakaf yang lebih efisien dan perlu dibawa oleh pihak MAIN agar kesedaran masyarakat tentang berwakaf dapat dipertingkatkan. Kesedaran masyarakat amatlah penting agar instrumen wakaf itu dapat dilihat sebagai alat yang benar-benar dapat menyelesaikan permasalahan ummah dan membantu pembangunan negara melalui penggunaan sumber dan aset wakaf yang lebih produktif.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Long-Run Relationship between Islamic Financing Products and Banks' Financial Performance

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Abstract

Banks are diversifying their revenue streams to include a greater proportion of non-interest- earning products. Changes in the product mix offered by banks make them more competitive and capable of generating more stable and sustainable income, which encourages banks to develop and promote new products that improve their financial performance. The increasing demand for Islamic banking products has heightened the competitive environment in the commercial banking industry, particularly in terms of the benefits of banks' product diversification strategy. Islamic banking adheres to Shariah principles, and its products are Shariah-compliant. However, there is a lack of understanding and knowledge about the specific contracts or products offered by Islamic banks. This study investigates the long-run relationship in Islamic bank financing products to improve the banks' financial performance. The financial data of sixteen Malaysian Islamic banks were gathered for this study from the Islamic Financial Services Board's Prudential and Structural Islamic Financial Indicators (PSIFIs) database (IFSB). The Autoregressive Distributed Lags (ARDL) model was used, with data spanning from 2014 to 2018. The findings revealed that Bai Bithaman Ajil, Ijarah, Musyarakah, and other Shariah-compliant products have a significant long-term impact on the performance of return on asset (ROA), financing income (RFIN), gross non-performing financing (GNPF), and net profit margin (NPM). It indicates that the financing model of Islamic banks in Malaysia is diversifying. The overall findings suggest that the diversification strategy in financing assets product may have a significant long-term impact on the financial performance of Islamic banks.

Keywords: Islamic Banking; Diversification Strategy; Bank Performance

1. Introduction

Traditional income is more likely to be affected in the current economic crisis, potentially increasing the banks' expenses on bad debts or loan-loss provision, which will affect the banks' net income. Non-traditional sources of income have increased in proportion globally over the years, reducing reliance on traditional sources, which are more cyclical (Edwards & Mishkin, 1995; Smith et al., 2003). The changing behaviour of income generation benefits institutions' success because non-interest income contributes a larger share of bank earnings. These activities now contribute to the bottom line of any banking institution. It has become a popular way to diversify banking returns and is regarded as a positive initiative to improve income stability and lower earnings volatility.

Hidayat et al. (2012) claimed that while product diversification increased risk for large banks, it reduced risk

for small banks. Greater reliance on commission and fee activities was linked to higher bank risk in terms of earnings and volatility, especially for smaller banks. The impact of product diversification on bank risk is determined by the size of a bank's assets, which may be positively related to bank risk for large-sized banks. Because there have been few studies of non-interest-based income in Asian countries (Pennathur et al., 2012; Hidayat et al., 2012), the findings contradict those of other regions. The findings differ due to differences in samples, methods, and their results, which are primarily due to differences in the market environment. Many claims have been made about the performance and risk level of banking institutions. Non-interest income activities can reduce the volatility and risk of bank profits. As a result, the activities are worth investigating in order to comprehend the relationship between risk and return. It is intriguing to investigate this type of banking in order to determine the significance of product income-based activities in Malaysian banking institutions.

There is a scarcity of research on diversification strategies in Islamic banking assets (contracts) and liabilities products (contracts). Thus, by focusing on Malaysia, this study aims to provide a counterpoint to previous studies, with additional variables. It is worthwhile to investigate these activities in order to comprehend the impact of product diversification on bank performance. In this context, the purpose of this study is to fill a gap in the literature by focusing on the role of bank product diversification strategy in Malaysian Islamic banks. Therefeore, this study investigates the long-run relationship of the financing assets products such as Bai Bithaman Ajil, Ijarah, Istisna, Mudharabah, Murabahah, Musyarakah, and other shariah-compliant products on the financial performance of Islamic banks. Concerning the aforementioned objectives, questions have been raised regarding the impact of the banks' asset diversification strategy based on Islamic products (contracts) on the financial performance of Islamic banks in Malaysia.

2. Literature Review

In a dual banking system, income sources may differ, particularly between conventional and Islamic commercial banks. Interest-based income is defined as any income that earns or charges interest. Islamic banks' financial and investment assets generate non-traditional income activities with no interest. These are Islamic contracts (products) offered by Islamic banks such as Bai Bithaman Ajil, Ijarah, Mudharabah, Murabaha, Musyarakah, Istisna, Sukuk, and others. Many of the sources of income for Islamic banks are similar to those found in conventional commercial banks, but they differ in terminology as well as the financial and legal structures under which the banks operate (Beck et al., 2010; Khan, 2010). Due to its distinct philosophical and functional perspective, Islamic banking interprets the term "income" differently than conventional banking. Islamic banking operations adhere to Shariah rules, which require that all income sources be free of interest (riba or usury). Muslims are not allowed to engage in any business dealings that involve interest-based activities or other prohibited activities. The basis for the prohibition of interest is stated explicitly in four different Surahs of the Qur'an (Ariff, 1998).

In order to increase revenue, more banking institutions have shifted away from traditional (interest-based income) approaches and toward non-traditional (non-interest-based income) income-generating activities (Jaffar et al., 2014). Banking institutions have altered their financial activities in order to reap the benefits of the income diversification strategy, which promotes profitability and income stability. Even though non-interest income has grown in importance, it has not completely compensated for reductions in the interest portion. According to Stiroh and Rumble (2006), increased exposure to non-interest income has resulted in diversification benefits for conventional banks, but the activity is more volatile and less profitable than lending. Nonetheless, it has been claimed that non-interest income will help to stabilise total operating income (Smith et al., 2003).

Pennathur et al. (2012) further argued that income diversification had benefited India’s public sector banks in which non-interest-based income significantly reduced the risk for public sector banks, but it eventually increased the risk for private sector banks. Hidayat et al. (2012) claimed that a product diversification strategy increased the risk for large banks, but it has helped reduce the risk for small banks. Greater reliance on commission and fee activities was associated with higher bank risk in earnings and volatility, particularly for smaller banks. The effect of product diversification on bank risk will depend on a bank’s asset size in which may positively relate to bank risk for large-sized banks. Since there are relatively little researches (Pennathur et al., 2012; Hidayat et al., 2012) of non-interest-based income in Asian countries, the findings contradict those concluded for other regions. The findings differ due to the differences in samples, methods, and their results appear mainly due to the difference in the market environment. Many claims have been made about banking institutions’ performance and risk level. Non-interest income activities can reduce bank profits volatility and reduce the risk. Thus, the activities are worth exploring to understand the relationship between risk and return. It is interesting to explore this form of banking to determine the significant influence of product income-based activities in Malaysian banking institutions.

Limited studies have focused on the function of Islamic product income-based activities in Islamic banking institutions. Since there is a difference in the definition of non-interest income, there should also be a difference in a bank’s strategy and the proportion of these banking products and services. Thus, this study enhances the influences of income diversification activities on the profitability and income stability of Islamic banking institutions in Malaysia. The impact of non-interest income in Islamic banks refers to the product (contract)

income- based activities, but this feature has not been discussed in the context of conventional banks. Considering the objective of Islamic banking, it may not play an intermediary role as does conventional banking. In general, Islamic banks act as a business entity. They focus more on investment activity rather than becoming an intermediary. It has led to studying the main income activities in Islamic banks and how they perform business according to Islamic contracts.

3. Materials and Methods

According to the structural indicators (SIFI) in the IFSB compilation guidelines 2015, Islamic banks are classified into two types: stand-alone institutions offering Islamic financial services (IIFS) or full-fledged Islamic banks, and windows, which include Islamic banking branches, divisions, and Islamic windows operated by conventional banks. In Malaysia, there are sixteen Islamic banks, including locally owned Islamic banks, subsidiaries, and international owned Islamic banks. This study used aggregate bank data generated by compiling and consolidating the quarterly value of registered individual Islamic banks in Malaysia for a period 2014 to 2018. It was analysed using EViews 10 for Autoregressive Distribution Lags (ARDL) model. The ARDL model was chosen for this study due to the short period of data used for time series analysis. For decades, this model was used to examine how variables change over time.

The return on asset (ROA), gross non-performing financing (GNPF), net profit margin (NPM), and financing-based income (RFIN) are the data used in this study to represent the banks' financial performance. The dependent variables were chosen based on previous literature financial performance proxies and income diversification proxies in Islamic banking institutions. Some of the selected dependent variables have not been studied previously, but they are being considered for Islamic banks' financial performance measurement. Independent variables are products (contracts) offered by Malaysian Islamic banks. The variables' definitions and calculations are based on the prudential and structural Islamic financial indicators (PSIFIs) guidelines (IFSB, 2015).

This study adds to the literature by investigating the contribution of Islamic banking products in Malaysia using a variety of metrics. Return on assets (ROA) (Rosly & Bakar, 2003; Detragiache et al., 2018), return on equity (ROE) (Ramlan & Adnan, 2016, Rabaa & Younes, 2016) and operating profit margin (OPM) have all been used to assess bank performance (Nawaz & Bardai, 2017). Thus, the performance of Islamic banks in Malaysia is estimated based on the various activities in bank financing assets. The model specifications developed in this study reflect the selected variables that measure the financial performance of Islamic banks in Malaysia. Models in Islamic banks were chosen based on income diversification. The following models were used in this study:

$$\Upsilon \equiv \alpha + \beta_1(FA_BBA) + \beta_2(FA_IJR) + \beta_3\ (FA_ISN) + \beta_4\ (FA_MDB) + \beta_5(FA_MRB) + \beta_6\ (FA_MSY) + \beta_7\ (FA_OTH) + \varepsilon$$

Υ represents the measures of the banks' financial performance, namely return on asset (ROA), financing income (RFIN), net profit margin (NPM) and gross non-performing financing (GNPF). α represents the intercepts or slope of the dependent variables, β_{1-7} represents the coefficients of the independent variables and ε represents the error term. The hypotheses were developed to identify the diversified product offered by banking institutions that may significantly impact the Islamic banks' financial performance. Hypotheses consist of Islamic banks' products in Malaysia. Based on Table 1, hypotheses are developed to identify the long-run equilibrium relationship between financial performance and the explanatory variables. These are the significant activities that generate income in Islamic banking institutions. Hypotheses H1 - H7 were developed for financing assets (FA) based on the market's contracts and products. The assumption is, the list of products for financing activities may have a significant long-run relationship with ROA, RFIN, GNPF and NPM. Return on asset (ROA), return on equity (ROE) and net profit margin (NPM) are used frequently as financial performance indicators. In this study, financing income (RFIN) were used exclusively for financing assets in measuring financial performance and gross non-performing financing (GNPF), because financing activities may expose the banking institutions to credit risk.

Table 1. Hypotheses of The Relationship Between Banking Products and Bank's Financial Performance

Hypothesis	Research Hypotheses
Ha: Selected bank's financing assets variables have a significant long-run equilibrium relationship with Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.	
H1:	Bai Bithaman Ajil products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H2:	Ijarah products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H3:	Istisna products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H4:	Mudharabah products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H5:	Murabahah products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H6:	Musyarakah products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.
H7:	Other shariah-compliant products have a significant long-run equilibrium relationship with the Islamic banks' ROA, RFIN, GNPF and NPM in Malaysia.

4. Results and Discussion

This study investigates the long-run impact of product diversification strategy on the financial performance of Islamic banks. A thorough analysis has been performed to identify the correlation between bank products and performance for a five-year period.

Table 2. Descriptive Analysis of Dependent Variables

	ROA	LOG(RFIN)	GNPF	NPM
Mean	0.0104	8.6005	0.0130	0.3948
Median	0.0104	8.7048	0.0130	0.3918
Maximum	0.0120	9.3569	0.0140	0.4462
Minimum	0.0095	7.7488	0.0120	0.3424
Std. Dev.	0.0007	0.5409	0.0006	0.0257
Skewness	0.5698	-0.3592	-0.1127	0.1846
Kurtosis	2.3604	1.8088	1.8284	2.8545
Jarque-Bera	1.2808	1.4513	1.0676	0.1181
Probability (P)	0.5271	0.4840	0.5864	0.9426
Observations	18	18	18	18

Table 2 summaries the statistical features of each dependent variable in this study. The descriptive statistics of dependent variables reveal that the ROA has the lowest mean as of 0.0104 and followed by GNPF for 0.0130 and NPM for 0.3948. LOG(RFIN) has the highest mean of 8.6005. The results show a similar pattern in the maximum and minimum value of the dependent variables, but at a different value, as shown in the table. ROA, GNPF and NPM has lesser value due to the data percentage form. Therefore, RFIN is the change-based log values. GNPF shows the lowest standard deviation value of 0.0006 closely followed by ROA for 0.0007 and NPM for 0.0257 and LOG(RFIN) show a slightly higher value of standard deviation. Skewness, kurtosis and Jarque-Bera are used to express the normal distribution of the data and the peak of the tail of each variable. The probability value of more than zero indicates that there is a possibility of occurrence and a certainty to use the selected variables as a dependent variable in this study.

Table 3. The Descriptive Analysis Of The Financing Assets

	LOG(FA_BBA)	LOG(FA_IJR)	LOG(FA_ISN)	LOG(FA_MDB)	LOG(FA_MRB)	LOG(FA_MSY)	LOG(FA_OTH)
Mean	11.1900	11.2741	7.5544	4.2635	11.7223	10.3665	11.2776
Median	11.1769	11.2876	7.5484	4.2848	11.7824	10.3616	11.3059
Maximum	11.3305	11.3130	7.6972	4.3881	12.2159	10.8345	11.5452
Minimum	10.9993	11.1709	7.3477	4.0427	10.9846	9.7645	10.9654
Std. Dev.	0.0958	0.0388	0.0902	0.1079	0.3916	0.3534	0.1584
Skewness	-0.1842	-1.5999	-0.2730	-0.8154	-0.4870	-0.1912	-0.3554
Kurtosis	2.0108	4.5136	2.8412	2.4129	2.0544	1.6765	2.5099
Jarque-Bera	0.8358	9.3970	0.2426	2.2530	1.3821	1.4233	0.5591
Probability	0.6584	0.0091	0.8858	0.3242	0.5011	0.4908	0.7561
Observations	18	18	18	18	18	18	18

Table 3 shows the descriptive analysis of the financing assets consisting of log Bai Bithaman Ajil LOG(FA_BBA), log of Ijarah LOG(FA_IJR), log of Istisna LOG(FA_ISN), log of Mudharabah LOG(FA_MDB), log of Murabahah LOG(FA_MRB), log of Musyarakah LOG(FA_MSY) and log of Other assets LOG(FA_OTH).

The log value is also used for financing assets variables in this analysis to respond to the percentage change in the values.

Table 4. Correlation Matrix Between Financing Assets

	LOG(FA_BBA)	LOG(FA_IJR)	LOG(FA_ISN)	LOG(FA_MDB)	LOG(FA_MRB)	LOG(FA_MSY)	LOG(FA_OTH)
LOG(FA_BBA)	1.0000						
LOG(FA_IJR)	-0.6754	1.0000					
LOG(FA_ISN)	-0.2289	0.7310	1.0000				
LOG(FA_MDB)	**0.9162**	-0.4631	0.0387	1.0000			
LOG(FA_MRB)	**-0.9611**	0.8136	0.3835	-0.8285	1.0000		
LOG(FA_MSY)	**-0.9722**	0.7360	0.2686	-0.8755	**0.9889**	1.0000	
LOG(FA_OTH)	**-0.9209**	0.8553	0.4708	-0.8179	**0.9559**	**0.9284**	1.0000

The results of pairwise correlation matrix analyses for selected financing asset variables are shown in Table 4. It demonstrates a strong positive and negative correlation between independent variables in Malaysian Islamic banks' financing assets, with a coefficient correlation value greater than 0.90. Bai bithaman ajil products have a strong positive correlation with mudharabah of 0.9162 and a strong negative correlation with musyarakah, murabahah, and other assets of -0.9722, -0.9611, and -0.9209, respectively. Murabahah, on the other hand, has a high positive correlation with musyarakah and other financing assets, with values of 0.9889 and 0.9559, respectively.

Despite the fact that the products in the model have a high correlation, the results do not reflect the model's redundant information due to the multicollinearity rule of thumb (Kumari, 2008; Schober et al., 2018). The explanations are that those contracts are differentiated based on Islamic definitions that are conceptually different from one another. Thus, the option of eliminating variables is not used in this study. As a result, all products are regarded as exclusive to Islamic banks. As a result, all variables are used for analysis, with the assumption that there is no causal relationship between the variables and that they may only have a complementary relationship to run the banking activities.

Table 5. Unit Root Test for Dependent Variables

Variables Name	On Levels		On First Differences	
	Intercept and Trend		Intercept and No Trend	
	ADF	PP	ADF	PP
ROA	-3.0255	-2.9862	-5.6125***	-6.1947***
LOG(RFIN)	-2.3291	-9.1987***	-2.2230**	-10.8841***
GNPF	-2.8891	-6.6771***	-5.6122***	-7.3726***
NPM	-2.9143	-3.3196*	-5.7188***	-6.0802***

The results in Table 5 show that LOG(RFIN), GNPF and NPM are integrated on levels *I* (0), for the assumptions of existence of intercept and trend, while ROA is integrated on first difference *I* (1), for the assumptions of the existence of intercept with no trend. NPM is stationary on levels at the significance level of 10%. LOG(RFIN) and LOG(GNPF) are stationary on levels at the significance level of 1%. The PP test is the appropriate test for the dependent variables in *I* (0). Thus, ROA is stationary on the first difference at the 1% significance level for both ADF and PP test. Overall, the unit root test shows a mixed result of stationary level for each selected variable on levels *I* (0) and the first difference *I* (1). Thus, we conclude that the bounds test analysis is required to examine the long-run relationship among selected dependent variables.

Table 6 shows the unit root test results of the bank financing assets. The results reveal that LOG(FA_BBA), LOG(FA_IJR) and LOG(FA_ISN) are stationary on a level at a respective significance level of 1%, 5% and 1%. LOG(FA_MDB), LOG(FA_MSY) and LOG(FA_OTH) are stationary on the first difference for both ADF and PP test at the significance level of 10%. LOG(FA_MRB) stationary on first difference only for PP test. Thus, the bounds test analysis is required for the financing assets model.

Table 6. Unit Root Test for Financing Assets

Variables Name	On Levels		On First Differences	
	Intercept and Trend		Intercept and No Trend	
	ADF	PP	ADF	PP
LOG(FA_BBA)	-5.5300***	-5.5380***	-7.9721***	-8.0964***
LOG(FA_IJR)	-3.6795**	-2.6922	-1.8525	-1.8525
LOG(FA_ISN)	-7.4270***	-2.2615	-2.8161*	-2.4985
LOG(FA_MDB)	-0.8355	-0.2642	-2.9087*	-2.9220*
LOG(FA_MRB)	-1.3967	-0.6125	-1.3118	-2.6247*
LOG(FA_MSY)	-0.3922	-0.4900	-2.9658**	-2.9429*
LOG(FA_OTH)	-2.5243	-2.0306	-2.9299*	-2.8383*

The optimal lags of the ARDL model for financing assets are shown in table 7. The results show that the optimal model for ROA, RFIN, GNPF and NPM with no serial correlation (P-value > 0) problem is the one that uses one lag-length as confirmed by the highest value based on AIC. This study follows the AIC criterion model for the model specification of ARDL.

Table 7. Optimal Lag of The ARDL Model for Financing Assets

Variable	Optimal lag	LogL	AIC*	BIC	HQ	Adj. R-sq	Model Specification
ROA	1	144.1564	-15.3125	-14.6263	-15.2443	0.9632	ARDL (1, 1, 1, 1, 0, 1, 0, 1)
RFIN	1	15.3893	-0.2811	0.3561	-0.2178	0.8452	ARDL (1, 1, 1, 0, 0, 1, 1, 1)
GNPF	1	140.9622	-14.8191	-14.0839	-14.7460	0.9122	ARDL (1, 1, 1, 1, 1, 1, 1, 1)
NPM	1	57.87852	-5.51512	-4.97598	-5.46153	0.73773	ARDL (1, 1, 0, 1, 0, 1, 0, 0)

Table 8. Bound Test Results of Financing Assets

Dependent Variables	F-stat	Case		
		Sig. level	Lower Bound	Upper Bound
ROA	46.5588	(Unrestricted Constant and No Trend)		
		1%	2.96	4.26
		5%	2.32	3.50
		10%	2.03	3.13
RFIN	21.3764	(No Constant and No Trend)		
		1%	2.54	3.91
		5%	1.97	3.18
		10%	1.70	2.83
GNPF	23.9069	1%	2.54	3.91
		5%	1.97	3.18
		10%	1.70	2.83
NPM	8.2333	(No Constant and No Trend)		
		1%	2.54	3.91
		5%	1.97	3.18
		10%	1.70	2.83

Table 8 summarises the results of the bounds test for the financing assets model and selected dependent variables in each case. In this study, ROA assumed unrestricted constant and no trend. While RFIN, GNPF and NPM investigated the long-run relationship using a case of no constant and no trend. At all significance levels of 1%, 5%, and 10%. The F-statistic with the values of ROA, RFIN, GNPF and NPM is greater than the lower and upper bounds test value. As a result, it reveals a long-term relationship between ROA, RFIN, GNPF, and NPM and financing assets (FA) in Malaysian Islamic banks.

Table 9. Long-Run Form for the Selected ARDL Model of Financing Assets Selected Based on (AIC) Criterion

Dependent variable (s)	Independent variable							
	FINANCING ASSETS (FA)							
	Variable	LOG(FA_BBA)	LOG(FA_IJR)	LOG(FA_ISN)	LOG(FA_MDB)	LOG(FA_MRB)	LOG(FA_MSY)	LOG(FA_OTH)
ROA	Coefficient	**0.0131***	**-0.0226****	**-0.0146*****	-0.0001	0.0059	-0.0110	**0.0177*****
	Std. Error	0.0058	0.0052	0.0024	0.0032	0.0048	0.0062	0.0022
	t-Statistic	2.2500	-4.3240	-6.1091	-0.0293	1.2406	-1.7838	8.0307
	Prob.	0.1099	0.0228	0.0088	0.9785	0.3029	0.1725	0.0040
RFIN	Coefficient	**-48.0280*****	**80.3349****	1.3560	1.9760	**-24.3915****	**15.9277****	**-22.7281****
	Std. Error	10.5778	18.5325	2.7050	3.1882	5.9008	4.1797	6.6741
	t-Statistic	-4.5405	4.3348	0.5013	0.6198	-4.1336	3.8107	-3.4054
	Prob.	0.0105	0.0123	0.6425	0.5690	0.0145	0.0189	0.0271
GNPF	Coefficient	-0.0025	**0.0220***	-0.0030	**-0.0097***	-0.0079	0.0062	**-0.0100****
	Std. Error	0.0041	0.0055	0.0015	0.0027	0.0029	0.0029	0.0022
	t-Statistic	-0.6117	3.9979	-1.9504	-3.5468	-2.7066	2.1133	-4.5611
	Prob.	0.6030	0.0572	0.1904	0.0711	0.1137	0.1689	0.0449
NPM	Coefficient	**2.1831***	-1.5534	**-0.9977***	-0.9442	**1.7740***	**-1.9796***	0.4425
	Std. Error	0.9926	0.8732	0.4212	0.5494	0.8470	0.9615	0.2974
	t-Statistic	2.1993	-1.7789	-2.3690	-1.7186	2.0945	-2.0590	1.4877
	Prob.	0.0702	0.1256	0.0556	0.1365	0.0811	0.0852	0.1874

Table 9 summarises the long-run relationship between financing asset variables and Islamic bank dependent variables in Malaysia. It demonstrates that the dependent variables and the financing asset variables have mixed relationships. Return on assets (ROA) has a significant positive relationship with bai bithaman ajil, and other shariah-compliant assets at the significance levels of 10% and 1%, respectively, but a significant negative relationship with ijarah and istisna at the significance levels of 5% and 1%, respectively, in the long run. Mudharabah, murabahah, and musyarakah have no long-run relationship with return on asset. It suggests that in the long run, bai bithaman ajil (BBA), ijarah (IJR), istisna (ISN), and other shariah compliant (OTH) financing assets products may contribute to the return on asset (ROA) in Malaysian Islamic banks. As a result, this may be considered one of the best banking products for analysing ROA performance over time. Financing-based income (RFIN) results show a significant positive correlation with ijarah and musyarakah at the 5% significance level, and a significant negative correlation with bai bithaman ajil, murabahah, and other assets at the 1%, 5%, and 5% significance levels, respectively. Istisna and mudharabah have no significant influence on financing-based income (RFIN) in the long-run relationship framework. Thus, the financing-based income (RFIN) of Islamic banks in Malaysia can be measured in the long run using bai bithaman ajil (BBA), ijarah (IJR), murabahah (MRB), musyarakah (MSY), and other (OTH) financing products. Gross non-performing financing (GNPF) results show that it has only positive relationship ijarah at the 1% significance level, and adverse relationship with mudharabah and other assets at the respective significance level of 1% and 5% in the long-run. Bai Bithaman Ajil istisna, murabahah and musyarakah has no relations with GNPF in the long- run.

This suggests that in the long run, ijarah (IJR), mudharabah (MDB), and other (OTH) financing products represent the GNPF performance in Malaysian Islamic banks. In general, gross non-performing financing refers to the risk of payment default in bank financing products. As a result, a higher level of GNPF may expose banks to a high credit risk. Net profit margin is the final dependent variable in determining the long-run relationship of financing assets (NPM). At the significance level of 10%, it shows that NPM has a positive long-run relationship with bai bithaman ajil and murabahah and a negative long-run relationship with istisna and musyarakah in all products. This means that ijarah, mudharabah, and other financing products have no long-term impact on NPM performance. It indicates that the performance of the net profit margin (NPM) in Malaysian Islamic banks is influenced by banking products such as bai bithaman ajil (BBA), ijarah (IJR), murabahah (MRB), and musyarakah (MSY).

In summary, table 10 shows that the long-run performance of return on asset (ROA) in financing assets model supported hypotheses H1, H2, H3, and H7. It demonstrates that in the long run, ROA has a positive relationship with bai bithaman ajil and other Shariah-compliant, but a negative relationship with ijarah and istisna. This suggests that bai bithaman ajil and other shariah-compliant financing products have contributed to the performance of ROA in Malaysian Islamic banks. However, ijarah and istisna products have no long-term impact on ROA performance. Overall, the ROA results show that bai bithaman ajil and other Shariah- compliant products have a diversification effect in financing activities, implying that banks should increase their activities in those products to improve performance.

The results of the financing-based income (RFIN) model supported hypotheses H1, H2, H5, H6, and H7 for a long-run. It demonstrates that RFIN has a positive long-run relationship with ijarah and musyarakah, but a negative relationship with bai bithaman ajil, murabahah, and other Shariah-compliant. Overall RFIN results show that ijarah and musyarakah products have a diversification effect and contribute to the long-run performance of financing-based income. The results for gross non-performing financing (GNPF) in financing models show that it supported the hypotheses H2, H4, and H7 in the long run. However, in the long run, the GNPF has a negative relationship with mudharabah and other Shariah-compliant products. Overall GNPF results show that the ijarah product contributes to GNPF's long-term performance.

Finally, the financing model's net profit margin (NPM) results show that it supported the hypotheses H1, H3, H5, and H6 in the long run. BBA and murabahah have positive relationship with NPM. It shows that the bai bithaman ajil product is useful for measuring NPM performance and the murabahah product can also be used in the long run.

Table 10. Results Summary of Financing Assets
Long Run Relationship Between Financing Assets and Islamic Bank Financial Performance in Malaysia

Dependant variable (s)	Variable (s)	H1 LOG(FA_BBA)	H2 LOG(FA_IJR)	H3 LOG(FA_ISN)	H4 LOG(FA_MDB)	H5 LOG(FA_MRB)	H6 LOG(FA_MSY)	H7 LOG(FA_OTH)
ROA	Results	**Positive***	**Negative****	**Negative*****	Negative	Positive	Negative	**Positive*****
	Notes	**Supported**	**Supported**	**Supported**	Not Support	Not Support	Not Supported	**Supported**
RFIN	Result	**Negative*****	**Positive****	Positive	Positive	**Negative****	**Positive****	**Negative****
	Notes	**Supported**	**Supported**	Not Support	Not Support	**Supported**	**Supported**	**Supported**
GNPF	Result	Negative	**Positive***	Negative	**Negative***	Negative	Positive	**Negative****
	Notes	Not Support	**Supported**	Not Support	**Supported**	Not Support	Not Supported	**Supported**
NPM	Result	**Positive***	Negative	**Negative***	Negative	**Positive***	**Negative***	Positive
	Notes	**Supported**	Not Support	**Supported**	Not Support	**Supported**	**Supported**	Not Support

5. Conclusion

The purpose of this study was to discover the long-term diversification strategy in Islamic banking institutions, specifically banking products that have a significant impact on the banks' financial performance. Islamic banking institutions are commercial entities that provide Shariah-compliant products. Islamic banking institutions provide a variety of compliant contracts subject to approval by the country's policymakers. The Shariah Advisory Shariah-Council (SAC), the authoritative body in Bank Negara Malaysia, is responsible for validating all Islamic banking products to ensure they are Shariah-compliant. Thus, the contracts offered by Malaysian Islamic banking institutions, namely Bai Bitahaman Ajil, Ijarah, Mudharabah, Murabahah, Musyarakah, Istisna, are widely used for financing income-generating activities. Profitability of banks is determined by the allocation of assets, liabilities, and capital. The impact of diversification varies depending on the products (contracts) offered by Malaysian Islamic banks. The existence of a diversification strategy in bank income activities has been supported by testing hypotheses and hypotheses.

Overall, bai bithaman ajil, ijarah, musyarakah, and other Shariah-compliant products have a significant long-term impact on the performance of ROA, RFIN, GNPF, and NPM. It indicates that the financing model of Islamic banks in Malaysia is diversifying. The overall findings suggest that the diversification strategy in financing assets product may have a significant long-term impact on the performance of Islamic banks. Products with a negative sign or that are insignificant should be considered as part of the banks' risk management strategy, which includes reducing or eliminating financing activities related to those products. To summarise, the findings enable banks to diversify their activities based on the findings that supported the hypotheses in the financing model. It also advised looking into products that have produced positive results. These findings could aid in risk management decisions and product diversification strategies.

This study concludes that bai bithaman ajil, ijarah, istisna, murabahah, mudharabah, musyarakah, and other shariah compliant product have an impact on the income of the banks in both positive and negative ways. Diversification through a product mix strategy is suggested to increase Islamic banks' profitability and income stability in order to support more positive and sustainable returns. This study contributed to a better understanding of Islamic banking products in Malaysia by expanding on the impact of product diversification strategy on the financial performance of Malaysian Islamic banks. It also addressed a gap in the literature regarding the impact of diversification on the financial performance of banks. It also aids in the understanding of portfolio product

diversification in terms of income stream patterns. It expects to serve as a guide for the managers or management teams of Islamic banks in making wise diversification decisions that will improve the bank's performance. The findings may also aid in decisions about the types of hybrid Shariah products that generate revenue for banks. Policymakers or SAC are better positioned to determine which products should be promoted to increase the profitability of the Islamic banking industry.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Measuring Islamic Financial Literacy: A Conceptual Review

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Abstract

As the industry continues to develop and mature, there is a pressing need to develop a framework for Islamic financial literacy as part of the initiative to promote the stability and survival of the Islamic finance industry. Thus, there is a need to develop an Islamic financial literacy framework to cater the needs of an emerging segment of the Islamic financial services industry currently serving a rapidly growing Muslim population worldwide. This study examines the measurement of financial literacy based on the syariah point of views. In depth interviews with four informants were conducted to gain insight on the conceptual review of Islamic financial literacy. This study proposes that the measurement of Islamic financial literacy should include items on understanding the concept of moderation in spending, compulsory and voluntary spending, priority-based spending, need for saving and investment as well as prudent use of debt.

Keywords: Islamic financial literacy; framework; measurement

1. Introduction

Over the past decade, the body of research on financial literacy has expanded significantly. In the attempt to provide insights to assist policy makers and academia to properly address the issue of global low financial literacy, various aspects of financial literacy have been examined including developing the conceptual definition and measure of financial literacy (Huston, 2009; Remund, 2010; Hung, Parker and Yoong, 2009), determining the level of financial literacy (Al-Tamimi, 2009; Oseifuah, 2010; Lusardi, Mitchell & Curto, 2010), analysing the relationship between demographic factors and financial literacy (Chen &Vlope, 2002; Clercq & Venter, 2009; Delafrooz & Paim, 2011) and also examining the effect of the determinants towards financial literacy (Ali, Rahman & Bakar, 2013).

Some of the measurements currently used to assess the level of financial literacy are not fully compatible with the essence of Islamic finance which is based on the teachings of Shariah. In a study which explored the broad concept of halal and its measurement, Salehudin (2010) highlights the need to develop an instrument to measure halal literacy with respect to financial transactions. Similarly, Abdullah and Chong (2014) emphasized the need to develop specific instruments to assess Islamic financial literacy related to Islamic finance concepts and products. Lukonga (2015) observe that there is significant room for improvement with respect to efforts to

improve financial literacy in Islamic finance which currently are still in the developmental stages. Lukonga also found that there is limited awareness about Islamic finance among the general public, including the educated and influential elite. Muslim countries differ in terms of effort to improve financial literacy in Islamic finance. Similarly, Lahsasna (2016) also highlight the need to improve the level of Islamic financial literacy among the Muslims around the world.

2. Islamic Financial Literacy

The term financial literacy has been defined in various ways. Huston (2010) proposed a general definition of financial literacy, which is "a knowledge and application of human capital specific to personal finance" while Remund (2010) provides a more detailed definition of financial literacy, which is "a measure of the degree to which one understands key financial concepts and possesses the ability and confidence to manage personal finances through appropriate, short-term decision-making and sound, long-range financial planning, while mindful of life events and changing economic conditions". In its report which attempt to assess the level of financial literacy across the world, the Organization for Economic Co-operation and Development (OECD) defines financial literacy as a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing (OECD, 2012).

The financial literacy measure that is currently used to assess the level of financial literacy is based on the premise of the existing conventional finance ial system which is based on the interest-based financial settings. Thus, some of the items used to assess the level of financial literacy are not suitable for Muslims around the world who is not allowed to indulge in interest-based transaction. The importance of financial literacy is already in-built in the teachings of Islam which govern all aspects of life including economic and financial affairs of mankind. Indeed, financial literacy is considered as a religious duty for every Muslim (Ahmad, 2010). Thus, the establishment of modern Islamic finance is to cater the needs of the Muslims committed to live their lives according to the true teachings of Islam (Siddiqi, 2006).

Furthermore, the Shariah has various other provisions that are not totally in congruent with conventional finance. Thus, there is a need to develop an Islamic financial literacy measure to cater for the specific needs of the Muslims. Most of the proposed measurement of Islamic financial literacy focus on knowledge required as financial consumers. Based on the underlying concept of Islamic financial literacy from the Shariah perspective, this study proposed that the measurement of Islamic financial literacy should include items on understanding the concept of moderation in spending, compulsory and voluntary spending, priority-based spending, need for saving and investment as well as prudent use of debt.

Due to the exploratory nature of the study, in depth interviews with selected informants were conducted to gain insight on the conceptual definition of Islamic financial literacy. The interviews were conducted with four informants consisting of one academician and three practitioners. It is important to note that the selected respondents are experts in the Muamalat and Shariah background. The sample size depends on the qualitative research design which typically range from three to ten informants. Creswell (2014).However, Charmaz (2006) said that researcher stop collecting data when the categories or themes are saturated to the point that no new insight is obtained when gathering fresh data. A purposive sampling was used in this study due to the fact that the purposive sampling is the most strategic and successful in qualitative research design in which the data review and analysis are performed simultaneously with data collection (Blackstones, 2014). All interview which lasted for about 40 to 60 minutes were recorded with the approval of the informants and then transcribed into non verbatim written form.

3. Conceptual Measurement of Islamic Financial Literacy

3.1 Definition of Islamic Financial Literacy

An in-depth interview with selected informants were conducted in the attempt to explore the conceptual definition of Islamic financial literacy. In particular, the informants were asked whether the general Muslim population have the knowledge on managing the household finance and the type of knowledge required in managing their financial dealings. In general, all informants agreed that most Muslims do have some knowledge on managing their finance, but lacking in the awareness to apply the knowledge. However, R1 observed an increase in awareness due to the government effort to promote awareness among the general public. Mostly community know how to manage but they lack of awareness in managing financial. But now, the awareness was increasing because government was focus in this area'. (R1).

R1 also shares his thought on the definition of financial management in the following words "Financial management refer to the (property) and money. In Islam, the term *al-mal* refers to the assets and money. Islamic financial management divided to two categories which are person can manage and person can't manage.' (R1). R1 further elaborate that the characteristics of those who are able to manage money and property are mature and

knowledge, while those who are not able consist of child and orphan. R2 specifically highlight the importance of learning financial knowledge which he categorized into worldly financial affairs and hereafter financial affairs. R3 explain that the lack of awareness is due to the fact Muslims do not have the proper skills or financial knowledge to manage their finance. R3 also attributed the widespread use of debt to influence of peer and culture. R4 emphasized the four important aspect of financial management, namely saving, investment, security and *takaful*. R4 also added "It is compulsory to know how to manage their financial position because Islam encourage Muslims to be rich so they will be able to pay zakat which will increase their wealth and get *barakah* (blessings) from Allah." (R4).

With regard to the inquiry about the type of knowledge that Muslim should know in managing their wealth, all informants agreed that most of the public are aware of the financial standing and spend based on the necessity and follow the concept of moderation. In this regard, R1 highlight that Muslims must read a lot to be proficient in managing their finances. R2 asserted that Muslims should know their responsibility towards themselves, family and community. In addition, Muslim should know four important aspects in Islamic finance is saving, investment, moderation and buying goods according the necessity only. R4 stressed the importance of having knowledge on saving, investment, security and Takaful in addition to know own financial condition. R4 observed that taking debt is due to spending exceed their income. R4 emphasized the importance of discipline in saving for emergency needs and investment for the future. It can be seen that in Islam emphasize to getting and important of the knowledge. This is also supported by R3 who said: "This is because knowledge is key element in our life in order to get the peaceful life' (R3).

3.2 Moderation in spending

The concept of moderation act as an important key to the Muslim to life in the world and regarding to make the decision in the financial activities. All the informants said that this concept is important and compulsory to the Muslim and must to follow it. The statement from the informants as below:

> R1 – "…the concept of moderation is a key element in finance. When moderation serves as a key element in life and managing finance, then the debt problem will not happen…' (R1)
>
> R2 – "…this is because moderation is a key element in our life. When we follow it, thus the wasteful will not occur. In addition, people should know concept of moderation in any situation to achieve satisfaction..." (R2)
>
> R3 – "…it is important to practice this concept in managing finance because Prophet Muhammad (PBUH) is a model of moderation…" (R3)
>
> R4 – "…the concept of moderation to be a priority to determine whether the person is literate in Islamic finance…" (R4)

It should be emphasized that the concept of moderation is relative. All informants agreed that the concept of moderation is relative and depends to the income.' (R1) (R2) (R3) (R4). Moreover, the concept of moderation should be related with *Maqasid Shariah* which are *dharruriyat, hajiyyat, and tahsinniyat* to make good decision in the financial activities (R2). Therefore, when Muslims implement moderation in themselves, they will be able to avoid over spending. It should be noted that concept of moderation is subjective depending on the amount of income. In other words, there is no standard or level of moderation for the Muslims to follow. More importantly, the informant suggest that the concept of moderation should be emphasized to the middle and lower income who represented the highest percentage of those having debt problems in Malaysia.

3.3 Spending based on priority

Muslims must spend according to their needs and not to their wants. All informants agreed on the importance of spending based on needs and not wants. In Islam, Muslims must follow *Maqasid Shariah* when spending" (R1) (R2) (R3) (R4). Thus, from the interview, it shows that it is important to spend according to the necessity. In addition, the spending must be based on the guidance of the *Maqasid Shariah* which are *dharruriyat, hajiyyat and tahsinniyat*. R2 asserts that the Shariah guidance on priority based spending is related to the concept of moderation.

3.4 Compulsory spending

In this theme, all informants agreed that the husband is responsible to provide the expenditures for the whole family such as providing housing, support parent, child or wife. The husband should provide *nafkah* according to the priority. In addition, three of four informant said that the husband or man should give the *nafkah* according to the priority which are themselves, dependent (wife and sons), parents, siblings/nephew and others (else from nephew and siblings). This is because, when husband buy the necessity to his self, directly he will spend and fulfil his family necessity. However, the spouse's or wife daily needs such as cosmetics, shampoo, perfume and others

should be provided by husband (R3). According to R2 „…the husband must give the *nafkah* according to priority which are dependent (wife and sons), ourselves, parents, siblings/nephew and others (not nephew and siblings‟) (R2). In addition, husband should be giving *nafkah* to his family excluding parents in priority giving the *nafkah*. This is because husband has to fulfil all the needs of his family since he is the head of the family. Therefore, when he gave priority to fulfil his needs rather than his family, the community will say that he did not perform his responsibilities as husband. Therefore, the husband should give priority to the family rather than himself (R2). Pertaining to providing *nafkah* to the parents, all informants agreed that giving *nafkah* to the parents depends on specific circumstances. This means that it is obligatory to provide *nafkah* to parents who are in need. However, all informants encouraged giving *nafkah* in any situation as a form of appreciation.

3.5 Voluntary spending

Muslims who are literate in Islamic financial literacy will spend his wealth for the sake of Allah (S.W.T). This statement also supports by the informants „when the people are literate in finance it will influence them to spend their wealth in the way of Allah such as *sadaqah* and zakat‟ (R1) (R2) (R3) (R4). In addition, when a Muslims are literate in Islamic financial literacy will know that the wealth is not belonging to them. Thus, Muslims will give the *sadaqah* and pay the zakat. However, all the wealth must be earned in lawful manner. (R3).Furthermore, Islam encourage Muslim to be a rich. This is because when Muslim became rich, they can help other people by giving *sadaqah* and zakat (R1).

3.6 Saving and Investment

The concept of saving and investment in Islam should be emphasized in Muslims. This is because Islam encourage his followers to be a rich person. From that, Muslim can be paying the zakat and giving *sadaqah* to the needy person. That is why Islam encourages Muslim to invest as stated by R2. This is because income from the investment will be used for paying the zakat. In addition, zakat is more valuable than money that can distribute directly to the zakat recipients‟ (R2). Thus, it can be seen zakat is more valuable than money because it can delivered directly give to the *asnaf* and will enhance their lives. Also, the profit of investment can give benefit to the family and community and Muslims are allowed to invest if transactions follow the Shariah. Furthermore, the purpose of investment is for the future while saving for the emergency (R4). However, R4 suggest that saving should be done early in life. Islam also encourage saving rather than spending wealth in inappropriate ways. R1 said “saving is not compulsory in Islam, but highly encourage so that Muslims will not spend their money inappropriately‟ (R1).

3.7 Avoiding debt

Debt is a permissible in Islam for those who really need it. However, the debtor must borrow the money based on their needs and not wants. Furthermore, Muslims should take a debt for a good purpose (R1). In addition, the debtor must have intention to repay it. Islam encourage to give the debt to the needy person because they really need it for their life. R4 said “between the giving debt and charity, giving the debt is more important than charity because who are ask for borrow the money shows that they really need it‟. (R1). Also, Islam encourage the creditor to reduce amount of money to the debtor when pay it. R1 stated that “Islam recommended the lender to decrease the total money owed by the creditor and give extension in time to settle the debt‟. (R1). R1 further explains that the debtor is encouraged to pay the debt more than the borrowed amount as a token of appreciation to the creditor who helped him in during his need. On the other hand, the creditor is prohibited to impose or increase the total amount of debt because it can be considered as *riba* or interest which is strictly prohibited in Islamic (R1). All the informants agreed that many people are trapped in debt because of their lack of awareness of the importance of managing their finance.

4. Conclusion

The analysis of the findings from the interview indicate that the conceptual definition of Islamic financial literacy is based on the following interrelated themes, moderation in spending, priority-based spending, compulsory spending, voluntary spending, savings and investment as well as prudent use of debt. Thus, Islamic financial literacy can be broadly defined as management of wealth and finance according to the Shariah, which can be classified under the following themes, namely, principle of moderation, spending based on priority, compulsory and voluntary spending, saving and investment, prudent use of debt. As mentioned earlier, these themes serves as the basic guidance in managing finance at the individual level. It should be noted that a sufficient understanding of these themes will promote sound financial management behavior and practices.

This findings concur with Hashim (2014) analysis of the Quranic guidance on financial knowledge which identify three important lesson from the Quran, namely wise spending, savings for future needs and avoiding debt. This indicate that Islam already provide the important financial knowledge to ensure human well-being. Good understanding of these themes should provide a basic guidance for managing ones financial position. However, the findings from the interview also reveal that most of the Muslims are lacking in their awareness of this important knowledge. Similarly, Lahsasna (2016) has mentioned that the ignorant behavior of the Muslims as the most critical challenge of enhancing the level of Islamic financial literacy.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

The Effect of Foreign Portfolio Investment on the Volatility of the Sharia Infrastructure Sector Index

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Abstract

The large gap in the ability to finance domestic infrastructure projects makes the need for foreign investment important. The contribution of foreign portfolio investment to strengthen the domestic capital market and its infrastructure will increase the allocation of domestic capital. This study aims to examine the impact of foreign portfolio investment inflows, especially on Islamic infrastructure stocks. A sampling of 17 issuers was carried out using the purposive sampling technique during the research period from 03 January 2017 to 28 April 2022. The method used was the GARCH model. Trading in foreign portfolio investment has a statistically significant effect on the volatility of the sharia infrastructure sector index. The results of this study can be a source of information for the government to consider sound monetary policy and stronger supervision in the financial system as well as macroeconomic variables, particularly exchange rates that affect foreign investment flows in Indonesia. Policies aimed at attracting more capital at the same time consider possible negative effects, such as sudden outflows of capital or short-term reversal of capital flows.

Keywords: Volatility; foreign portfolio investment; Sharia infrastructure sector; Indonesia Sharia Stock Index

1. Introduction

Risk diversification is important for investors due to minimizing risk without having to reduce the return received. International investment increases the flow of capital from foreign investors to developing countries due to diversification motivation. The increase in cross-border asset trading in the last two decades has shaped the evolution of capital markets (Balli, 2019).

The increasing trend of international financial integration around the world facilitates a significant increase in foreign portfolio investment in emerging markets (Vo, 2020). The increase in foreign portfolio investment in developing countries is due to significant stock market growth, economic liberalization, high investment returns, trade openness, and developments in communication and technology globally (Shabbir, 2019). Foreign investors commonly trade in large volumes because of their large holdings relative to the small size of emerging markets. Foreign investors tend to follow each other to buy or sell shares (herding) which has a strong impact on stock prices.

Information asymmetry in emerging stock markets is high due to the lack of a strong financial system, monitoring by weak policymakers, and severe ownership concentration which will ultimately affect the quality of the market and trading environment (Chung, 2017). Indonesia is a country with developing market economies that are excessively dependent on foreign investment hence when a global crisis occurs or poor information on the stock market will cause concern for foreign investors and consequently the withdrawal of investment flows in the capital market. The graph below shows portfolio growth in Indonesia from 2016 to 2021, which is dominated by domestic investors.

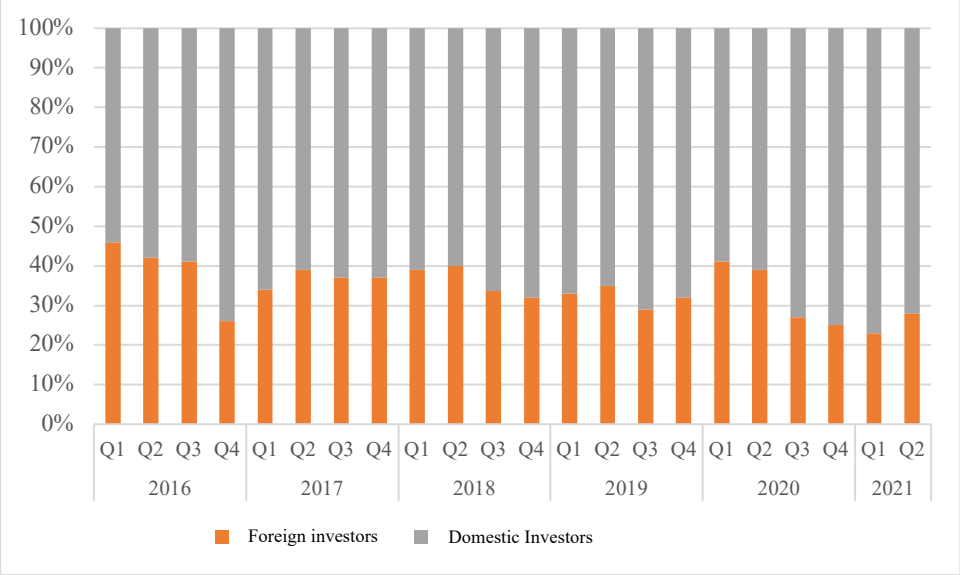


Figure 1. Portfolio Investment in Indonesia (% of total market, selling + buying)
Sumber: IDX, 2022

Research by Porras (2015) finds positive feedback from individual trading by foreign investors in the Spanish equity market. Whereas negative feedback trading is found on a broad market level, especially by US investors with currency exposure. Onishchenko (2019) shows changes from 2004 to 2015 due to a lack of information on foreign investors in the Korean equity market. Research by Shabbir (2019) shows the short-term and long-term dynamic relationship between foreign portfolio investment (FPI) and Pakistani stock prices.

Research by Kim (2019) investigates the impact and behavior of foreign investment on the prices of the nine companies with the largest capitalization in KOSPI (Korea Composite Stock Price Index) using GARCH (generalized autoregressive conditional heteroscedasticity) to measure return volatility and then vector autoregression (VARS) is used to investigate the dynamic relationship between stock price volatility and the daily behavior of foreign investors. Meanwhile, research by Khanthavit (2020) investigated the behavior of foreign investors on the Thailand Stock Exchange (SET) during the 2019 coronavirus disease (COVID-19) using the event study method and showed significant negative results from abnormal foreign investors' abnormal trading volumes with stock returns.

The relationship between foreign investment is limited to its impact on the stock market. Based on this gap, this study wants to see whether the interaction between foreign investor trade and the infrastructure sector index can reflect information loss. The infrastructure sector is a sector that is influenced by government policies related to gas pricing, toll roads, exchange rate fluctuations, and foreign investment (Andirerei, 2016). Infrastructure projects in several countries are one of the sectors that are in great demand by foreign investors. This is supported by strong foreign investment interest in the airport and port sector in Indonesia given the long-term benefits (HSF, 2021).

2. Literature Review

2.1 *Investment Behavior*

Foreign investors are often blamed for creating chaos and possible panic in the market (Khanthavit, 2020b). This is due to foreign investors tend to be in groups and have large capital in international transactions. In addition, Hasan (2019) explains that some domestic investors tend to replicate securities previously chosen by foreign investors, because they think that foreign investors have skills that enable them to make better investment decisions, thus causing domestic investors to follow the behavior of foreign investors in trading. Therefore, crowd investment behavior, where investors observe the behavior of others to make decisions, can increase instability in the stock market (Bui, 2020). The presence of foreign investors always seems to cause controversy because on some sides foreign investors are expected to bring in capital, while on the other hand, foreign investors are often associated with negative impacts on the domestic market, especially the destabilizing effect of foreign investors (Hanafi, 2020).

2.2 *International Portfolio Diversification*

Global diversification offers investors higher returns and opportunities to hedge against possible risks associated with individual countries and markets (Mushtaq & Shah, 2014). Mushtaq and Shah further explained that instead of investing in one security, investors can reduce unsystematic risk by diversifying assets. The purpose of portfolio diversification is to reduce unsystematic risk (diversifiable risk) hence that portfolio selection means allocating optimal financial securities in different asset classes to maximize portfolio returns and reduce risk levels (Aliu & Knapkova, 2017). Investors are aware of the fact that international stocks have different characteristics, therefore, by diversifying between different countries or industries in the country, portfolio performance will improve (Zonouzi et al., 2014).

2.3 *Hypothesis*

As a result of market liberalization policies, foreign investors spread their investments throughout the world (Hasan, 2019). Foreign investors seek opportunities to profit and reduce risk among investments through cross-border diversification. This policy makes correlations between countries stronger, and the development of integration benefits capital flows in producing more optimal investments (Xu, 2020).

Based on the background, problem formulation, literature review, and previous research, the hypothesis in this study are as follows:

H1 = The behavior of foreign portfolio investors has a significant effect on the return volatility of the Indonesian sharia infrastructure sector index

3. Methods

3.1 Data and Variables

This study uses secondary data with 1285 days of observation from January 3, 2017 to April 28, 2022. Daily data was chosen since it is more accurate to measure volatility than weekly or monthly data. In addition, daily data is also better able to explain the volatility of the stock market. The independent variables, the dependent variable, and the control variables in this study are the behavior of foreign portfolio investors, the sharia stock infrastructure sector index, and the Indonesian sharia stock index.

The data is collected by adjusting the date due to missing observations due to differences in data from each website. This is due to non-trading transactions on a specific date. Data on foreign investment trade volume, sharia infrastructure index, and Indonesia sharia stock index are matched with each other every day. The data collection method in this study is by accessing the relevant data source, namely the Indonesia Stock Exchange website to obtain daily data on foreign investment trading volumes. Data on ISSI closing prices are obtained from id.investing.com.

Data from the sharia infrastructure sector index were obtained through yahoo finance; for closing prices and financial statements of each company; for the number of shares outstanding. The criteria for the sample issuers in the infrastructure index are selected based on the classification of the infrastructure sector determined by the IDX based on the IDX-IC classification. Furthermore, it is re-selected with the criteria of issuers that have never left the ISSI index during the observation date of January 3, 2017 to April 28, 2022.

The sharia stock infrastructure index is calculated based on the index calculation methodology in the IDX Fact Book Handbook using the weighted average methodology based on the number of listed shares or the Market Value Weighted Average Index. The base value in this calculation is based on days starting on January 3, 2017. The base value will be adjusted if there is a corporate action such as additional shares, stock splits, devidend, and delisting.

Table 1. Issuers of Sharia Stock Infrastructure Sector

No.	Kode	Issuers
1	ADHI	Adhi Karya (Persero) Tbk.
2	BUKK	Bukaka Teknik Utama Tbk.
3	CMNP	Citra Marga Nusaphala Persada
4	EXCL	XL Axiata Tbk.
5	IDPR	Indonesia Pondasi Raya Tbk.
6	ISAT	Indosat Tbk.
7	JKON	Jaya Konstruksi Manggala Prata
8	KARW	ICTSI Jasa Prima Tbk.
9	META	Nusantara Infrastructure Tbk.
10	NRCA	Nusa Raya Cipta Tbk.
11	PBSA	Paramita Bangun Sarana Tbk.
12	POWR	Cikarang Listrindo Tbk.
13	PTPP	PP (Persero) Tbk.
14	SSIA	Surya Semesta Internusa Tbk.
15	TLKM	Telkom Indonesia (Persero) Tbk
16	TOTL	Total Bangun Persada Tbk.
17	WIKA	Wijaya Karya (Persero) Tbk.

3.2 Data analysis technique

This research uses time series regression analysis technique. The data obtained is then processed using EViews software. In this study, using the GARCH method to see the impact and behavior of foreign investment variance modeling for time series regression which will be explained in the following sub-chapter.

3.3 Calculation of Foreign Portfolio Investment

$$the\ Foreign\ nett\ transaction = \sum buy\ foreign - \sum sell\ foreign$$

$Foreign\ nett\ transaction$ = Accumulated value based on buy and sell calculations by foreign investors
$the\ \sum buy\ foreign$ = total buy by foreign investors
$\sum sell\ foreign$ = total buy by foreign investors

3. 4 Volatility Modeling

This study uses the GARCH (Generalized Autoregressive Conditional Heteroscedasticity) model. GARCH is a general form or generalization of the ARCH model proposed by Tim Bollerslev in 1986. A new idea emerged that included the term conditional variance left behind as an autoregressive term. However, the ARCH model is not significant if the lag formed to overcome the symptoms of heteroscedasticity is too high. To overcome the high lag in the ARCH model, the GARCH model was developed. In the GARCH model, the residual variance (h_t) is not only influenced by the residuals of the previous period but also the residual variance of the previous period.

The mean foreign net (NETT) model used is as follows:
$NETTx_t = \alpha + \beta_1 NETT_{t-1} + e_t$

The variance model used for foreign nett:
$hNETT_t = \gamma_0 + \sum_{i=1}^{p} \delta_i\, h_{t-i} + \sum_{j=1}^{q} \gamma_j\, u_{t-j}^2$

Meanwhile, the form of the mean Islamic stock infrastructure index (INFR) model used is as follows:
$INFRx_t = \alpha + \beta_1 INFRx_{t-1} + \beta_2 ISSIx_t + \beta_3 ISSIx_{t-1} + u_t$

Sharia Infrastructure Sector Index Variance:
$h_t = \gamma_0 + \sum_{i=1}^{p} \delta_i\, h_{t-i} + \sum_{j=1}^{q} \gamma_j\, u_{t-j}^2 + \vartheta \log\ hnett_{(t-1)}$

Where:

h_t	: residual variance
u_{t-1}^2	: previous period residual
h_{t-1}	: previous residual variance
γ, δ	: parameter coefficient
u, e	: error terms
j, i, p, q	: sample period

4. Results

Table 2 below shows the sample descriptive statistics of the variables used, including the mean, median, and standard deviation (Std. Dev). The standard deviation of foreign net data is very large, which means that the distribution of data groups to the mean is quite large. Portfolio investment is vulnerable to sudden and large inflows and outflows in response to both domestic and global sentiment.

Table 2. Descriptive Statistics.

	NETT	INFR	ISSI
Mean	1,713,409,536,626.2	90.464	178.08
Median	1,303,678,178,627	91.044	182.32
Maximum	53,944,256,076,496	116.10	208.18
Minimum	-9,332,238,697,042	58.291	115.95
Std. Dev.	2,730,835,805,148.65	12.680	14.792

Based on the results of table 3, foreign portfolio investment trading in the previous period (β) has a significant effect on foreign portfolio investment trading at the present time. The volatility of the sharia infrastructure sector in the past (β_1) also has a significant influence on the current volatility of the sharia infrastructure sector. Islamic market conditions proxied by ISSI both in the past (β_2) and in the present ((β_3) affect the sharia infrastructure sector at present. ISSI is an Indonesian Islamic market condition whose movement is driven by a sector with large capitalization, such as the infrastructure sector. Genming Zhang and Fujin Ren (2006) in Cao dkk., (2013) found that fluctuations in the industrial sector in the Chinese securities market tend to be stable and have a close relationship with the characteristics of each industry.

Table 3. GARCH Regression Model.

Foreign Nett			Sharia Infrastructure Sector		
	Coefficient	**Prob.**		**Coefficient**	**Prob.**
			Mean equation		
α	7.096683	0.0000*	α	-0.336494	0.2146
β	0.413043	0.0000*	β_1	0.993491	0.0000*
			β_2	0.588023	0.0000*
			β_3	-0.582782	0.0000*
			Variance equation		
γ	0.004648	0.0032*	γ	0.150100	0.0011*
$arch$	0.054151	0.0000*	$arch$	0.107349	0.0001*
$garch$	0.894387	0.0000*	$garch$	0.727449	0.0000*
			ϑ	0.116453	0.0159**

Tingkat Signifikansi ***, **, *: 10%, 5%, 1%

Source: Eviews 10 data processing results

The ARCH and GARCH coefficients were statistically significant at the one percent level. ARCH represents information from the previous period, and GARCH measures the impact of variance from the previous period (Lim & Sek, 2014). This means that shocks and volatility in the previous period affected foreign trade and the sharia infrastructure sector index. These results also show that the current volatility of foreign trade and stock indices often depends on unexpected shocks in the previous period that affect the dynamics of foreign trade and the stock index of the Islamic infrastructure sector. In addition, the magnitude of the GARCH coefficient indicates that the volatility of foreign trade and the sharia infrastructure sector index tends to fluctuate gradually from time to time.

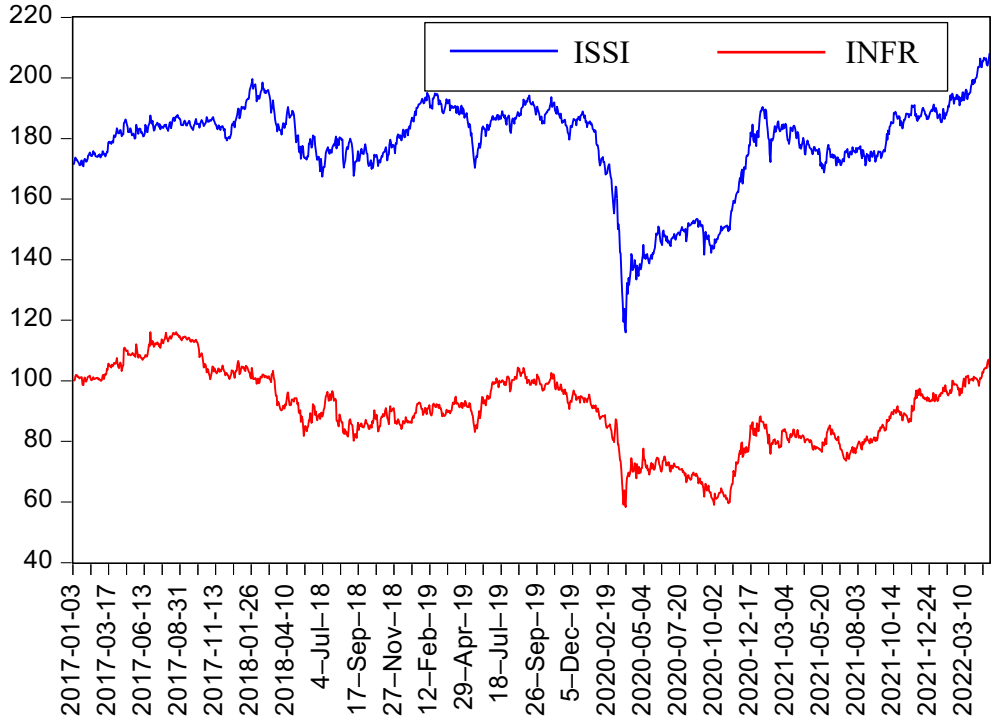


Figure 2. Indonesia Sharia Stock Index and Sharia Infrastructure Sector Index

The Islamic infrastructure index and ISSI move together, which means ISSI is an indicator of the Islamic market and the Islamic infrastructure index is positively correlated. This may be due to the causal relationship occurring in both directions from ISSI to infrastructure shares or vice versa.

The coefficient with a significant positive value means that foreign portfolio investment trade has a statistically significant effect on the volatility of the sharia infrastructure sector index. Study by Kinda (2012) found that there is a correlation between capital flows and significant infrastructure development growth in developing countries. The contribution of foreign portfolio investment to strengthen the domestic capital market and its infrastructure will increase the allocation of domestic capital, and will ultimately help increase the benefits of foreign direct investment (Evans, 2002).

The infrastructure, utilities, and transportation sectors are industries engaged in the business of energy procurement, transportation facilities, telecommunications media, building infrastructure (non-buildings and houses), and their supporting services (IDX, 2022). Domestic infrastructure is a reflection of the process of technological development. Therefore, the infrastructure in a country is important (Pungnirund, 2020).

5. Conclusions

This study aims to analyze foreign portfolio investment into the Islamic stock market in Indonesia and infrastructure sector. The results show that the investment trading portfolio has a statistically significant effect on the volatility of the sharia infrastructure sector index. The Islamic infrastructure sector and ISSI are potential places for foreign investors to invest.

The importance of monetary policy and stronger supervision in the financial system as well as macroeconomic variables that affect foreign investment in Indonesia. Maintaining a stable exchange rate is an effective policy for Bank Indonesia to increase the flow of foreign portfolio investment, particularly the flow of foreign equity through intervention in the currency market (Syarifuddin, 2020). Furthermore, it is important to have policies aimed at attracting more capital while considering possible negative effects, such as sudden capital outflows or short-term reversal of capital flows by maintaining adequate monetary policy.

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THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Will Millennials Invest in Retail Sukuk? The Case of Malaysia and Indonesia

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Abstract

Sukuk issuances play a critical role in promoting economic growth. At present, there are moves towards introducing sukuk at the retail level online to make it accessible to the public. This is a way for the government to raise financing domestically. The present study investigates the knowledge and preferences of millennials towards retail sukuk offered in Malaysia and Indonesia. For that purpose, survey questionnaires are distributed in early 2022 to 135 respondents to examine their perceptions and awareness of sukuk investment using purposive samplings. Identifying factors influencing millennials investing in retail sukuk will contribute to the development of Islamic financial products and services in Malaysia and Indonesia. The findings suggest that values and technology-fit tasks are important variables in sukuk investment among the respondents. Millennial investors have an important role in developing sukuk investment products and services. To the policymakers, the findings will provide an early profile of investors millennials who are more inclined to use technological advances in investing. It is important to understand millennials' values, behavior, and preferences to appropriately assess both opportunities and risks in investing.

Keywords: Retail sukuk; millennials; investment; Islamic bond; COVID-19

1. Introduction

The recent COVID-19 pandemic highlights sukuk's potential to be used as monetary and fiscal policy tools in economic recovery. While the stimulus packages injected by the government are necessary and will potentially widen the fiscal deficit, it is a temporary solution that is needed to prevent an economy from spiraling down. Sovereign sukuk issuance can be an alternative solution to finance the fiscal deficit because it has become an Islamic financial instrument that is globally accepted (IIFM Sukuk Report, 2019; Global Islamic Report, 2020) and an effective source of financing to drive the economy (Baita & Daud, 2019). There is an increasing probability that most sovereigns may issue sukuk to meet their fiscal budgetary requirements during the coronavirus pandemic (IIFM Sukuk Report, 2020). Sukuk refers to securities, notes, papers, or certificates, with features of liquidity and tradability. Sukuk financing activities are mostly for the infrastructure and utilities, financial services sectors, property, and real estate, oil and gas, and energy sector (Ahmad et al, 2012).

Nowadays, the issuance of retail sukuk is not only for commercial objectives but also integrated with social objectives. For examples, Cash Waqf Linked Sukuk (CWLS) in Indonesia and *Sukuk Prihatin* in Malaysia. The issuance of CWLS is intended to facilitate temporary and permanent cash waqf to be placed in safe and productive investment instruments as well as to support the development of the social investment. The first series of CWLS was issued on November 26, 2020, and managed to raise IDR 14.9 billion (kemenkeu.go.id). Meanwhile, Sukuk *Prihatin* is issued by the Malaysia Government to support the national economic recovery plan. The first series

of Sukuk *Prihatin* was issued on August 2020 and managed to raise RM 666 million (pmo.gov.my). These two types of social sukuk can also be used as an alternative to financing economic recovery after the COVID-19 pandemic.

The most potential sukuk investor in the current digital era is millennials. The millennials or Generation Y is a new group of generation and has been increasing in numbers, usually people who were born in 1981-1996 (Pew Research Center, 2019). In Indonesia, the millennial population is contributing around 63.5 million people (Badan Pusat Statistik, 2020). Meanwhile, the millennial population in Malaysia stands at 26 percent of the total population, or approximately 8.47 million people (Worldometers, 2020). The millennials are the dominant population in this decade with the most productive age and also consist of middle to the high-income class community.

With recent development as well as technological improvement, buying sukuk through the online method is possible. Besides, there are 31 official distributors for digital retail sukuk. So, it should be easier for the prospective investor to buy it. Moreover, data from the Ministry of Finance of Republic Indonesia show that millennials are leading in the investment of sukuk sold online since 2018 which marks the digital sukuk era in Indonesia. The participation of millennial investors has increased to 45% and 51% in 2018 and 2019, respectively, compared to only 13% offline sales in 2016. Based on the explanation above, the millennials are a large potential market segment in the issuance of retail sukuk who's their behavior patterns need to be known. Therefore, studying their behavior is important to increase their participation in economic development, particularly post-pandemic economic recovery, through the issuance of digital sukuk. In particular, this study aims to investigate the perceptions of millennials that can form attitudes and intentions to participate in the digital sukuk issuance whether to invest for profit-oriented or to donate (social/non-profit oriented). The output of this research is expected to provide a quality reference for relevant stakeholders in making policies.

Florenthal (2020) studied what drove the millennials' motivation to have intention to donate funds for charity on social media sites. The results indicate that both information seeking and entertainment, coupled with the subjective norm, directly affect millennials' intention to donate money to Nonprofit organizations (NPOs) via social media sites. Leon (2018) evaluates Millennials' intention to use service mobile apps and assesses gender as a moderator. Even so, there is limited or little research that studies the behavior of the millennial generation toward the digital sukuk, especially their intention to buy sukuk for profit or non-profit (fulfill social responsibilities) oriented. Hence, this study will proceed to fill in this gap and will be the first to research this particular topic.

In previous studies, millennials' behavior has been discussed a few times. Azizah (2020) studied the factor affecting the investment behavior of the Indonesian younger generation. Lestari (2020) studied the effect of Islamic finance literacy and Islamic lifestyle investment in decision-making. Florenthal (2019) studied the involvement of young consumers namely Generation Y and Z with social media sites brands by synthesizing two motivation theories which are uses and gratification (U&G) and the technology acceptance model (TAM). In the same year, Florenthal (2019) studied the awareness of Millennials of corporate social responsibility (CSR) and their attitude to sustainable and responsible investment (SRI). The millennials are leading in the investment of sukuk sold online since 2018 which marks the digital sukuk era in Indonesia (Ministry of Finance, Indonesia). The participation of millennial investors has increased to 45% and 51% in 2018 and 2019, respectively, as compared to only 13% offline sales in 2016 as indicated in Figure 1.

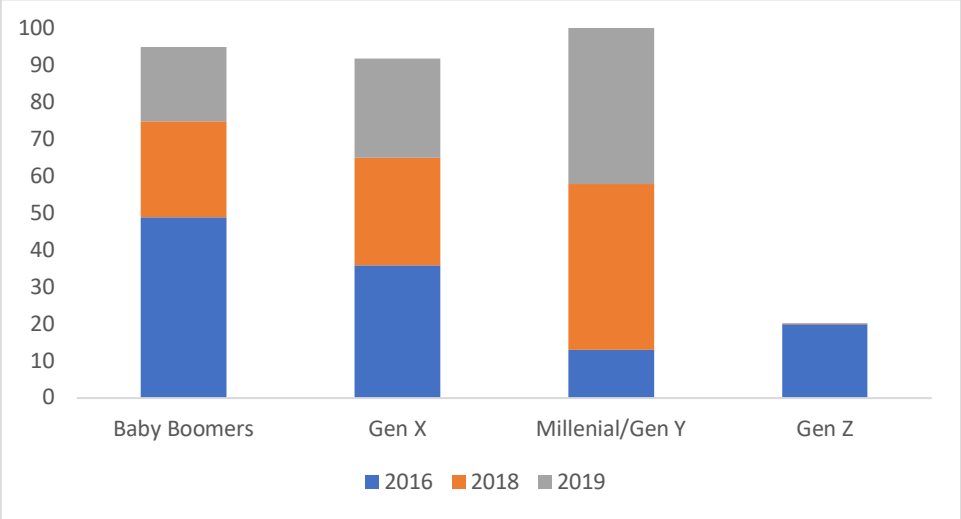


Figure 1: Investor Participations
Notes: 2016-sold offline; 2018 & 2019 sold online

This paper is organized as follows. After the introduction, section two presents a literature review followed by the research method in section three. Section four discusses the findings while the last section concludes the discussion.

2. Literature Review

Indonesia and Malaysia dominate the issuance of sovereign sukuk. Malaysia and Indonesia are the key sources of sukuk supply in 2019, constituting 45.12% and 10.46% of the global sovereign sukuk, respectively (IIFM Sukuk Report, 2020). One form of the sovereign sukuk is retail sukuk. Retail sukuk is intended to facilitate greater retail participation in the Islamic capital markets and economic development as well as to meet the demand for retail investors to access more Islamic investment products. The Indonesia Government introduced *Sukuk Ritel* (Retail Sukuk) in 2009 and *Sukuk Tabungan* (Savings Sukuk) in 2016, which have been issued in 13 series and seven series, respectively. As for Malaysia, sukuk retail is relatively new, it was first introduced in 2015 and then liberalized regulatory framework in 2018 (sc.com.my). In terms of innovation, Indonesia was awarded The Best Islamic Capital Market at the 2020 Global Islamic Finance Awards (GIFA), one of which was due to innovations in the sukuk issuance (kemenkeu.go.id).

Several studies discovered that economic growth has a strong effect on the development of the sukuk market (Ahmad et. al, 2012, Istiqomah, 2012, Said and Grassa, 2013, Smaoui and Nechi, 2017). On the other hand, the development of the sukuk market also has a significant impact on economic growth. In a different context, Goaied and Sassi (2010) examine the connection between Islamic finance and economic development in a sample of the Middle East and North Africa (MENA) countries. The authors utilize an imbalanced panel data set and estimated a dynamic panel model using a generalized method of moments (GMM) estimation. Their results show no statistically significant correlation between Islamic finance and economic development in the economies they studied. However, the primary study's shortcoming is that the nations studied have various economic and financial development levels. The dispersion between these two indicators may not be constant among MENA countries. As a result, the study findings may be skewed. Researchers indicate that macroeconomic factors influence the development of the sukuk market (Said & Grassa, 2013; Istiqomah, 2012; Smaoui and Nechi, 2017). However, some macroeconomic indicators such as inflation are not significantly influenced by this type of Islamic instrument.

In addition, high currency volatility creates uncertainty about the real value of sukuk instruments, impeding the development of the sukuk market. These results correspond to Arafat Mansoor's (2019), Smaoui, and Khawaja's (2016) findings that the exchange rate has a negative relationship with the development of the sukuk market. The United States dollar (USD) currency risk occurs when sukuk payments are made in a foreign currency with unpredictable cash flows. Other studies are reporting a positive relationship between exchange rates and the sukuk market (Suriani et al., 2018, Sucinigtias, 2019). To summarise, different studies report different findings on the relationship between macroeconomic indicators and sukuk market development. Therefore, the present study contributes to the literature on the sukuk-growth nexus.

3. Data and Methodology

Data collection for this study is based on a survey questionnaire based on purposive sampling. The data used in this study are collected based on purposive sampling and were collected from late 2021 until early 2022. The survey instrument was developed based on past literature as shown in Table 1. There are 11 themes covered to explore the purchasing behavior of millennials on sukuk purchases online. The variables are adapted to be in line with the research objectives. There are based on a 5-point Likert scale.

The total number of data collected is 135 respondents where 77 are from Indonesia and 56 are from Malaysia. The profile of the respondents is available in the Appendix. In Malaysia, respondents are mostly female, in their early 20s, furthering studies and 12 percent of them have subscribed to sukuk digital. For Indonesia, the 77 respondents are approximately equal for male and female, around 48 percent have transacted in sukuk digital, are in their mid-20s, pursuing their first degree, and working in the private sector.

Table 1. Variables in the Survey Questionnaire

No	Variables	References	Theme
1	Ease of Access	Zaborek and Mazur (2019)	Easy access to invest in sukuk
2	Values	Monavvarifard et al. (2019)*	Sustainable-oriented economy/community
3	Technology/Digital Transaction	Leong et al. (2018)*	Electronic transaction/online sales
4	Perceived usefulness	Kucukusta et al. (2015)*	Useful for community and social impact
5	Self-Enhancement	Marbach et al. (2019)	Important for self-actualization
6	Attitude	Abd Rahman et al. (2015)*	Sukuk vs conventional products
7	Religiosity	Abd Rahman et al. (2015)*	Shariah-compliant
8	Intention to Invest/Donate	Lee et al. (2021) *	Donation of return investment
9	Intention to Invest/Re-Donate in a higher amount	Sura et al. (2017)*	Will donate in higher amount in future
10	Positive Word of Mouth	Ryu and Park (2020) *	Will promote sukuk
11	Recommendation	Fu and Wang (2020)*	Recommend sukuk to Others

Note: *Adapted by researchers.

Table 2 lists the descriptive statistics for the Survey. For Malaysia, the highest mean value is for the variable Technolgy-fit task while the lowest one is Positive Word-of-Mouth. In the case of Indonesia, the highest variable is Values while the lowest average mean value is Accessibility, Religiosity, Positive Word-of-Mouth, and Recommended.

Table 2. Descriptive Analysis

	Accessi-bility	Values	Tech-nology	Usefull-ness	Self-Enhance-ment	Attitude	Religiosity	Intention to Donate	Donate Higher Amount	Positive Word-of-Mouth	Recom-mended	
Mean	3.06	3.54	3.54	3.42	3.45	3.49	3.05	3.21	3.53	2.89	3.29	Malaysia
Median	3.00	4.00	3.83	3.38	3.43	3.50	3.00	3.08	3.60	3.00	3.00	Malaysia
Mean	3.21	3.49	3.48	3.36	2.97	3.32	3.08	3.01	3.01	2.69	2.92	Indonesia
Median	3.00	3.75	3.67	3.25	3.00	3.33	3.00	3.00	3.00	3.00	3.00	Indonesia
Std. Dev.	0.65	0.59	0.57	0.59	0.52	0.55	0.56	0.57	0.56	0.78	0.66	Malaysia
Std. Dev.	0.57	0.58	0.59	0.55	0.52	0.65	0.56	0.66	0.59	0.88	0.87	Indonesia

Source: Survey

4. Results and Analysis

We run the descriptive analysis for the data separately for Indonesia and Malaysia. Table 2 shows the results of the findings. Based on the average values of the nine variables measured, the responses that are highest for Malaysia are Values and Intention to donate a bigger amount in the future. Meanwhile, Indonesian respondents rated Values and Technology as the highest. For variables that show approximately similar responses in both countries, Values, Technology, and Religiosity. The lowest response for respondents from Malaysia is the category of 'Accessibility and 'Positive-Word-of-Mouth. For Indonesia, the Accessibility category and 'Positive Word-of-Mouth' variables are the lowest average mean values.

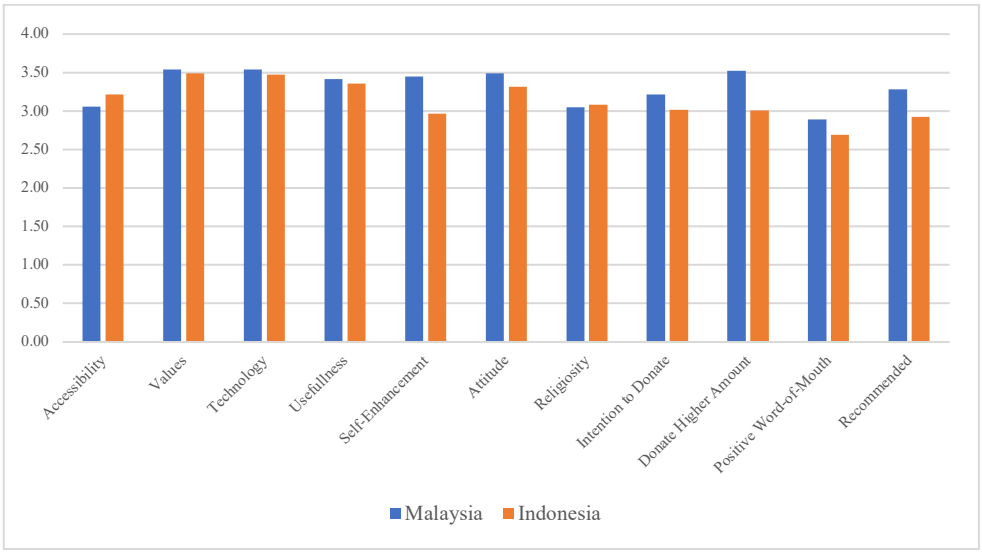


Figure 2. Intention to Invest in Sukuk Digital Among Millennials

Based on the findings, millennials are a large potential market segment in the issuance of retail sukuk. Therefore, studying their behavior pattern is important to increase their participation in economic development, particularly post-pandemic economic recovery, through the issuance of digital sukuk. investigate the perceptions of millennials that can form attitudes and intention to participate in the digital sukuk issuance whether to invest for profit-oriented or to donate (social/non-profit oriented). Values attached to Shariah-compliant products and technology-fit tasks are the important factors in sukuk investment, while market awareness and easy access to investment opportunities are criteria that need to be improved in the future.

At present, the Gulf Cooperation. Council (GCC) countries are moving away from the brick-and-mortar Islamic finance industry to a more digitized one. This trend reflects the market's general direction. The Millennials' and Gen-Zs financial literacy knowledge and willingness to invest in Shariah-compliant financial products can unlock opportunities for them. One of the problems millennials face and a core issue is unemployment. The recent rising inflation due to the coronavirus pandemic is adversely affecting housing costs and investments. Since Islamic finance instruments are based on the real economy, they could help provide jobs and mitigate inflation. Technology is the future of finance, and it is one of the important factors to help sustain the sukuk market industry.

According to the Glocalities Market Survey, Muslim millennials have more spending power and are more open to western-oriented values such as being successful and more hedonistic and brand-conscious. There are also dualities in their values, identified as Conservative Muslims and Muslim Achievers. By understanding the differences between the two market segments, offering appropriate investment portfolios will help expand the sukuk market. The Survey also suggests that to capture the global Muslim market, we need to study Muslims in the west because they form a bridge between the western world and the Muslim consumer markets of the east.

5. Conclusion

The present study explores the behavioral intention of the Millenials on sukuk investment. Based on the findings, the Millenials are willing to invest more in the sukuk instrument in the future because they consider shariah-compliant products and technology-fit tasks as important determinants. Millennials are aware of financial literacy and are willing to invest and help the economy recover from the recent coronavirus pandemic. There are shaping the economy and could be the game-changer for markets and the Islamic finance industry. They are also the most educated generation in history in the United States. Of late there is a shift in their financial goals where the Millenials are saving more from their salaries compared to prior generations. A survey conducted by Morgan Stanley shows that the majority of Millenials cite ESG (Environmental, Social, and Governance) as important goals in investing. Earnings, in the long run, are driven by technology. Millennials and Gen Z need to be financially savvy to succeed post-pandemic. Therefore, policymakers need to understand millennials' values, behavior, and preferences to appropriately assess both opportunities and risks in investing.

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Appendix

Appendix A: Profile of Malaysia's Respondents

Items	Frequency	Percentage (%)
Millennials Generation		
Yes	58	100
No	0	0
Have you ever transacted on digital sukuk?		
Yes	7	12.1
No	51	87.9
Gender		
Male	20	34.5
Female	38	65.5
Total	58	100
Age (years)		
20	5	8.6
21	36	62.1
22	10	17.2
23	3	5.2
26	1	1.7
29	1	1.7
32	1	1.7
34	1	1.7
Total	58	100
Religion		
Muslim	58	100
Non-Muslim	0	0
Education		
Elementary School	0	0
Junior High School	0	0
Senior High School	1	1.7
Undergraduate	5	8.6
Post-Graduate/Doctoral	52	89.7
Total	58	100
Occupation		
Student or College	55	94.8
Housewife/Unemployed	0	0
Civil Government Official	0	0
Private Employee	0	0
Self-Employed	1	1.7
Lecturer	1	1.7
Others	1	1.7
	58	100
Monthly Income		
No income	50	86.2
< RM 1,000	4	6.9
RM 1,001 - RM 2,000	2	3.4
RM 2,001 - RM 4,000	1	1.7
RM 4,001 - RM 4,999	0	0
> RM 5,000	1	1.7
	58	100

Note: Only 56 data are usable for the analysis.

Appendix B: Profile of Indonesia's Respondents

Items	Frequency	Percentage (%)
Millennials Generation		
Yes	77	100
No	0	0
Have you ever transacted on digital sukuk?		
Yes	29	37.7
No	48	62.3
Gender		
Male	41	53.2
Female	36	46.8
Total	77	100
Age (years)		
18-20	1	1.3
20-23	30	39
24-25	27	35.1
26-30	16	20.8
31-40	3	3.9
Total	77	100
Religion		
Muslim	77	100
Non-Muslim	0	0
Education		
Elementary School	0	0
Junior High School	0	0
Senior High School	11	15.6
Undergraduate	61	79.2
Post-Graduate/Doctoral	4	5.2
Total	77	100
Occupation		
Student or College	30	39
Housewife/Unemployed	4	5.2
Civil Government Officials	2	2.6
Private Employees	26	33.8
Self-Employed	6	7.8
Others	9	11.7
	77	100
Monthly Income		
< Rp 5.000.000	55	71.4
5.000.001 - 9.000.000	18	23.4
9.000.001 - 13.000.000	3	3.9
13.000.001 - 17.000.000	1	1.3
> Rp 17.000.000	0	0
	77	100

Note: RP1,000,000 = USD67.10 as of August 23, 2022.

THE 10th ISLAMIC BANKING, ACCOUNTING, AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Post Corporate Restructuring Analysis: The Case of United Engineers Malaysia (UEM) Berhad

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Abstract

The case study aims to examine the post-Malaysian corporate restructuring of United Engineers Malaysia Berhad. This case also will highlight the overview of the United Engineers Malaysia Berhad for the pre-and post-corporate restructuring. The financial performance of the company will be discussed specifically for the post-corporate restructuring. The post period for the selected United Engineers Malaysia Berhad case is from 2006 to 2020. UEM and Renong were taken private and delisted from Bursa Malaysia, Kuala Lumpur Stock Exchange (KLSE) in 2001 and 2003 respectively. On 14 November 2003, UEM World took over the listing status of Renong Berhad as the newly listed flagship of UEM Group-debt restructuring exercise was completed in November 2003. Overall, it can be concluded that debt management after corporate restructuring was more prudent which consequently make the companies have better performance.

Keywords: Post corporate restructuring; United Engineers Malaysia Berhad

1. Introduction

Over the past decade, corporate restructuring has increasingly become a staple of business and a common occurrence around the world. An unprecedented number of companies across the world have reorganized their divisions, restructured their assets, and updated their operations in a bid to stimulate company performance. It has facilitated copious organizations to react rapidly and more effectively to new opportunities and unanticipated pressures. This case study has tried to study the corporate restructuring of one publicly listed company in Malaysia, United Engineers Malaysia (UEM). The post period for the selected United Engineers Malaysia Berhad case is from 2006 to 2020.

2. Background UEM

UEM Group Berhad (UEM Group), formerly known as United Engineers (Malaysia) Limited, was established on 10 March 1966 under the Companies Act 1965 to assume the Malaysian operations of United Engineers Ltd., a Singapore-listed construction business. United Engineers Ltd changed its name to United Engineers (Malaysia) Sdn Bhd on April 15, 1966. Later, on 10 July 1975, they were listed on the Kuala Lumpur Stock Exchange's Main Board (KLSE) and this resulted in a new name, United Engineers (Malaysia) Berhad. The company adopted its current name, UEM Group, on January 23, 2007. In 1990, Renong Berhad acquired UEM including all other companies related to the organization's fundamental structuring. As a subsidiary of Renong Berhad, UEM was involved in a few significant businesses, including expressway, manufacturing, trading and transportation, project management, engineering and construction, energy and oil & gas, and project management. Their primary strengths include undertaking large privatization projects, the first of which was the North-South Expressway, which was finished 15 months early.

Malaysia was hit hard by the 1997 Asian financial crisis. The company and its shareholder, Renong, were severely tested and challenged by difficulties such as huge corporate debts and cash flow constraints during a persistent recessionary economy. In response, debt and management restructuring was implemented. However, the restructuring remained unresolved and in July 2001, the Government, through Khazanah Nasional Berhad and its wholly owned subsidiary Danasaham, offered to take over United Engineers (Malaysia) Berhad in a RM3.8 billion transaction. In September 2001, the conditional voluntary offer to purchase all outstanding shares and warrants was successfully completed. This included the acquisition of Renong's entire 37.9 percent ownership of the company. The company was turned private on 15 October 2001 and was delisted from Kuala Lumpur Stock Exchange (KLSE). By the end of 2003, the company's debt burden had reduced significantly. Since the Danasaham rescue and subsequent corporate restructuring of Renong, they have not only restored investors' confidence but also emerged on a firmer foundation.

3. Overview of Corporate Restructuring

The term corporate restructuring refers to any change in capital structure, ownership, or in operation, which is outside the ordinary course of the business. Norley et al. (2001) define restructuring as the act of reorganizing the legal, ownership, operational, or other structures of a company for the purpose of making it more profitable and better organized for its present needs. In a broader perspective, corporate restructuring involves a major change in the composition of a firm's assets combined with a major change in its corporate strategy as corporate restructuring is not mutually exclusive but frequently occurs together. Corporate restructuring is also a complex and multidimensional phenomenon. Figure 1 briefly outlines the definition and scope that is commonly used to describe corporate restructuring.

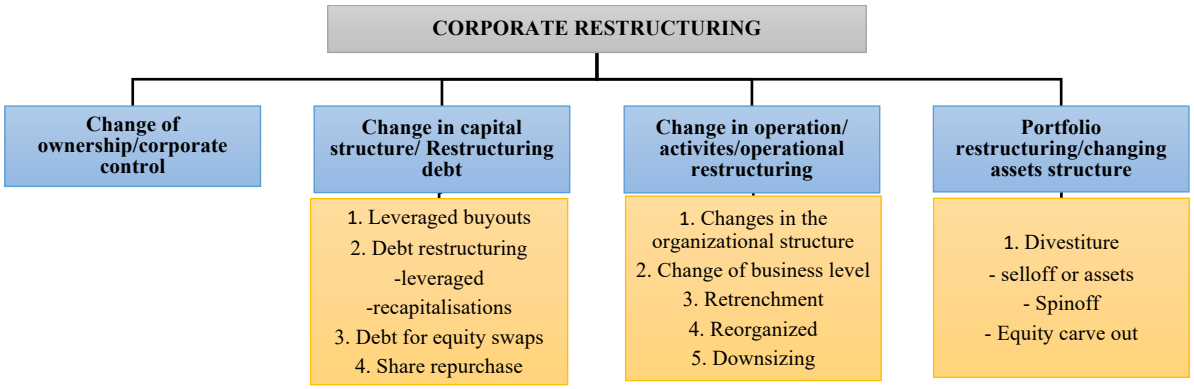


Figure 1. Definition and scope of corporate restructuring

4. Pre-Corporate Restructuring

The selected financial data for UEM/Renong for pre-corporate restructuring is selected from the year 1990 until 2001. Ofek (1993) and Baek, et al. (2001) use two basic variables, capital structure, and profitability, when examining the responses of financially distressed firms to poor performance. Most of the capital structure characteristics used by Ofek (1993) are adopted including leverage, liquidity ratios, and market value of equity (MVE).

4.1 Financial performance

In the summary descriptive analysis for the pre-corporate restructuring between 1990 and 2001, UEM's assets increased by 36 times from RM729.6 million in 1990 to 26.588 billion in 2000. While its paid-up capital increased from RM184.470 million to 408.530 million (more than two times). Renong's assets increased from RM75.267 million in 1990 to RM11.537 billion (153 times) while its paid-up capital increased from RM 54.968 million to 1.161 billion (about 21 times). The ROE, ROTA, and Tobin's Q for both firms are at their worst in the year of the financial crisis (1997 and 1998). The corporate restructuring in the year 1998 has somewhat stabilized their financial performance except for the year 2001 for Renong. However, both firms have been delisted for UEM in the year 2001 and Renong in year 2003. In October 1998, Renong announced it has been unable to meet its interest and fee obligations totaling RM12.03 billion and subsequently announced a debt restructuring arrangement in March 1999. These scenarios were consistent with Gilson, John & Lang (1990) where higher leveraged firms are most likely to experience corporate restructuring once default occurs.

4.2 Corporate structure of UEM and Renong before 2001

Figure 2 show Syarikat Danasaham Sdn Bhd ("Danasaham"), a wholly owned subsidiary of Khazanah Nasional Berhad, made a Conditional Voluntary Offer ("CVO") to purchase the entire shares and warrants of United Engineers (Malaysia) Berhad ("UEM"), which included Renong's 37.9% interests in UEM in 2001. The acceptance of this offer by Renong and other shareholders of UEM has resulted in Danasaham becoming effectively a substantial shareholder of Renong by virtue of UEM's 31% stake in Renong. This will bring UEM to be delisted from the stock exchange of Bursa Malaysia.

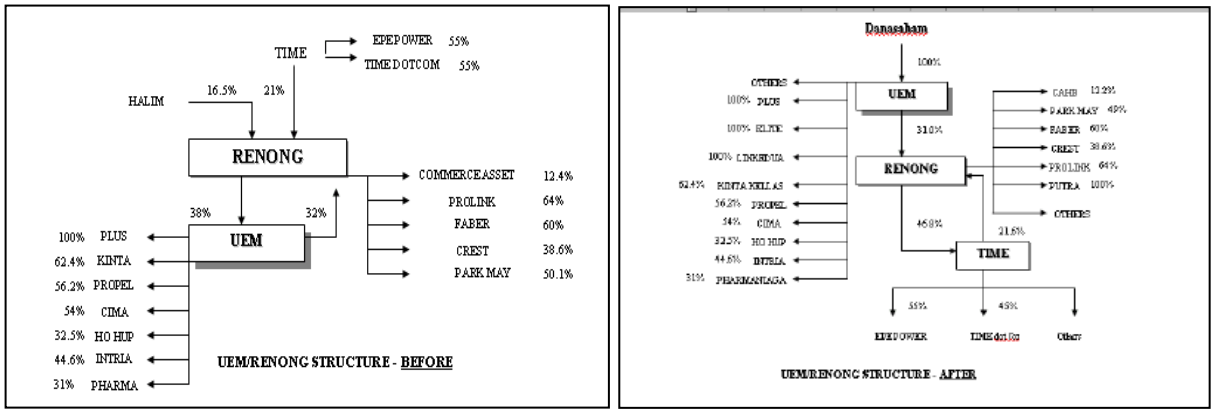


Figure 2. Corporate structure of UEM and Renong before 2001

5. Post-Corporate Restructuring

The discussion for the pos-corporate restructuring is selected from the year 2006 until 2020[17]. UEM and Renong were taken private and delisted from Bursa Malaysia, Kuala Lumpur Stock Exchange (KLSE) in 2001 and 2003 respectively. On 14 November 2003, UEM World took over the listing status of Renong Berhad as the newly listed flagship of UEM Group-debt restructuring exercise was completed in November 2003. Later, as part of a restructuring exercise undertaken by UEM World Berhad, UEM Land Holdings Berhad was incorporated on 20 August 2008. The restructuring was undertaken to move UEM Land Holdings to the next growth paradigm and unlock value for shareholders, as well as allow direct equity participation in the Company by public investors. This culminated in the successful public listing of UEM Land Holdings on Bursa Securities on 18 November 2008. In 2011, UEM land Holding Berhad acquired Sunrise Berhad ("Sunrise") which is now known as UEM Sunrise. Meanwhile, Faber Group Berhad which is also one of the listed flagships of UEM Group, changed the company name to UEM Edgenta Berhad in 2014. The reason for changing the name is Faber Group Berhad has merged with "Projek Penyelenggaraan Lebuhraya Berhad" and Opus Group Berhad. The transformation to the new company name enables the company to focus entirely on the asset and facility management business in terms of better service offering to the customers. Figure 3 shows the corporate structure of both companies after corporate restructuring.

[17] The Data obtained from the DataStream database.

5.1 UEM Sunrise Bhd

UEM Sunrise Berhad formerly known as UEM Land Holdings Berhad was incorporated in 2008 pursuant to the Restructuring which resulted the company becoming the holding company of UEM land Group. UEM Land was incorporated as a public limited company under the name of Renong in 1982. The UEM Land Group originally focused on a range of infrastructure-related businesses, including real estate investment business and acquired extensive reserves of land in Johor, known as Nusajaya during mid-1990s. UEM Land was a subsidiary of UEM World which, in turn, was a subsidiary of UEM Group. Prior to the restructuring, UEM Sunrise's operations were carried out under the UEM Land Group. Upon completion of the Reorganization on 4 September 2008, UEM Sunrise held the entire issued and fully paid-up ordinary share capital in UEM Land. Also, as a part of the Restructuring, UEM World will distribute (in the form of dividend) its entire shareholding in UEM Land of 71.46% to the Entitled Shareholders to enable them to have direct participation in the equity of UEM Land (UEM Land prospectus, 2008). UEM World also sell its stakes in four of its subsidiaries to its shareholders and will focus on property development in the booming southern region of Johor.

5.2 UEM Edgenta Bhd

In 2000, UEM Berhad acquired Faber group Berhad and currently the Faber Group Berhad is now known as UEM Edgenta Berhad which started to list in Bursa Malaysia in 2017, a new brand that redefines the asset management industry. Listed on the Main Market of Bursa Malaysia Securities Berhad, the company believe that they are a leader in Total Asset Management providing asset consultancy services, healthcare services and infra services amongst others.

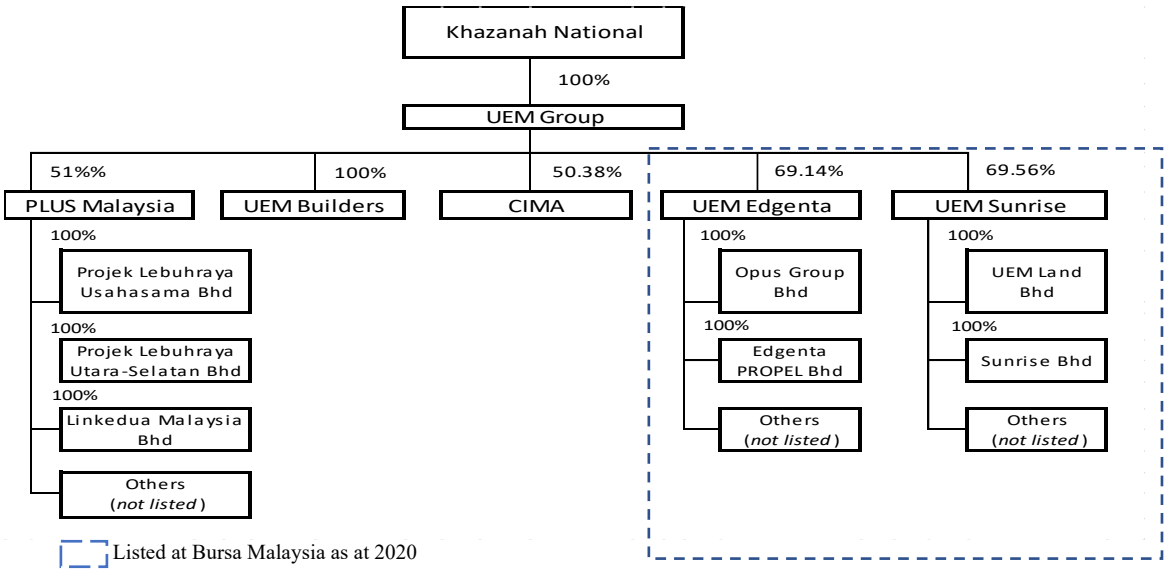


Figure 3. Corporate structure of UEM Group 2022
Source: Bursa Malaysia 2022

Figure 3 shows UEM Sunrise and UEM Edgenta, subsidiaries of UEM Group which in turn is wholly owned by Khazanah, an investment holding company of the Government. Upon restructuring in 2008, UEM Sunrise's operations were carried out under UEM Land. Meanwhile, UEM Edgenta is also subsidiary of UEM Group listed on the Main Market of Bursa in 2017.

5.3 Financial Performance

UEM Sunrise's assets increased by 38 times from RM354.2 million in 2006 to 13.480 billion in 2020. While its paid-up capital increased from RM121.4 million to 496 million (more than two times). UEM Edgenta's assets increased from RM851.1 million in 2006 to RM2807.4 billion but its paid-up capital decreased from RM298 million to RM268.1 million. Earning before tax, interest, and depreciation (EBITD) for both companies report positive figure until 2020. It seems that both UEM Sunrise and UEM Edgenta have more financial stability after corporate restructuring of UEM Land in 2008 and Faber Group in 2014. These key financial data of both companies for the period of 2006 to 2020 are reported in Table 1 and Table 2.

Table 1. Summary of Key Financial Data of UEM Sunrise Berhad for the period of 2006-2020

Year	Total Assets (RM 00'000)	Total Equity (RM '000)	Paid–up Capital (RM '000)	Price (RM)	Market Value (RM '000)	Total Debt (RM '000)	Total Bank Debt (RM '000)	EBITD (RM '000)	NTAB (%)	Dividend (%)
2006	354,200	15,000	121,400	1.79	887,600	339,200	244,500	141,434	0.12	#N/A
2007	271,800	118,500	121,400	4.04	1,704,800	153,300	55,000	457,726	0.98	#N/A
2008	306,100	125,100	121,400	0.44	534,160	181,000	59,100	73,036	1.03	#N/A
2009	353,300	152,600	121,400	1.23	139,620	200,700	69,100	111,622	1.26	#N/A
2010	397,100	268,700	182,100	2.44	361,798	128,400	40,800	184,357	1.48	#N/A
2011	779,400	483,700	216,200	2.42	917,850	295,700	112,300	373,264	2.24	#N/A
2012	908,600	531,500	216,400	2.10	1,046,308	377,100	149,000	498,707	2.46	#N/A
2013	980,900	601,900	226,900	2.36	930,523	379,000	172,200	601,746	2.65	3.00
2014	1,111,000	633,300	226,900	1.41	1,070,834	477,700	212,000	532,627	2.79	4.00
2015	1,189,500	680,800	227,700	1.12	648,853	508,700	222,800	309,443	2.99	3.00
2016	1,294,000	683,300	227,700	1.05	508,192	610,700	240,400	225,430	3.00	1.60
2017	1,363,300	688,900	511,000	1.04	476,430	674,400	273,400	508,489	1.35	#N/A
2018	1,412,400	707,700	511,000	0.67	499,118	704,700	239,500	482,275	1.38	1.00
2019	1,344,900	726,400	511,000	0.71	301,739	618,500	235,800	497,649	1.42	#N/A
2020	1,348,000	690,200	496,000	0.50	322,158	657,800	260,900	529,410	1.39	#N/A

Table 2. Summary of Key Financial Data of UEM Edgenta Berhad for the period of 2006-2020

Year	Total Assets (RM '000)	Total Equity (RM '000)	Paid–up Capital (RM '000)	Price (RM)	Market Value (RM '000)	Total Debt (RM '000)	Total Bank Debt (RM '000)	EBITD (RM '000)	NTAB (%)	Dividend (%)
2006	851,100	261,800	298,000	0.55	162,410	589,300	253,500	133,750	0.88	N/A
2007	890,000	296,300	363,000	1.30	470,448	593,700	197,900	125,740	0.82	2.00
2008	759,400	318,100	363,000	0.63	226,875	441,300	187,500	140,247	0.88	3.00
2009	890,500	389,200	363,000	1.50	544,863	501,300	177,500	166,523	1.07	4.00
2010	989,600	448,900	363,000	2.37	859,584	540,700	161,200	155,739	1.24	6.00
2011	1,103,300	488,000	90,800	1.55	1,409,216	615,300	71,000	147,992	5.37	8.00
2012	949,700	518,000	90,800	1.26	114,226	431,700	13,000	218,440	5.70	28.00
2013	2,616,800	1,391,800	90,800	2.21	2,008,496	1,225,000	163,700	118,312	15.33	10.00
2014	2,646,000	1,159,400	203,400	2.37	4,816,512	1,486,600	314,500	383,090	5.70	10.00
2015	2,617,400	1,339,900	203,400	3.08	626,472	1,277,500	329,500	375,815	6.59	23.00
2016	3,529,300	1,368,800	207,900	3.21	667,359	2,160,500	761,100	178,666	6.58	15.00
2017	3,006,000	1,583,400	268,100	2.33	6,236,006	1,422,600	442,500	231,198	5.91	15.00
2018	2,877,700	1,502,300	268,100	2.72	729,232	1,375,400	408,000	253,652	5.60	29.00
2019	2,912,800	1,572,000	268,100	3.01	806,981	1,340,800	384,700	307,979	5.86	14.00
2020	2,807,400	1,500,700	268,100	1.91	512,071	1,306,700	346,500	109,801	5.60	8.00

According to Table 3, during the restructuring of UEM Sunrise under UEM Land in 2008, the company's debt to total equity was low from the year 2009 to 2020 while its debt to total assets ratios decreased and recorded a ratio below 50% until 2020. Its bank loan to total debt is also below throughout the year. Following the restructuring of Faber in 2014, the company's total debt to equity ratio showed a low ratio except for the year 2016 and its total debt to a total asset also showed a ratio below 50% from 2014 until 2020 except for the year 2016. Meanwhile, its bank loan to total debt was lower. A good debt ratio is said to be below 40% and both companies, UEM Sunrise and UEM Edgenta showed a ratio below 40%. The lower bank loan to total debt has made both companies less tied to fixed obligations. Overall, it can be concluded that debt management after corporate restructuring was more prudent which consequently make the companies to have better performance.

Table 3: Laverage Ratio of UEM Sunrise and UEM Edgenta for the period of 2006 to 2020.

Year	UEM Sunrise					UEM Edgenta				
	TD/TA	TD/TE	BL/TA	BL/TD	IC	TD/TA	TD/TE	BL/TA	BL/TD	IC
2006	95.77	2.26	69.03	72.08	#N/A	69.24	2.25	29.78	43.02	-34.10
2007	56.40	1.29	46.41	35.88	#N/A	66.71	2.00	66.79	33.33	-18.11
2008	59.13	1.45	19.31	32.65	-6.36	58.11	1.39	24.69	42.49	-19.19
2009	56.81	1.32	45.28	34.43	-9.33	56.29	1.29	45.61	35.41	-22.08
2010	32.33	0.48	10.27	31.78	-12.19	54.64	1.20	16.29	29.81	-20.27
2011	16.47	0.61	23.22	37.98	-9.14	49.01	1.26	1.45	1.15	-19.71
2012	41.50	0.71	16.40	39.51	-12.81	45.46	0.83	0.00	0.00	-42.14
2013	38.64	0.63	28.61	45.44	-15.05	46.81	0.88	11.76	13.36	-12.14
2014	43.00	0.75	19.08	44.38	-11.06	56.18	1.28	11.89	21.16	-35.33
2015	42.77	0.75	32.73	43.80	-7.20	48.81	0.95	24.59	25.79	-31.27
2016	47.19	0.89	18.58	39.36	-3.28	61.22	1.58	21.57	35.23	-6.12

Note: TD/TA is total debt divided by total asset, TD/TE is total debt divided by total equity, BL/TA is bank loan divided by total asset, BL/TD is bank loan by total debt, IC is interest coverage.

UEM Sunrise's current ratios as shown in Table 4 was high throughout the year with a ratio over 2.0% and improve in 2016 onwards with the lowest in 2020 while UEM Edgenta also recorded a high ratio throughout the year except in the year 2011 and 2016 onwards. This indicates that current liabilities for both companies have enough liquid assets to cover their short-term liabilities. Meanwhile, UEM Sunrise's acid test ratios as shown in table 10 recorded ratios below 1.0 from 2016 onwards while UEM Edgenta's acid test ratios recorded ratios above 1.0 throughout the year until 2020. The continuously declining acid test ratio to less than 1 illustrated by UEM Sunrise shows an inability to strongly cover its working capital for running its daily operations and vice versa for UEM Edgenta.

Table 4: Liquidity Ratio of UEM Sunrise and UEM Edgenta for the period 2006-2020

	UEM Sunrise		UEM Edgenta	
Year	CR	QR	CR	QR
2006	5.22	2.63	2.02	1.64
2007	2.74	1.15	2.62	2.38
2008	2.18	0.98	3.11	2.89
2009	2.04	1.1	2.8	2.50
2010	6.86	3.74	2.72	2.43
2011	4.3	2.65	1.69	1.54
2012	2.67	1.97	2.52	2.26
2013	3.41	2.51	2.58	2.47
2014	4.23	2.93	2.13	2.00
2015	3.02	1.45	2.54	2.31
2016	1.77	0.85	1.89	1.74
2017	1.89	0.77	2.19	1.90
2018	1.55	0.66	1.94	1.79
2019	1.53	0.78	1.90	1.81
2020	1.33	0.77	1.75	1.75

Notes: CR is the current ratio, QR is the quick ratio

6. Conclusion

The case study examines the proposed corporate restructuring of United Engineers Malaysia Berhad specifically during post-corporate restructuring. United Engineers Malaysia Berhad was subsidiary of Renong Berhad before Asian Financial Crisis in 1997. Debt and management restructuring were implemented after both of the companies were in huge debt after the crisis. However, the restructuring remained unresolved and in July 2001, the Government, through Khazanah Nasional Berhad and its wholly owned subsidiary Danasaham, offered to take over United Engineers (Malaysia) Berhad. Later, prior to restructuring in 2008, UEM Sunrise was incorporated which resulted in UEM Sunrise becoming the holding company of UEM Land formerly known as Renong in 1982. UEM Sunrise and UEM Edgenta, subsidiaries of UEM Group which in turn wholly owned by Khazanah, an investment holding company of the Government. Upon restructuring in 2008, UEM Sunrise's operations were carries out under UEM Land. Meanwhile, UEM Edgenta also subsidiary of UEM Group listed on the Main Market of Bursa in 2017.

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Awareness of Cash Waqf and Its Application in the Takaful Industry

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Abstract

The cash waqf instrument is been observed as an appropriate mechanism in the area of Islamic finance. Waqf practices in Malaysia are confined to property and land. Nonetheless, despite the knowledge about the uniqueness and powerful attributes of cash waqf in enhancing economic development has been quite widespread, this instrument is still unpopular in Malaysia, especially in the takaful industry. Thus, this study aims to examine the awareness of cash waqf and its application in the takaful industry as well as to examine the proposal of using this tool in Malaysian takaful industry and to further analyze the issue of why cash waqf is still unpopular in Malaysia. This study employs questionnaires for data collection. This paper reports the results of 267 respondents in Klang Valley and Nilai, Negeri Sembilan. The findings show that 58.8 percent of respondents are aware of the meaning and concept of cash waqf. However, 66.3 percent of the respondents are not aware of the application and applicability of cash waqf in the Takaful industry. Although it seems new for Malaysia to have cash waqf funds under the takaful framework, it should be an initiative to start it up as a good means to demonstrate the true essence of takaful. A new and special venue for it can be formed by bundling the cash waqf fund in the existing takaful models. In other words, this instrument could function as part and parcel of the current takaful models. Other than revealing ambiguities, gaps and contradictions in the literature, this paper provides information and guidance for other researchers wishing to embark on research on cash waqf in Malaysian takaful industry.

Keywords: Cash waqf; takaful; takaful al-ijtimai; awareness

1. Introduction

Waqf (Islamic charitable endowment) instrument is considered an applicable method meant to serve the public good to address economic injustice within a particular society and industry (Haneef, Pramanik, Mohamed, Amin & Muhammad, 2015). Towards the end of the 16th century, the creation of cash waqf became extremely popular all over the Anatolia and European provinces of the Ottoman Empire, which controlled much of Southeastern Europe, the Middle East and North Africa (Cizakca, 1995). Presently, in the robust Islamic finance environment, contributions to cash waqf could also be collected through banks. This can be seen through the introduction of cash waqf in Bangladesh (Thoarlim, Rahman & Yanya, 2017) and has received an encouraging response from the public. Islamic banks have also adopted the instrument whose ultimate aim is to collect funds required for educational, social and charitable projects (Khairunisa, Akbar & Devi, 2018; Ab Shatar, Hanaysha & Tahir, 2021). The application of cash waqf instrument as a powerful tool has been recognized for fund mobilization and investment in various sectors, and takaful is no exception. It is undeniable that the activation of waqf system represents a necessity to achieve the current and future takaful al-ijtimai (social takaful) as well as to sustain the economic progress in Islamic countries, especially in the modern global environment (Hegazy, 2006). Cash waqf approach has been introduced to the Takaful market by Pakistani scholars and it has been adopted by Takaful companies in South Africa and Pakistan (Ali, 2016). It is worth noting that cash waqf is an appropriate mechanism that can tie together both aspects of commercial (tijari) and social (ijtimai) responsibilities within the takaful industry.

Nonetheless, despite the knowledge about the uniqueness and powerful attributes of cash waqf in enhancing economic development has been quite widespread, this instrument is still unpopular (Mahamood, 2007; Khamis & Che Mohd Salleh, 2018; Hudzaifah, 2019), particularly in takaful industry. Waqf practices in Malaysia are confined to property. There are considerable numbers of assets, predominantly in the form of land, which have been donated by individuals as waqf land (Chowdhury, Ghazali & Ibrahim, 2011; Embrose & Preredaryenko,

2022). Although it seems new for Malaysia to have cash waqf funds under the Takaful framework, it should be an initiative to start it up as a good means to demonstrate takaful al-ijtimai.

This paper, therefore, examines the awareness of cash waqf and its application in the takaful industry. In addition, views on the application of cash waqf instrument in Malaysian takaful industry and on the issue of cash waqf still unpopular in Malaysia are further analyzed to find out the potential of optimizing this instrument within the Takaful framework, in general.

The remainder of this paper is structured as follows. The next section provides the background context of cash waqf and its awareness issue. Section 3 details the methodology employed. Section 4 discusses the empirical findings, and the final section concludes the paper.

2. Literature Review

2.1 Overview of cash waqf and its application in Takaful

Waqf refers to an Islamic charitable endowment in which a property is given away for the benefit of the public or specific beneficiaries by freezing its corpus from being transferred to others while its usufruct is dedicated permanently to the recipients (COMCEC Coordination Office, 2019). A cash waqf is a waqf whose corpus consists of cash. Initially, some scholars objected to this type of waqf because the corpus must be immovable. However, following bitter struggles between generations of pragmatists and moralists, the lure of extending the wealth-sheltering advantages of the waqf to the holders of liquid wealth proved irresistible (Mandeville, 1979). Historically speaking, it is very difficult to trace any endowment of cash waqf in the Arab countries as they argue that the investment of this fund is subject to riba (monetary interest). However, the Ottoman courts approved these endowments as early as the beginning of the 15th century (Ismail Abdel Mohsin, 2009).

According to Cizakca (1995), by the end of the 16th century, the use of cash waqf had become extremely popular all over Anatolia and the European provinces of the empire, which controlled much of South-eastern Europe, the Middle East and North Africa. Cash Awqaf in Bursa, from 1555 to 1823, may enlighten us about what kind of functions the waqf engaged in public service, and to get a better grasp of what kind of an institution the waqf was (Cizakca, 1995). Cizakça (2004) estimates that during the eighteenth century about 10 percent of the total population of the city of Bursa, which averaged about 60,000 inhabitants during that period, borrowed from cash waqf. Cash waqf records show that the waqf' expenditures had been mainly done in the following areas: education, food, family, justice; such as salaries of judges in local courts, and payments to the jails, maintenance of waqf buildings, mosques, rent, religion, social services such as repair of pavements, social baths, helping the public to pay their taxes, mutawalli's (person who has the right and responsibility to collect charitable money) salaries (Baskan, 2002), education, healthcare, commercial activities, basic infrastructure as well as job opportunity (Ismail Abdel Mohsin, 2013). In short, cash waqf serves as a unique form of contribution which depends on cash donations and is deemed as a reputable instrument to contribute for charity purposes (Shaikh & Shafiai, 2017)

In Malaysia in particular, the waqf sector has experienced rapid growth, particularly after the establishment of the cash waqf concept (Hasan, Hassan & Rashid, 2019). The acceptance of cash waqf has increased significantly since the establishment of Malaysia's Waqf Foundation as well as with the introduction of new schemes for waqf assets management through synergizing various parties (Zakaria & Muda, 2017).

In the area of Islamic banking sector, Professor Mannan then socialized cash waqf in Bangladesh through Social Investment Bank Limited (SIBL) which was incorporated on 5th July,1995. SIBL issues cash waqf certificates to collect funds from the rich and distributes gains of the managed funds to the poor (Masyitah, et. al, 2005). In 2019, six Islamic banks in Malaysia were actively involved in cash waqf collections (Mohsin, 2019). Furthermore, the approach of using cash waqf instrument also has been introduced to the takaful market by Pakistani scholars and it has been adopted by takaful companies in South Africa and Pakistan (Ali, 2016). In 2002, Takafol SA became the first company to practically implement the waqf model for providing Islamic insurance (Jakhura, 2008).

The legality of takaful is supported with analogies (qiyas) using several practices in Islamic law which is akin to it. These practices comprise of the concept of 'aqilah (paternal relatives' responsibility) in the payment of diyah (blood money in the case of unintentional murder), the payment of fidyah (ransom of prisoners of war), the concept of nahd/nihd (sharing of food among members of a group) and waqf (Islamic charitable endowment) (COMCEC Coordination Office, 2019).

The concept and institution of waqf provide support for the idea of mutual help. Waqf has been recognized in Muslim populations for numerous purposes, which are governed by the founder (waqif). Even though the waqif permanently loses his ownership over the waqf property according to the majority of the Muslim jurists, he could still share some of its benefits with the beneficiaries. This feature makes waqf seem to be an appropriate basis for the application of Takaful (COMCEC Coordination Office, 2019). In a similar vein, Haneef et. Al., (2015) support that a dedicated waqf model for takaful could promote public social welfare within a society or industry to achieve

economic justice. With regard to the product offering, the takaful sector has witnessed varying practices in different jurisdictions. The predominant products offered in the sector are based on wakalah model, mudarabah model, hybrid wakalah-mudarabah model, and wakalah with waqf model (Hassan, Kayed, & Oseni, 2013).

2.2 Awareness about cash waqf

Many researchers have been interested in studying the potential and influences of cash waqf as a result of its' implementation. One of the critical factors to boost cash waqf contributions is public awareness (Khamis & Che Mohd Salleh, 2018). While acknowledging the rise in overall waqf-related activities, it is ironic that from a purely theoretical standpoint, the practice of cash waqf appears to be less common in Malaysia (Adeyemi, Ismail & Hassan, 2016).

In a recent study, Nour Aldeen, Ratih & Herianingrum (2020) aims to present studies that have been done in cash waqf, highlights the main topics discussed and identifies the gaps for future research. Using secondary data analysis, the authors found that from the year 2002 to 2019, the discussion about cash waqf falls under several themes which are cash waqf for microfinance, small- and medium-sized enterprises education, poverty alleviation, factors that influence the contributors of cash waqf, management of the cash waqf, e-cash waqf and cash waqf for socio-economics development. Surprisingly, there is no study found on the awareness of cash waqf in their study.

However, several researchers agree that, albeit theoretically, there is still a very low level of awareness and understanding of the use of cash waqf among Muslims (see, for example, Puad, Rafdi & Shahar, 2014; Ibrahim, Amir & Masron, 2013; Nurrachimi, 2012; Marzuki, Shahimi, Ismail & Embong, 2012; Htay et al., 2012). Empirically, Adeyemi et.al. (2016) support the issue when the results indicate that the awareness level is still low and that social culture, lack of promotion, and lack of understanding statistically and significantly explain the low level of awareness and application of cash waqf. While the importance of cash waqf implementation is becoming crucial in addressing economic injustice and promoting social welfare, there is relatively lacking empirical studies on the awareness of cash waqf to promote its practice in society.

Moreover, context-wise, previous studies mainly attempted to discuss cash waqf through the lenses of microfinance activities (Zabri & Mohammed, 2018), small- and medium-sized enterprises (Amuda, Embi, & Babatunde 2014), education (Aziz, Johari, & Yusof, 2013), factors affect the donors (Witjaksono, 2018), management (Siswantoro, Rosdiana, & Fathurahman, 2018), socio-economics development (Sanusi & Shafiai, 2015) and E-cash Waqf application (Yusof et al., 2014). Our understanding remains incomplete and usually not well specified with respect to cash waqf awareness within the takaful setting.

3. Methodology

3.1 Research design and instrument

This study adopts the survey instrument developed and modified by Abdul Hamid & Othman (2009), Norlida, Rosemaliza & Yusnida (2004) and Thong & Fong (2013). The questionnaires are designed to contain 32 closed-ended questions and are grouped into 5 sections. For this study, Section 1 (respondent's demographic) and Section 5 (awareness and opinion on the application of cash waqf instrument in Malaysian takaful industry are analyzed.

The questionnaire was developed in the English language. A pilot study was carried out on a small sample of students and staff at the International Centre for Education in Islamic Finance (INCEIF) to test the feasibility of the study. The questionnaires used a five-point Likert scale. The Likert scale assumes that the respondent intensity of experience/strength is linear (i.e., ranging from "strongly disagree" to "strongly agree").

3.2 Sampling and survey administration

A total of 400 questionnaires were distributed using a convenience sampling strategy. The questionnaires were distributed in Klang Valley and Nilai, Negeri Sembilan, ranging from individuals with low to high levels of education as well as randomly spread across various income levels. Respondents include bankers, insurance/takaful practitioners, civil servants, lecturers, students and the general public. The respondents were selected randomly from their various fields.

The questionnaires were administered in two forms. First, it involves face-to-face distribution of questionnaires in hard copy to the students and the public. Second, it involved electronic mail distribution to the staff of Islamic banks and takaful operators. Aside from our efforts to improve response rates, the electronic mail technique was implemented because many organizations prefer electronic survey due to its accessibility and efficiency. In total, 267 questionnaires were filled and returned representing a response rate of 66.75%.

3.3 Data analysis approach

Descriptive analysis using frequency is used to see the distribution pattern and percentage of the major issues in focus. Data obtained from the questionnaire survey was analyzed using SPSS. Descriptive analysis was carried out to obtain the mean, frequency, standard deviation, range of scores, and distribution of responses. According to Pallant (2001), descriptive statistics are useful to describe the characteristics of the sample, to check variables for any violation of the assumption underlying the statistical technique used to address research questions and specific research questions.

The data was then checked for validity and reliability before further testing was carried out. Factor analysis was conducted to determine whether the scales or items used in measuring the instruments in the study were valid. Factor analysis is used to reduce a large number of related variables to a smaller set of underlying that summarizes the essential information contained in the variables (Pallant, 2001). In reliability testing, the degrees to which the measures are free from random error are being measured. The commonly used indicators of internal consistency are Cronbach's alpha coefficient.

4. Results and Discussion

4.1 Demographic profile

Table 1 summarizes the characteristics of the respondents. In general, the respondents are dominated by females, aged below 25, Malay, Islam in religion, educated at a tertiary institution and income level less than RM2500 per month.

Table 1 Demographic profile

Demographics	**Frequency**	**%**
Gender		
Male	117	43.8
Female	150	56.2
Marital status		
Single	141	52.8
Married	126	47.2
Age Group		
Less than 25 years	100	37.5
26 – 30 years	72	27.0
31 – 35 years	42	15.7
36 – 40 years	22	8.2
41- 45 years	17	6.4
More than 46 years	14	5.2
Ethnic		
Malay	244	91.4
Chinese	2	7
Indian	3	1.1
Other	18	6.7
Religion		
Muslim	265	99.3
Christian	1	.4
Indian	1	.4
Other	0	0.0
Highest Education		
High school	6	2.2
Diploma/technical qualification	6	2.2
Undergraduate degree	139	52.1
Postgraduate degree	97	36.3
Professional	19	7.1
Occupation		
Managerial, professionals and executive	87	32.6
Professor/Teacher	65	24.3
Student	91	34.1
Entrepreneur	7	2.6
Housewife	3	1.1
Other (Please specify):	14	5.24
Income level		
<RM1500	105	39.3
RM1501-RM2500	45	16.9
>RM2500	117	43.8

Demographics	Frequency	%
Practitioner		
Yes	51	19.1
No	216	80.9

4.2 Awareness of cash waqf and its application in the takaful industry

Table 2 shows the frequency and percentage of the respondents whether they are aware or not of the meaning and concept of cash *waqf*. This study found that 58.8 percent of respondents are aware of the meaning and concept of cash *waqf*. On one hand, the percentage shown in Table 2 indicates that the knowledge about cash *waqf* is very much realized by people in Malaysia. On the other hand, the percentage of respondents who are not aware of cash waqf is relatively high which almost reaching 50 percent.

Table 2. Respondents with awareness about the meaning and concept of cash waqf

	Frequency	Percent
Yes	157	58.8
No	110	41.2
Total	267	100.0

Many factors could contribute to the relatively high number of people's less awareness about cash waqf. Among others, the understanding of Malaysian in general toward waqf is limited which only linked it with the construction of mosques and waqf land for the cemetery despite a wider function and roles of waqf itself (Htay et al, 2012) and only for religious purposes (Tungku Alina, 2011). In addition, Htay et al. (2012) stated that awareness campaigns as well as education on the waqf concept, particularly cash waqf, are also challenges to the development of cash waqf in Malaysia. Purnamasari et al. (2021) suggests that building trust between society and waqf institutions could drive cash waqf collection.

This study also examined the awareness among the respondents on the use of cash *waqf* instrument within the *Takaful* sector. As summarized in Table 3, it is found that there was 66.3 percent of the respondents are not aware of the application and applicability of cash *waqf* in the *Takaful* industry. This percentage signifies that the knowledge about the application and practice of cash *waqf* in *Takaful* operation is not very much recognized by people in Malaysia. As Thong et al. (2013) found that the use of marketing and promotional tools has raised awareness about microfinance among people in the central region of Malaysia, extensive and aggressive marketing and promotional activities for cash waqf are also warranted. This can make it easier for related institutions to form a good public opinion about cash waqf.

Table 3. Respondents with the awareness that the cash waqf instrument is practiced in the takaful industry

	Frequency	Percent
Yes	90	33.7
No	177	66.3
Total	267	100.0

4.3 Opinion on the proposal of using cash waqf instrument in Malaysian takaful industry

Furthermore, regarding the proposal of implementing cash *waqf* instrument on Malaysian *Takaful* framework, 73.0 percent of the whole respondents agreed with it. This percentage shown in Table 4 specifies that people are now concerned and realized the potential of cash *waqf* instrument to boost up the roles and functions played by *takaful* operators in upgrading the welfare of society.

Table 4. Respondents who agree with the proposal of using cash waqf instrument in Malaysian takaful industry

	Frequency	Percent
Yes	195	73.0
No	72	27.0
Total	267	100.0

Table 5 shows the frequency of stated reasons for accepting the use of cash *waqf* instrument in Malaysian *takaful* framework. It is found that the most reason for accepting the use of cash *waqf* is to attract more Muslims to participate in economic development, followed by the reason to benefit all: participants and non-participants

of the *takaful* policy with the percentage of 32.62 and 30.77 percent respectively. These findings show that respondents are very much concerned about the practice of *takaful al-ijtimai* through Muslim participation in economic development as well as wish for both participants and non-participants could get benefit from the *takaful* policy.

Table 5. Respondents with reasons for accepting the use of cash waqf instrument in Malaysian takaful industry

Sources	Frequency	Percentage	Rank
To physically demonstrate the social welfare/*takaful al-ijtimai* within the *Takaful* business	96	29.54	3
To benefit all: participants and non-participants of the *takaful* policy	100	30.77	2
To attract more Muslim participation in economic development	106	32.62	1
Others	23	7.08	4
Total	325	100.00	

Following that, Table 6 shows the frequency of stated reasons for not accepting the use of cash *waqf* instrument in Malaysian *takaful* industry. It is found that the most reason for not accepting the use of cash *waqf* instrument among some of the respondents is because of other factors other than the two stated reasons with a percentage of 64.63 percent. Indeed, this result suggests that there are other reasons behind the low acceptance of using cash *waqf* instrument in the *takaful* sector in Malaysia. Thus, further study is required to uncover the reasons linked to the issue.

Table 6. Respondents with reasons for not accepting the use of cash waqf instrument in Malaysian takaful industry

Reasons	Frequency	Percentage	Rank
To comply with the existing *takaful* models (i.e *Wakalah* and *Mudharabah*) without any modification	18	21.95	2
To circumvent the regulation, managerial, operational and political issues	7	8.54	3
To avoid a decrease in *Takaful* company's profit	4	4.88	4
Others	53	64.63	1
Total	82	100.00	

The results depict a high level of awareness about cash waqf among millennials in Indonesia. The results further reveal a lower willingness level to contribute to cash waqf of the sample population as compared to their level of awareness about cash waqf. Moreover, cash waqf promotions must focus on delivering a deeper understanding of the concept and how it differs from other types of Islamic philanthropy. The results suggest that waqf trustees in the country must be more transparent. Moreover, the Indonesian Waqf Board should implement stricter rules to monitor waqf trustees (Nour Aldeen & Sari Pertiwi, 2022).

4.4 Opinion on the issue of why cash waqf still unpopular in Malaysia

On top of that, the analysis of possible reasons why cash *waqf* is still unpopular in Malaysia is illustrated in Table 7. The majority of respondents agreed that cash *waqf* instrument is not fully utilized by the Islamic financial institutions (IFIs) as the main perceived reason why cash *waqf* is still unpopular with a percentage of 49.28 percent. Respondents also attached legal and administrative issues pertaining to *waqf* system, as agreed reasons with a percentage of 38.33 percent.

Table 7. Respondents with opinion on issues of why cash *waqf* is still unpopular in Malaysia

Reasons	Frequency	Percentage	Rank
Not fully utilized by the Islamic financial institutions (IFIs)	171	49.28	1
Legal and administrative issues pertaining to *waqf* system	133	38.33	2
Others	43	12.39	3
Total	347	100.00	

In addition, there were responses given by respondents who chose other reasons which are quoted as follows:

"I did asked my professional friends, she don't even know what is cash waqf"
"I thought waqf is only for assets, not cash!"
"I don't know about cash waqf"
"Less people know about it"
"I never heard of it"

Undoubtedly, *takaful* companies, related organizations as well as regulators should do something to promote cash *waqf* instrument in Malaysia as one of the viable mechanisms for achieving economic development and improving social welfare in the society.

8. Conclusion

It is worth noting that although the discussion on the awareness of cash waqf is largely mentioned in the previous literature, those discussions are rather normative than positive. These studies are very much lacking in terms of empirical evidence to support the arguments. Thus, this study has three main aims. Firstly, to explore the awareness of cash waqf in Malaysia and its application in the takaful industry. Secondly to examine the proposal of using cash waqf in Malaysian takaful industry and the last objective is to further analyze the issue of why cash waqf is still unpopular in Malaysia. Using a survey, descriptive analysis is conducted to examine the subject matter.

The research offered empirical and practical contributions to the current body of knowledge. The analysis obtained somehow demonstrates the moderate level of cash waqf awareness and the key reasons for less acknowledging it. The findings could facilitate relevant stakeholders (policymakers, the takaful industry and researchers) to devise marketing and promotional activities for cash waqf. The cash waqf promotions should focus on delivering a deeper understanding about the concept and how it differs from other types of Islamic philanthropy. Future studies should also consider the recent development in Fintech and Value Based Intermediation (VBI) as novel ingredients that could stimulate peoples' awareness and understanding of cash waqf, especially its application in the takaful sector. Both elements reflect future-proofing and global prominence for business excellence in the wake-up of the COVID-19 pandemic.

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Issues in the Application of E-Wallet in Malaysia: A Juristic Analytical Study

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Abstract

The rapid growth of the financial industry in line with technological development leads to the emergence of e-wallet. E-wallet is an instrument of payment of goods or services electronically without the need to use cash. The use of e-wallet although still in its initial stages in Malaysia, is still subject to Shariah analysis. This study would like to analyze several Shariah issues in e-wallet, which aimed to measure the Shariah compliance, as well as to come out with some suggestions to improve its implementation. Among the research findings are the use of e-wallet is subject to origin of ruling in commercial transactions which is permissible, thus the Shariah analysis of it focuses on the circumstances that would make it forbidden, and the possible contracts between all contractors which include the user, the bank and non-bank issuer, and the third party have been discussed in the study with taking into consideration of conditions, and implications. Two methods will be used in this research, firstly the inductive method in collecting data, and the second is the analytical method in analyzing the data.

Keywords: E-wallet; Shariah; Issues; Contracts; Malaysia

1. Introduction

Islam is a religion that embraces all aspects of human life. One of the most important aspects of life is humanity's bonding through means of ownership and property. Having regard to this importance, it is considered that the protection of wealth is one of Maqāṣid al-Sharīʿah, the great purposes which Allah intends behind His rules.

The use of e-wallet's expansion within the Malaysia Smart City Framework 2018 (Ministry of Housing and Local Government, 2018, 189) is one of the communications action plans to achieve this aim. This would lead to a new normality in society, where everyone replaces the conventional way of transaction with e-wallet. At the same time, Malaysia is the international hub of Islamic finance and banking, so in line with this, the implementation of e-wallet should be compliant with Shariah.

In light of this, this research examines Shariah compliance in the implementation of e-wallet as it involves contracts that need to be viewed in terms of conditions and consequences. In addition, its implementation that is quite different from Islamic banking and financial products and services, in terms of mode, content, revenue, benefits and risks, requires its own study to clarify the ambiguity surrounding the issue of Shariah compliance in this e-wallet.

2. Research Questions, Objectives and Significances

This research tries to answer numerous questions, which are: What is e-wallet, and its processes and types? What does e-wallet include Shariah issues? To what degree is e-wallet compliant with Shariah? What are shariah issues affecting the implementation of e-wallet in Malaysia?

Upon answering these questions, this research aims to defining the meaning of e-wallet and describing its processes and types. It also aims to scrutinize Shariah issues and in Malaysia's implementation of the e-wallet. In addition, it studies Shariah compliance in implementing e-wallet, and proposes some suggestions and guidelines for its improvement.

The above questions and aims of this research show its significance and importance, as it ties a current financial technology (Fintech) issue to Shariah concerns and rulings. Furthermore, the research revisits the practice of e-wallet in Malaysia to fully comply with Shariah, and in wider range it ensures the application of financial matters to be in line with Shariah. Consequently, this research proposes a guideline for the application of e-wallet to be observed by the issuers and the users as well. And finally, this research cultivates and spreads awareness about the importance of Shariah regulation among Muslims and others in financial products and services.

3. Literature Review

Earlier studies have explored the issue of e-wallet, among them an article by Nor Asiah Yaakub and others entitled "Analysis of E-Payment Applications: A Case Study of One of the Zakat Institutions in Malaysia" (2016) which focused on the use of e-payment in paying zakat. While listing the online payment tools, the authors mentioned e-wallet as a payment option for online transactions. Among the findings of this research, the e-payment system is becoming more popular in Malaysia, even though the amount of Zakat collected, and the percentage of increment remains low compared to offline payment.

This issue also is discussed by a research paper written by Chern Yong Xian and others entitled "Moving Into Cashless Society: Factors Affecting Adoption of E-Wallet" (2018). The study examined the factors that affect the adoption of e-wallet among undergraduates' students in Universiti Tunku Abdul Rahman, Kampar. It concluded that the independent variables of convenience, social influence and speed have significance relationship towards adoption of e-wallet, and conversely, security has no significant effect on the acceptance of e-wallet.

Another study by Lee Zhi Wei and Daniel Khaw Peng Tsu entitled "Transforming Mobile Phones Into E-Wallets in Malaysia" (2018). This article provided a broad overview of the Bank Negara Malaysia (BNM)'s progress in accelerating Malaysia's migration to e-payments, with a focus on key developments relating to mobile payments and its potential to transform Malaysia's payments landscape. The authors mentioned that to spur greater adoption of mobile payments, the Bank introduced the Interoperable Credit Transfer Framework (ICTF) that establishes a shared payment infrastructure that connects bank and non-bank accounts while managing the resultant risks.

Regarding the Shariah issues in the adoption of e-wallet, there is an article entitled "Some Sharia Considerations Concerning E-Wallet" (2019) written by Muhammad Hisyam bin Mohamad which pointed out some Shariah issues concerning the use of e-wallet. Among them, the users of e-wallet have no knowledge where the issuers place the deposit and as to whether the money is used for Shariah or non-Shariah compliant purposes. In addition, the practice of e-wallet involves various transactions and contracts between parties, which may include ribā (usury), gharar (uncertainty) and maysir (gambling).

Similar to this, Adlin Zulkefli and others deliberated the Shariah issues in e-wallet in their article entitled "Application of E-Wallet: A Preliminary Analysis from the Shariah Perspective" (2019). This article analyzed the concepts used in the e-wallet from a Shariah perspective (Takyīf Fiqhī) and highlighted issues that are related to its application. It emphasized on the deposited money in the e-wallet, whether it should be considered as Qarḍ (loan) or Wadīʿah (deposit). This reflects consequences of each contract so that it may not lead to prohibited actions such as ribā (usury).

Azrul Azlan Iskandar Mirza in his article entitled "E-Wallet Patuh Syariah?" (2019) also investigated the Shariah issues in e-wallet. Basically, and after general considerations, the author agreed on the permissibility of e-wallet, but the Shariah issues rise in other circumstances. For instance, top up bonus promotion that may lead to ribā (usury), and lucky draw promotion that may involve maysir (gambling). The author admitted that there are issues in e-wallet including its technical process and modes of promotions that need to be scrutinized in order to make it compliant to Shariah.

After going through these and other studies, it is clear that e-wallet's adoption includes Shariah issues that need study and analysis. One of the major concerns is the technical process of implementing e-wallet between the parties, or specifically the type of contracts and transactions associated with it. Moreover, the other concerns that affect Shariah compliance in the application of e-wallet are the intentions or purposes of its use, and the effects or consequences of its practice.

4. Overview and Structure of E-Wallet

Before looking at the issue of e-wallet from the Shariah point of view and identifying its problems and issues, we need to have an overview of the e-wallet itself.

4.1 Meaning

From the discussion by earlier researchers, we can infer that e-wallet is the same as traditional wallet since it serves the second function. Yet the former differs from the latter in its modern and interactive mode of use, as everything is done by it electronically. This dissimilarity affects many issues, including their forms, structures, procedures, conditions, parties involved, and implications, among both. The table below shows the fundamental variances between e-wallet and traditional wallet:

Table 16. Variances between Conventional Wallet and E-Wallet

Variances	Conventional Wallet	E-Wallet
Existence	Actual and real	Digital and virtual
Mode of Adoption	Face to face	Face to face and distantly
Involving Party	Two parties (contractors) usually	More than two parties (contractors & issuer)
Medium	Purse or wallet	Device such as mobile phone
Operating	No need to Internet	Internet and communication coverage
Content	Actual money, bank cards, etc.	E-Money, Deposited amount of money

4.2 Composition

E-wallet is digitally based, thus needs digital supplements, and serves digital functions. E-Wallet demands e-money to conduct e-payment and to carry out e-business in its adoption structure.

4.2.1 E-Money

According to Mohd Noor Omar and others (2012), e-money refers to a digital equivalent of cash, stored on an electronic device or remotely at a server managed by banks or authorised party. Zalina Muhamed Zahudi and Radin Ariff Taquiddin Radin Amir (2016) defined e-money as the digital representation of fiat money and is considered as money.

With a bit description, Muhammad Ridwan Firdaus (2018) illustrated e-money as money used in transactions through electronic internet networks and digital price storage systems, which contains stored-value or prepaid value deposited in a chip or a server-based electronic medium. Meanwhile, the definition of e-money by Bank Negara Malaysia (BNM) is referring to its function which is a payment instrument that contains monetary value that is paid in advance by the user to the e-money issuer[18].

In conclusion, e-money is similar to real money, but the difference between them is that the former is in digital and virtual form. The reason is that this type of money is deposited or added to the e-wallet, which is also in digital and virtual form. Thus, e-money represents real money in its value and currency, and can be used for all transactions that are valid and accepted by using actual money, such as purchasing goods, paying rents and bills, booking tickets, etc.

4.2.2 E-Payment

The second thing in the adoption structure of e-wallet is e-payment, which portrays the real purpose of using e-wallet. E-payment according to Sonny Zulhuda (2012) is a subset of an electronic commerce transaction that includes electronic payment for buying and selling goods or services whether or not they are offered through the Internet. In another definition by Nor Asiah Yaakub and others (2016), e-payment can be basically explained as transferring money from the payer to the payee by an electronic medium.

In referring to e-wallet, e-payment could be described as mobile payment, and according to Tomi Dahlberg and others (2008) mobile payment is payment for goods, services and bills with a mobile device such as mobile phone, smart-phone or personal digital assistant. In agreement with these definitions, e-payment in general or mobile payment in specific to e-wallet can be considered as financial transactions done electronically and virtually between parties without face-to-face interaction. This virtual transaction requires a digital exchange medium, or an account unit, or a value store called an e-money, and this virtual money needs a digital vessel, or a platform called an e-wallet.

[18] https://www.bnm.gov.my/microsite/ps/gl_016_3.pdf

4.2.3 E-Business

E-business or e-commerce according to Hanudin Amin (2008) can be defined as the practice of performing and coordinating critical business processes through the use of computer and other technologies. Besides that, Che Mohd Zulkifli Che Omar and Anas T. (2014) defined e-commerce as possible transaction between a business organization and external parties, such as customers, suppliers and distributors, and translates all business activities that have previously been carried out manually into electronic business activities involving the use of the Internet, computer and information technology and communications as appropriate.

Abhay Upadhayaya (2012) while referring to mobile commerce defined it as a process of buying and selling of goods or services through wireless technology. From the above, we can conclude that e-business or e-commerce is a wide marketplace for a number of financial transactions and activities using modern Internet-based communications technology. This shows how e-business works, which is in digital way and form, that requires all transactions to be performed in digital way by using digital money in digital platform.

Concisely, the adoption of the e-wallet inter-connects with the three components discussed earlier. The chart below illustrates e-wallet, e-money, e-payment, and e-business interrelations:



Figure 1: The inter-relation of E-Wallet, E-Money, E-Payment and E-Business.

5. Advantages and Disadvantages of E-Wallet

Following the practice of e-wallet, there are several consequences (maʿālāt) for the parties in terms of advantages and disadvantages. They are as follows:

5.1 Advantages and Disadvantages to Users

Some of the good things people use e-wallet include (Subramaniam, 2020; Firdaus, 2018; Abu Bakar, 2020; Upadhayaya, 2012; Milo, 2019):

i. Convenience: one-click functionality authorizes transactions by entering only the pin, no need to carry too much cash while purchasing items, and it is safer, cashless, efficient transaction and available 24x7x356.
ii. Privacy: share only virtual address and no other info.
iii. Getting rewards: such as free items, free purchasing, discounts, cash backs, promotions, and backed by a money-back guarantee system.
iv. Managing budget: in spending money because the limit set in the e-wallet and ease of transaction tracking to monitor expenses.
v. Paying services: such as food delivery service, transportation, utility bill, online shopping, etc.

Some of the disadvantages to people when using e-wallet include (Subramaniam, 2020; Firdaus, 2018; Upadhayaya, 2012; Zulkefli, 2019):

i. Technical problems: such as system malfunction, system outages and system shutdown.
ii. Limited availability: in some of the stores and diversity of e-wallet which means different retailers accept different e-wallet.
iii. Security risk problems: such as when the phone is stolen or hacked.
iv. Spending money recklessly: because the money does not feel real to the user as it is intangible.

5.2 Advantages and Disadvantages to Issuers

Among the benefits to issuers from using e-wallet are as follows:

i. Increasing the number of users to become depositors of money in banks.
ii. Increasing cash flow in bank user accounts, either by buyer or seller.
iii. Reducing the expense of cash management while at the same time charging fees on e-wallet issuers and consumers on this service.

Among the drawbacks of using e-wallet to issuers are:

i. Increasing debt burden on credit when consumers do not pay.
ii. Losing money through hacking into the e-money system.
iii. Bearing the costs of improving the system to make users more secure.

5.3 Advantages and Disadvantages to Merchants

The merchants experience the advantages of using e-wallet. Among them:

i. Boosting the number of sales of goods and services, as the users feel more comfortable and convenient.
ii. Wide and open market for trading and selling goods and services.
iii. Convenience in cashless management.

In contrast, some of disadvantages of using e-wallet to the merchants are:

i. Dependent on technological equipment and Internet access, as sales and purchase activities may not be carried out when the system is down.
ii. Other expenses such as buying equipment and setting the system to be in line with the use of e-wallet, and operational fees and maintenance charges.
iii. Lacking cash money, and other sectors such goods manufacturers, suppliers and producers are still use cash money.

5.4 Advantages and Disadvantages to Others:

The development of Fintech generally affects a vast array of human life. As far as e-wallet is concerned, it has a positive influence on people as they move towards a new norm in modern society, especially in their financial transaction activities. This leads to rapid economic and financial sector growth, creating new opportunities for professions, research, and innovation.

Contrary to this, the major negative impact of the use of e-wallet on society is that the technology is replacing human beings. This affects some people when they lose their jobs because the technology has taken over their work and duties.

6. Issues in E-Wallet

Upon scrutinizing the implementation of e-wallet in Malaysia, there are several issues that need to be highlighted and therefore studied from the Fiqhi point of view. They are as follows:

6.1 Issues Related to the Types of E-Wallet

Referring to the e-wallet types, there are two issues that need to be investigated as e-wallet can operate using a credit card and e-wallet's issuer is not the issuer of e-money. These are two issues that could disrupt Shariah compliance in the adoption of e-wallet as discussed below:

i. Operating e-wallet with credit card: Using a credit card when adding e-money to e-wallet could have a Shariah implication, as this action involves a loan (*qarḍ*) issue that is strictly concerned to Islam. The situation is when someone uses his credit card to add an amount of e-money to his e-wallet, he will be in debt with the credit card issuer (bank) until he pays the amount[19]. This case is subject to the legal maxim *"every loan entailing benefit is usury"* which means any kind of benefits based on this loan should be prohibited as it is considered usury (*ribā*). Regarding the creditor that subject to this ruling, there are two conditions, firstly the lender is the issuer of e-wallet as it provides e-money and e-wallet as well, and secondly the creditor is the issuer of e-money as it provides e-money only.
    a) Someone has a bank credit card, and this bank offers an e-wallet service, which links his credit card account to this wallet. Upon adding the amount to his wallet, he uses his credit card. In this case, the lender is the issuer of e-wallet, which is the bank itself, and therefore the bank is not allowed to have any kind of benefit from the debtor in the use of this service.
    b) Someone has a bank credit card, but he uses non-bank e-wallet, which links to his credit card. In this case, the lender is the bank only, not the e-wallet's issuer, and therefore the bank is subject to the usury's ruling. Regarding the issuer of e-wallet, it is not considered the creditor as it does not lend the money to the user, thus it is not bound by the usury's ruling.
ii. The issuer of e-wallet does not issue e-money: The concerning point in this issue is when the e-wallet is issued by non-bank issuer, the e-money is deposited in third-party account.[20] The deposited money in this third-party account might be operating either in Shariah compliance account or non-Shariah compliance account. This raises questions among Muslim users who are concerned with their money in which place is deposited and how it is being managed, as the issuer does not clarify this matter (Mohamad, 2019).

[19] *Hukum Menggunakan E-Wallet Di Malaysia.* Retrieved from: https://www.jomsimpan.com/2020/01/17/ hukum-menggunakan-e-wallet-di-malaysia/

[20] *E-Wallet Halal Atau Haram.* Retrieved from: https://loanstreet.com.my/ms/pusat-pembelajaran/ewallet-halal-atau-haram

a) If the e-money is deposited in Shariah compliance account in any Islamic Financial Institutions (IFIs), this will not create any issues in Shariah compliance, because the IFIs have to follow the rules and regulations of Shariah.
b) If the e-money is deposited in non-Shariah compliance banks, this would have Shariah issue as it may involve in impermissible financial activities. The relation between the third-party account and the user of e-wallet can be in different forms depending on the contracts between the user and the issuer.

6.2 Issues Related to the Rewards in E-Wallet

There are several issues should be concerned in analyzing the Shariah point of view on the rewards in the use of e-wallet. They are as follows:

a) **Conferrer and Recipient:** the conferrer or recipient of rewards might be the user or the issuer, the details are as follows:
   i. The user gets rewards from the issuer of e-wallet: this is one of the purposes of using e-wallet among the users, instead of using actual money in exercising commercial transactions. The issuers of e-wallet offer rewards and gifts to attract people joining their service as they are competing with each other. In this case, the user is the recipient of rewards (*al-mawhūb lahu*), while the issuer is the conferrer of rewards (*al-wāhib*). In actual meaning, the rewards come from the merchants which offer their goods and services in the e-wallet.
   ii. The issuer gets rewards from the user of e-wallet: this does not actually occur in the implementation of e-wallet, but it must be considered as well as it results juristic implications and issues in some contracts. In this case, the issuer is the recipient of rewards (*al-mawhūb lahu*), while the user is the conferrer of rewards (*al-wāhib*).
b) **Types of the reward:** there are two forms of rewards:
   i. Monetary reward: rewards of using e-wallet to the users can be in the form of monetary reward such as cashback, discount, and point. These kinds of rewards are considered as monetary rewards because they do the function of money as value (*thaman*) in exchange of countervalue
   ii. Non-monetary reward: it refers to rewards relate to benefits earned by the user in the form of services such as free shipping of product, having privilege to be the first buyer, and participating in lucky draw for certain prizes.

6.3 Issues Related to the Implementation of E-Wallet

The crucial issues surrounding e-wallet application in Malaysia can be summarised as follows:

i. **Structural operation:** As mentioned earlier, that e-wallet works in its structure by using e-money for doing e-payment in the e-business. This complicates the Shariah compliance as e-money can be used for impermissible, and likewise e-payment and e-business may involve in Shariah non-compliant activities. But this does not affect the status of e-money as it is neutral (Shariah Advisory Council, Bank Negara Malaysia, 2020), thus the e-wallet also is neutral, and if it is used for some non-compliant transactions by some users, it is still eligible to be Shariah compliant. Therefore, it is necessary for e-money issuers to have an organized Shariah advisory committee to monitor, advice and supervise the issuer on these matters.
ii. **Bank and non-bank issuer:** The issuer of e-wallet can be either bank or non-bank, as the former manages e-wallet and e-money together, while the latter handles e-wallet only. The disparity between these two must be taken into consideration since the non-bank issuer needs another party to keep the funds of users' e-money. The consequence is that another party which is hidden to the user involves in the e-wallet's adoption. The solution is every non-bank issuer of e-wallet should notify its users the third party that manages their e-money in the e-wallet, so that they are in the know about the Shariah compliance status of the third party.
iii. **Use of credit card:** Among critical issues deliberated earlier is the use of credit card by the user in reloading e-money in the e-wallet. There are in sum three conditions where the user is considered the debtor, firstly the issuer of credit card is the issuer of e-money and e-wallet, secondly the issuer of e-money and e-wallet is not the issuer of credit card, and thirdly there are three separated issuers for each item. The creditor in this loan contract (*qarḍ*) is the issuer of credit card, and the Shariah issue raises in the first condition only when the user uses credit card to add e-money and the bank deducted the fees of subscription from the amount. It means the amount added into the e-wallet is less than the amount of loan, thus this leads to *ribā al-dayn*. Hence, when the use of e-wallet is done in this condition, the fees should not be deducted from the debt but to be charged on the user's account as a separated amount, and the amount in the e-wallet which is by credit card will not be lessened.
iv. **Placing the funds:** Regardless of the types of issuers, the funds of e-money that are collected from the users must be kept in a trust account that complies with Shariah (Shariah Advisory Council, Bank Negara Malaysia,

2020). The bank issuer of e-wallet must place the fund in a Shariah trust account separately from other accounts and funds. While the non-bank issuer must keep the fund in a trust account of any financial institutions that comply with Shariah, and it should also be notified to the users.

v. **Granting rewards:** Taking into consideration the earlier explanation of juristic adaptation on rewards in the use of e-wallet, the Shariah issue raises when the rewards come from the debtor in *qarḍ* contract. In the case of issuer which utilises user's e-money for the purpose of investment, it is construed as *qarḍ* by SAC (2020), and the rewards granted by the issuer to the user are not considered as *ribā*. The justifications comprise of three arguments, firstly the *qarḍ* contract is supplementary contract based on the practice (*ʿurf*), secondly no inter-conditionality between the fund and the rewards, and thirdly the rewards neither intended nor targeted by the user (Shariah Advisory Council, Bank Negara Malaysia, 2020). In the authors' humble opinion, the rewards in fact do not come from the issuer as it only provides the platform of payment. The merchants themselves grant rewards and gifts to the users if they do the payment using e-wallet as it benefits both parties. In cases where the issuer gives rewards, this can be considered as profit sharing from the investment without prior agreement or promise between the issuer and the user.

7. Conclusion

The analysis in this research leads to the following findings:

i. The e-wallet is similar in its core function to the conventional wallet, which is to keep money, while the former differs from the latter in its forms, structure, processes, conditions and consequences.
ii. The use of e-wallet is subject to origin of ruling in commercial transactions which is permissible, thus the Shariah analysis of it focuses on the circumstances that would make it forbidden.
iii. Shariah issues that might happen in the granting rewards in e-wallet are usury, gambling, and uncertainty.
iv. The crucial issues surrounding e-wallet application in Malaysia are structural operation, bank and non-bank issuer, use of credit card, placing the fund, and granting rewards.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Banking Risk, Competition and Performance of Indonesian Islamic Banks during 2010-2020

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Abstract

This paper examines the impact of banking risk and competition on the performance of Islamic banks in Indonesia. The study used financing to deposit ratio (FDR) as a representation of liquidity risk, non-performing financing (NPF) as a representation of financing risk, and the operating expense ratio (BOPO) as a representation of operational risk. Regarding competition, market share (MS) and market concentration (MC) proxies by the Hirschman–Herfindahl Index (HHI) were used. Time series data were collected from 14 Islamic banks operating in Indonesia for the period 2010–2020 and the Least Square method was used. It was found that liquidity risk affects positively the profit of Islamic banks, while financing risk and operational risk impact negatively the variation of the profit. Only market share, influences the variation in the profit of Islamic banks in terms of competition level. Therefore, the Indonesian government should apply a competition policy to the Islamic banking sector in order to increase their profitability and improve economic growth. For future research, it is recommended to include other Islamic finance institutions like Islamic rural banks and Islamic takaful (Islamic insurance) to analyse these effects in a general way.

Keywords: Banking risk; Competition; Panel data; Indonesia

1. Introduction

The global financial crisis helps us to focus on banking competition and the role of the state in competition policies among policymakers and scholars (that is, policies and laws that affect the extent to which banks compete).On one hand, Mazumder et.al (2010), Mazzucato(2013), Kim et.al(2013) are a few among those that claim the financial instability was caused by increased financial innovation and competition in industries like subprime lending and on the other hand Beck(2004), World Bank (2013), are concerned that the crisis and government assistance to the biggest banks increased banking concentration, decreasing access to credit and competition, and perhaps causing future instability due to the moral hazard issues associated with too-big-to-fail organizations. This shows that the banking system's insecurity has been exacerbated by the financial crisis. Since then, governments, banking regulatory authorities and bank executives have become increasingly concerned about risk-taking behaviour. Major risk occurs in the banking sector because of leaders' desire to maximize profits, which leads them to be risk takers. According to Anginer et.al. (2014), the risks that banks face are primarily caused by competition in the banking sector. Because of the competition, they are more willing to take risks, making the banking system less vulnerable to shocks.

In the global financial industry, Islamic finance has emerged as one of the most rapidly growing sectors. The tenacity of Islamic banking organizations after the financial crisis has inspired not only nations with majorities of Muslims but also nations with minorities of Muslims, such as Britain, Germany, France, and the USA to provide Islamic financial services in their conventional banking sector (A.Ali et al. 2019). This shows that Islamic banking industries have put trust in investors given the fact that they are profit and risk-sharing financial systems compared to the conventional banking system. This points to the fact that, the demand for Islamic banking products will rise

due to the failure of the conventional banking system. Therefore, the rise in demand for sharia banking products brought about the financial industries into a competitive market.

The structural approach and the non-structural approach are the two main empirical methods used to measure competition in the banking literature. The structure-conduct-performance (SCP) paradigm is used in the structural method to model bank competition on the premise that banking organizations' market strength rises with industrial concentration, directly connecting industry structure to competitive conducts. The SCP to evaluate the market structure's competitive environment uses the Herfindahl-Hirschman index (HHI) and concentration ratios of major firms (CR). Increased potential for collusion between banks is thought to result from increased concentration, which will raise pricing and profitability (Yildirim, 2002).

Many studies have been conducted to investigate the impact of risky bank competition on profitability, Boahene et.al. (2012). However, researches in the Islamic banking sector that combined the analysis of risk and competition are limited. This paper seeks to fill this gap by investigating the impact of banking risk and competition on the performance of Islamic banks in Indonesia. To accomplish this, the study considers concentration ratios (CR) and market share as proxies of competition, and financing risk, liquidity risk, and operational risk as proxies of banking risk. The following is the paper's outline: The second section contains the literature review of the study. The methodology and data are discussed in the third section, and the empirical results are discussed in the fourth section. The final section contains the research's conclusion and recommendations.

2. Literature Review

2.1 Risk, Competition and Performance of Banking System

Ever since the onset of the global financial crisis in 2008, government agencies and scholars have focused on the direct authority of systemic risk in order to stabilize the financial sector. There have been numerous studies in various countries that examine the impact of banking risk and competitive pressure on banks' profitability. A few of these studies will be discussed below.

Staikouras and Wood (2004) discussed the findings on financial reporting quality studies and categorize the predictors of Western banks' performance. As per the estimates, the profitability of European banks is influenced not only by management decisions, but also by changes in the external macroeconomic environment. The findings contradict previous researches that looked at the framework relationship in the Western financial sector and discovered that concentration and or market share variables had a positive impact on bank earnings.

Chronopoulos (2015) reviewed the relationship between liquidity and profitability for a large sample of US banks from 1984 to 2010. He investigates the extent to which short-run profits persist and whether this persistence is influenced by regulatory changes and the recent financial crisis. The findings suggest that, while not instantaneously, the competitive process reduces positions of abnormal profitability. There is also evidence that regulatory changes implemented in the 1990s had an impact on both the level and persistence of bank profitability and also the financial crisis of 2007–2010 appears to have increased the persistence of banks' profitability.

Sufian (2011) investigated bank profitability in Southeast Asia. It was discovered that Korean banks with lower levels of liquidity are more profitable. The study also suggested that a greater diversification of bank income sources towards derivative instruments and other fee-based activities is beneficial. The effects of credit risk and overhead costs are always negative, regardless of whether macroeconomic and financial conditions are controlled. Business cycle effects, particularly inflation, have a substantial top player effect on financial performance. The market share of the national banking system has a positive and significant impact on bank performance.

Furthermore, Liu and Wilson (2010) investigated the profitability of Japanese banks in the aftermath of the country's major financial crisis in the nineties. They also looked into the elements that influence banking performance for a sample of banks with various governance mechanisms. It was discovered that well-capitalized, efficient banks with lower credit risks outperform their less-capitalized, less-efficient counterparts with higher credit risks.

More recently, from 2003 to 2011, Yong Tan (2016) investigated the effects of risk and competition on earnings in the country's banking system. Using the Simplified Method of Moments framework estimator, the findings concerning the effects of competitive pressure and risk, revealed a positive impact on Chinese bank profitability.

All the above studies were conducted to examine the conventional banks, but there are also some scholars who investigated their analysis on the effect of bank risk and competition on profitability in the field of the Islamic banking sector.

Saiful (2019) investigated the impact of credit, liquidity, and operational risk management on Indonesian bank performance in the years between 2012-2016, the sample included 26 conventional banks and 11 sharia banks. This study discovered that credit and liquidity risk management have a beneficial impact on Indonesian bank

performance as evaluated by return on asset (ROA) and return on equity (ROE). Moreover, this study discovered that operational risk management had a beneficial impact on Indonesian bank performance as assessed by ROA, ROE, and ROI as well as net interest margin.

Irwan et.al. (2018) investigated the factors influencing bank profitability in Shariah rural banks in Indonesia. Using a sample of 151 Indonesian Islamic rural banks, the researchers discovered that margins are influenced by both bank- and regional-level characteristics. Two major bank-level variables that have a considerable impact on bank margins are competition and revenue diversification. In less competitive situations and with less revenue diversification, Islamic rural banks boost bank margins. Their findings also demonstrate that all regional-level variables have a significant impact on bank margins, showing that regional differences are important in determining margins. It implies that competition factors have a greater impact on banks with less loan contract diversification and a higher proportion of profit-and-loss sharing and lending.

Abduh (2017) examined the competitive condition and market power of 27 Indonesian Islamic banks. The study's findings validated the position of the Islamic banking business in Indonesia, which operates with a larger degree of market strength, resulting in a less competitive market. During the tested era, Islamic banks earned their income through monopolistic competition. This study also discovered a negative but negligible association between concentration and competition, indicating that market dominance for top enterprises in the Indonesian Islamic banking industry has decreased in recent years.

Similarly, Abdul-Rahman et al. (2018) investigated the effect of competition in the market on liquidity management for Malaysian Islamic banks. The study examined 17 Islamic banks from 1996 to 2015 using the panel regression method. According to the findings, Islamic banks need a certain level of market power to manage liquidity risk.

Furthermore, Abbas and Arizah (2019) conducted a study on the marketability of sharia banks depending on the market share and concentration. Data from 2011 to 2016 was used. After applying Partial Least Square estimation method, they discovered that market value has a positive effect on the profitability of sharia banks in Indonesia. This means that the level of competition measured by concentration and market share affect positively the variation of Return on Assets (ROA) and Return on Equity (ROE). It also suggests that the more the concentration of sharia banking in the market, the more the level of profit. Having a big market share will increase sales which further influences the performance of the Islamic banks in Indonesia.

Recently, a study conducted by Wiranatakusuma (2020) explored the risks exposed by sharia banks in Indonesia. They used monthly time series data from 2010:M1 to 2018:M8 for this purpose. They applied VECM in order to look at the short-run and long-run relationship between banking and see which is the most impactful on Indonesian Islamic banks performance. Their findings indicated that, given that Islamic banks can absorb transmitted risk, particularly that resulting from funding and operational issues, which is demonstrated by the absence of liquidity issues, liquidity risk is manageable and sound. Financing risk is thought to be a significant factor in operational risk. Operational risk is important for Islamic institutions since it is quite attentive to the financial side of the challenges.

2.2 Indonesian Islamic Banking System

The development of sharia banking in Indonesia began long before a formal legal basis for sharia banking operations was established. Prior to 1992, several non-bank financial institutions that used share base contracts were established. This evidence demonstrates a public need for the existence of financial institutions that operate in accordance with Sharia principles. In order to meet the public's needs for the establishment of a new banking system, the government has implicitly permitted sharia banking operations in Act No. 7 of 1992 Concerning Banking, which is elucidated in the Government Gazette.

There was Bank Applying Share Base Principles Decree No. 72 of 1992. This set of regulations has served as the legal foundation for sharia banking operations in Indonesia. Between 1992 and 1998, there was only one sharia commercial bank and 78 sharia rural banks in operation. Act No. 10 of 1998 amending Act No. 7 of 1992 concerning banking came into force in 1998, providing a stronger legal foundation for the existence of a sharia banking system. The new Act No. 23 of 1999 concerning Bank Indonesia empowers the bank to conduct its operations in accordance with Sharia principles. Since then, the sharia banking industry has expanded rapidly. Sharia banking has coloured the banking industry, for the past 20 years. Indonesia's Islamic banking sector began to take shape with the establishment of PT Bank Muamalat Indonesia (BMI) in 1992.

In April 2020, Islamic financial market shares contributed up to 9.03 percent of Indonesia's financial system. This indicates an approximately 8% increase in position compared to 2019. The total asset value of Islamic finance in Indonesia, excluding Islamic capital, is approximately IDR 1,496.05 Trillion as of April 2020. In comparison to conventional acts, Islamic banking has shown potential growth over the last 20 years. Actually, there are 15 sharia banks operating in Indonesia. Therefore, Due to Indonesia's rapid development of Islamic banking, there is greater competition among Islamic banks to increase the quality of their services and draw in consumers. Numerous studies have revealed that the profit aspect influences how clients behave while selecting Islamic banks.

The findings of a study by Husnelly (2003) and Mangkuto (2005) further support the notion that the community's considerations while investing its money in Islamic banks is a determinant of return for the outcomes.

Through a review of the bank's financial performance and financial statements, factors influencing the outcomes can be identified. Among these factors, we have liquidity risk, credit risk and operational risk. In addition to the financial statements ratios, we also have typical factors that can assess the performance of Islamic banks. These factors are related to the competition in the banking sector. The present study tries to examine the impact of banking risk and competition factors on Indonesian Islamic banks performance.

3. Research Methodology

3.1 Data and Selected Variables

Data are collected from annual reports that were downloaded from the websites of each Indonesian Islamic bank that operated between 2010 and 2020. Three variables for the representation of banking risk were used in this study: Financing to Deposit Ratio (FDR) as a proxy for liquidity risk, non - performing financing ratio (NPF) as a proxy for financing risk, and the expense ratio (BOPO) as a proxy for operational risk.

For the first variable, Financing-to-deposit ratio (FDR) is selected, which is used to evaluate a bank's liquidity by comparing the total loans to total deposits in the same period. It is used to measure liquidity risk. Liquidity risk can be defined as the risk of incurring losses as a result of failing to meet payment obligations on time when they become due or failing to do so at a sustainable cost. Liquidity is consistently related to the performance of a company. It indicates the capability of the company to pay its debts and make a profit. Sufian (2011) investigated bank profitability in Southeast Asia. He discovered that Korean banks with lower levels of liquidity are more profitable. That means that the more a company is able to reduce liquidity risk, the more the profitability. Consequently, this will affect the performance of the company and it shows the ability of the company to meet the short and long-term debt. Hence this variable was chosen in order to look at the impact of liquidity risk in the context of Indonesian Islamic banks.

The second variable is Non-performing financing (NPF). This is used to assess the Bank credit risk, which can be communicated, by the number of bad loans or non-performing loans (NPL) in conventional banks and Non-Performing Financing (NPF) in Islamic banks. The study used this variable to assess credit. Credit risk is also defined as the probability of suffering a loss because of a borrower's failure to make loan payments or fulfill contractual commitments. It typically refers to the possibility that a lender won't get the principal and interest that is owed, which would disrupt cash flows and raise collection costs. Empirical works have found a positive impact of credit risk on the performance of banking institutions. Lawrence et al. (2020) investigated the impact of credit on the performance of South African commercial banks. After using Non-Performing Financing (NPF) as a representation of credit risk, it was found that there is a significant impact of credit risk on performance. Similar results were found by Ali et al. (2019) for the case of Pakistani Islamic banks. It revealed that credit risk is negatively correlated with performance. Meanwhile, as the percentage of credit risk increases, the performance of Islamic banks decreases and vice versa. Based on the important results regarding the impact of credit risk on the performance, the study used Non-Performing Financing (NPF) to represent the credit risk to look at the real impact of credit risk in the case of Indonesian Islamic banks.

Thirdly, Expenses ratio (BOPO) was chosen to represent operational risk of banking institutions. This simply refers to the expense ratio –a fee that must be paid by shareholders of a mutual fund or exchange-traded fund (ETF). According to Dendawijaya (2005), the Operating Expenses to Operating Income Ratio (BOPO) measures the proportion of operating expenses to operating income. It is used to assess the effectiveness and operational capacity of banks. According to Harfiah et al. (2016), BOPO ratio has a significant impact on the profitability of Islamic Indonesian Banks during 2010-2016. Indeed it is crucial to use this variable to examine the relationship between operational risk and performance of Islamic banks in Indonesia with different methods of estimation.

To analyse competition, the study has used market share as well as concentration ratio. Each of these variables is explained further below.

Market share and Market concentration (MS and MC: In economics, competition is a scenario where different economic firms are in contention to obtain goods that are limited by varying elements of the marketing mix such as price, product, promotion and place). In classical economic thought, competition causes commercial firms to develop new products, services and technologies.

A variety of measurements can be used to assess the level of competition. Scholars have developed SCP as a rational approach in the existing literature. Structure conduct performance (SCP) is a term used by Jeon and Miller (2005) and Khan and Hanif (2019) to describe market concentration and market share. Market share is calculated by dividing total assets in individual sharia banks by total assets in all sharia banks. This particular variable appears to be an accurate predictor of profitability. Mirzae et al. (2013) discovered a positive relationship between market share and profitability. The higher the market share, the higher the level of earnings.

Market concentration is proxied by the Hirschman–Herfindahl Index (HHI), which is used to calculate market structure size. According to Rettab et al. (2010), the relationship between market power and structure is linear, and the Hirschman–Herfindahl (HHI) Index can be used to identify it. This index, which is calculated by adding the square root of each individual bank's percentage market share in the industry, is used to determine the market's competitiveness. A market with an HHI of less than 1,500 is considered competitive, one with an HHI of 1,500 to 2,500 is considered moderately concentrated, and one with an HHI of 2,500 or greater is considered highly concentrated.

The explained variables given above are used as the independent variables to predict the value of the profitability.

As for the dependent variable, return on assets (ROA) was chosen. This is a profitability ratio that measures the net income produced by total assets during a period. This is calculated by comparing net income to the average total assets. According to Dendawijaya (2005), ROA performance ratios are used to assess a bank's management capacity for overall profit. The more profitable the bank is, the better it can demonstrate its capacity for big profits (Fahmi, 2012). A greater ROA suggests that a bank's financial performance is stronger since it can generate large profits from the usage of its assets. Therefore, if ROA increased, clients would likewise receive a higher degree of revenue share. Hence, for this study, this variable was selected as the representation of Indonesian Islamic banks' performance.

3.2 Econometric Model

The Econometric model is written as follows:

$$ROA(i,t) = \alpha + \beta 1\ FDR(i,t) + \beta 2\ NPF(i,t) + \beta 3\ BOPO(i,t) + \beta 4\ MS(i,t) + \beta 5\ HHI(i,t) + \varepsilon\ i,t$$

Where:

α	= constant value,
β	= coefficients value,
i	= Islamic banks,
t	= year of observation,
ROA	= Return on Assets
FDR	= Financing to Deposit Ratio
NPF	= Non-Performing Financing
BOPO	= Expenses ratio
MS	= Market share
HHI	= Hirschman–Herfindahl Index
ε i, t	= random error term

4. Results and Discussion

4.1 Descriptive Statistics

Table1 shows the descriptive statistics of the dependant variable (ROA) and independent variables: Financing to Deposit Ratio (FDR), Non-Performing Financing (NPF), Expenses ratio (BOPO), Market share (MS), Hirschman–Herfindahl Index (HHI). Among these statistics, we have Mean, Median, and standard deviation (SD).

For the dependent variable, Return on Asset (ROA), the highest value is 11.15% and the lowest value is -20,13%. It means that in the beginning, Islamic banks in Indonesia were operating at a loss. But with the passage of time, they succeeded to reach the rentability of their assets at 11.15%. This demonstrates the growing sector of Islamic banking in Indonesia. The average value of ROA is 1.44% meaning that the overall financial performance of Indonesian Islamic banks is quite good.

For the independent variable Financing to Deposit Ratio (FDR), the maximum value is 506% and the minimum value is 0.13% meaning that at the beginning, Islamic banks were able to have liquidity. But as the banks are growing, they started facing liquidity problems. The average value of the ratio is 92,94% and as it is lower than 110% it shows a good value of FDR. Therefore, in general, Islamic banks in Indonesia are more liquid.

For the variable NPF, the maximum value is 43.99% and the minimum value is 0%. This implies that at the starting point Islamic Banks had no credit risk. By the time the business started growing they faced credit risk problems. Though the ratio is quite good as it is only 43.99%. The average value is amounted to 3.26% and it shows a good signal for Islamic banks. They are able to eliminate credit risk.

For the variable BOPO, the maximum value amounted to 84,87% and the minimum value was 9.8% meaning that in the beginning, Islamic banks didn't have the problem of operational risk but when they started growing,

they started facing operational risk. But as the average value is only 87.87%, it implies that Islamic banks are quite good in managing operational risk.

For the variables MS the maximum value is 59.90% and the minimum value is 0.029% it means that 59.90% shares of the market belongs to one company. The average value of market share is 7.15% therefore it indicates quite a good signal.

As for the variable HHI, the mean value is 3547.92 and this value is greater than 2500, so it indicates a highly concentrated market.

Figure 1 below shows the market share of each Islamic bank. It depicts that Bank Mandiri (12) has almost the 59% of the total market. The remaining shares belong to the other 13 Islamic banks. This means that the Islamic banking market is highly concentrated in the banking sector. The second Islamic bank has only 8%. In addition, if we look at the Hirschman–Herfindahl Index (HHI), the value ranges around 3547. This value is greater than 2500, so it indicates a highly concentrated market. Hence a competition policy is needed to ensure competitiveness and increase economic growth.

Figure 2 also shows the relationship between market share and performance of Indonesian Islamic banks. From the figure, it can be seen that in some Islamic banks the profit is negative (-21 and -11). Similarly, the market share (MS) has a low value. But in other Islamic banks, the market share (MS) is high and the profit is also high. The highest value of market share is about 59% implying that there is a high concentration of the Islamic banking market.

4.2 Results of Panel Regression (POLS)

The results from table 2 below show that R^2=0.7777 meaning that 77.77% of the variations in Islamic banks' performance measured by Return On Asset (ROA) is explained by the banking risk and competition faced by these banks. Therefore, the model is overall significant.

The results further showed that Financing to Deposit Ratio (FDR) is positively significant with a p-value of (0.0000) less than 0.05 meaning that when FDR increases, the Islamic banks will also increase. concurrently, the level of profitability of Islamic banks will increase the greater the FDR. Similar results were found by Harfiah et al. (2016). The larger the ability of the FDR ratio to increase, the more money banks can distribute (Muhammad, 2008). This implies that as a result of the bank making more money, more clients are also being paid at the same rate. Therefore, as the amount of revenue rises so does FDR. Hence, it can be said that liquidity risk affects Indonesian Islamic banking performance whereby the lower the liquidity risk, the higher the performance of the banks.

The variable Non-Performing Finance (NPF) is also significant with a negative relationship to profitability. Whence the amount of non-performing financing increases, the profitability decreases and consequently it affects the performance of the banks. Similar results were found by Ali et al. (2019) and Lawrence et al. (2020). This points out to the fact that credit risks are significantly affecting the performance of Islamic banks. Indeed, higher financing risk will decrease profitability. Islamic banks are facing financing risks related to Mudarabah, Murabaha, and Musharakah. Due to moral hazard and adverse selection problems, the financing risks are high and more typical in Islamic banks. Therefore, when Islamic banks finance projects related to risk and profit sharing, the non-performance of the contract will affect the profitability of the banks and consequently this will also impact their performance.

The variable Expenses Ratio (BOPO) is also negatively significant. This indicates that high BOPO represents the fact that banks can not cover their expenses by using their operational revenues. Thus, there will be a potential operational risk implying that the level of profitability increases with the decrease of BOPO. The findings of this study confirm the idea that Islamic banks' cost-effectiveness can produce significant financial gains. The calculation was used to determine how much BOPO was helping in order to increase company performance to the approval of the concept by Donaldson and Davis (1991) although Harfiah et al. (2016) found contradictory results. Nevertheless, in financial theory the higher the operational cost the less the profit. Along these lines, there might be some variables missed while measuring the operation costs.

Globally, liquidity risk impacts positively the profit of Islamic banks while financing risk and operational risk impact negatively the variation of the profit. Despite this effect, banking risk has a great impact on the profitability of Islamic banks.

For the competition level, the variable Market share is positively significant. This indicates that the greater the market share, the more increased the level of profitability. Mirzae et al. (2013) found similar results. This can be illustrated by the fact that when a company has more market share in a sector, it shows the ability of this company to earn more profit. Consequently, market share is positively influencing the performance of Indonesian Islamic banks. However, the variable Hirschman–Herfindahl Index (HHI) is not significant at 5% because the p-value (0.9) is higher than 0.05 indicating that HHI does not influence the profitability because the market is highly concentrated by few Islamic banks.

Finally, only market share influences the variation of profit of the Islamic banks. For this reason, the Indonesian government should apply a fair competition policy in the Islamic banking sector in order to increase their profitability. Increasing the banking profit will also increase economic growth (Claessens & Laeven ,2005). The general view in economic literature is that bank competition promotes economic growth. Competition will help Islamic banks to be innovative, and create different financial products that will be suitable for the demand of customers in order to compete with their conventional counterparts.

5. Conclusion

In this paper, the effects of banking risk and competition on the profitability of Indonesian Islamic banks for the period 2010–2020 were examined. Pooled ordinary least square regression (POLS) with panel data is used to analyse these effects. Our main findings can be summarized as follows: Firstly, liquidity risk influences positively the performance of Islamic banks, while financing risk and operational risk impact negatively the Islamic banks' performance. Despite this effect, banking risk has a great effect on the performance of Islamic banks. Secondly, at the competition level, only market share influences the variation in profit of the Islamic banks. From this point of view, Islamic bank managers should implement risk management techniques that help the banks to curb the adverse effect of credit risk. These techniques include credit approving authority, risk rating, prudential limits, loan review mechanism, risk pricing, and portfolio management. Furthermore, the Indonesian government should apply a competition policy in the Islamic banking sector in order to increase its profitability. Increasing banking profit will also increase economic growth. The general view in economic literature is that bank competition promotes economic growth. For future research, it is recommended to include other Islamic finance institutions like Islamic rural banks and Islamic takaful (Islamic insurance) to analyse these effects in a general way.

Appendix

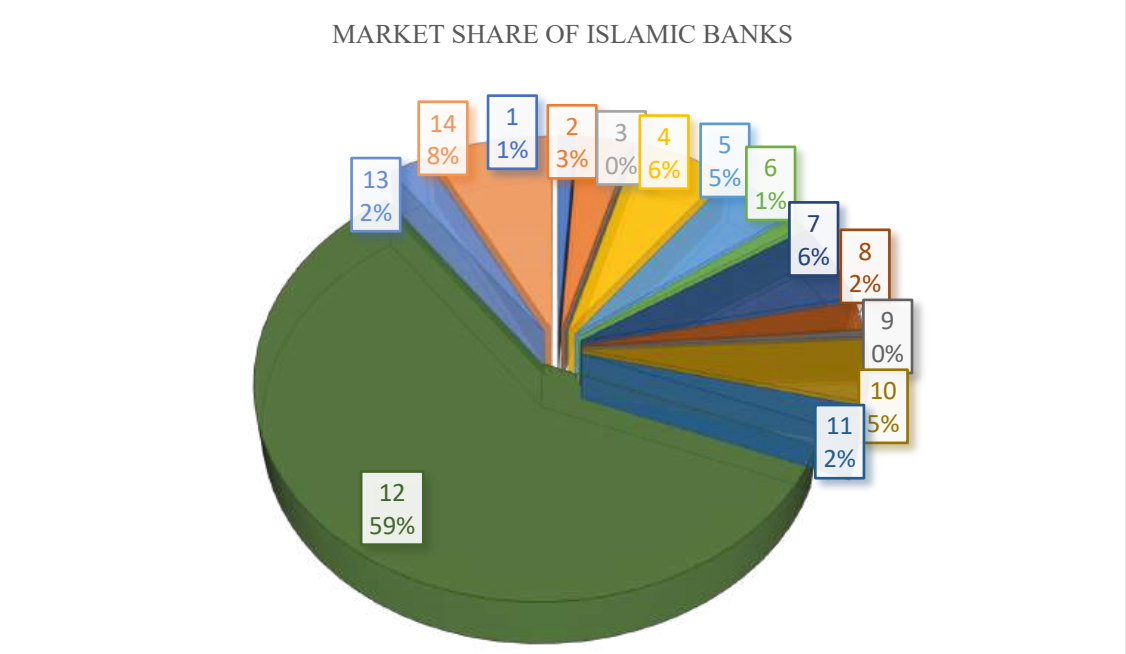
Table1. Descriptive statistics

	ROA	FDR	NPF	BOPO	MS	HHI
Mean	1.442273	92.94286	3.261429	87.87006	7.150540	3547.924
Median	1.545000	86.09000	2.660000	84.90500	3.436328	3587.635
Maximum	11.15000	506.6000	43.99000	217.4000	59.90898	3771.514
Minimum	-20.13000	0.130000	0.000000	9.800000	0.029808	3138.688
Std. Dev.	2.812332	48.63587	4.679758	24.82369	14.26938	190.8201
Skewness	-3.525114	6.122916	6.468127	2.496340	3.168169	-0.857451
Kurtosis	28.12487	49.01034	52.14315	13.43047	11.45364	2.746713
Jarque-Bera	4369.524	14546.02	16570.37	858.0468	716.1843	19.28235
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000065
Sum	222.1100	14313.20	502.2600	13531.99	1101.183	546380.3
Sum Sq. Dev.	1210.109	361913.5	3350.721	94280.98	31153.11	5571086.
Observations	154	154	154	154	154	154

Table 2. Pooled ordinary least square regression (POLS)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5.034975	2.039719	2.468465	0.0147
FDR	0.019358	0.002337	8.284405	0.0000
NPF	-0.329063	0.027889	-11.79894	0.0000
BOPO	-0.047686	0.005667	-8.414137	0.0000
MS	0.015987	0.007889	2.026390	0.0445
HHI	-6.85E-05	0.000587	-0.116606	0.9073

R-squared	0.777753	Mean dependent var	1.442273
Adjusted R-squared	0.770244	S.D. dependent var	2.812332
S.E. of regression	1.348031	Akaike info criterion	3.473348
Sum squared resid	268.9437	Schwarz criterion	3.591671
Log likelihood	-261.4478	Hannan-Quinn criter.	3.521411
F-statistic	103.5849	Durbin-Watson stat	1.389706
Prob(F-statistic)	0.000000		



1.	Bank Aceh Sharia	8.	BNI Bank Sharia
2.	Bank Bukopin Sharia	9.	Panin Bank Sharia
3.	Bank Net Indonesia	10.	Bank BCA
4.	BJB Bank	11.	Bank Muamalat
5.	Mega Bank	12.	Bank Mandiri Sharia
6.	Bank Victoria Sharia	13.	BRI Sharia Bank
7.	Bank BTN	14.	BTPN Bank

Figure 1. Indonesian Islamic banks market share

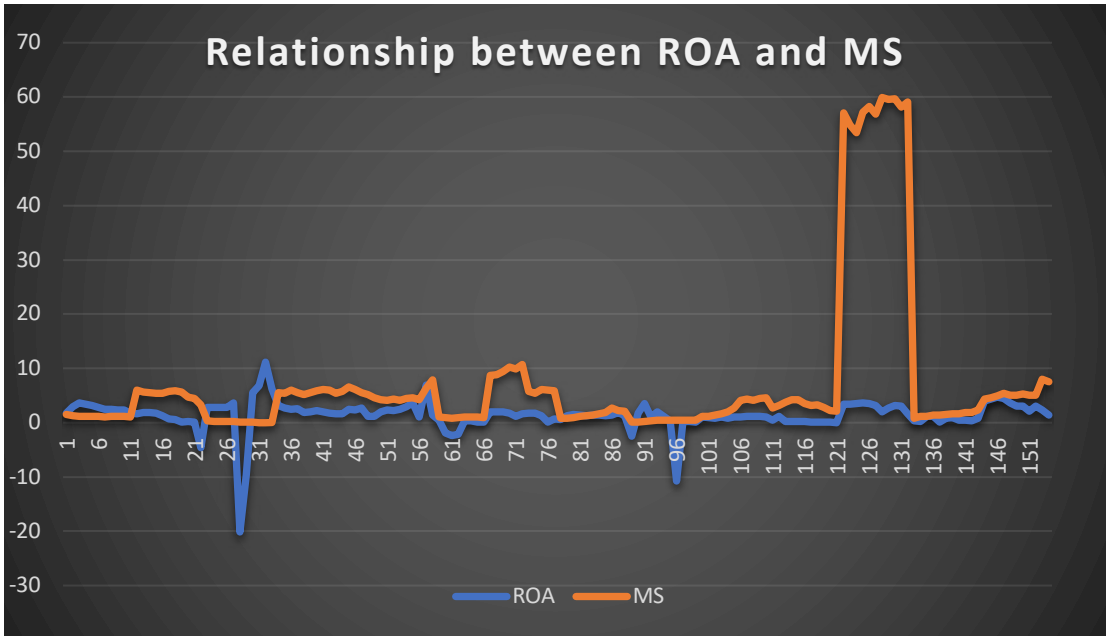


Figure 2. Relationship between ROA and MS

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

Interrogating Islamic Values of Green Entrepreneurs in the Life and Co Store, Semarang

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Abstract

This research aims to examine green entrepreneurship in the context of religious/belief hybridity through a case study of a business: Life and Co Store, Semarang. This study collects two layers of interviews from six responses involved in establishing and managing structurally active businesses within a business. The findings show the adaptation of green entrepreneurship through a universal and progressive interpretation of Islamic teachings in establishing the enterprise. This paper offers fresh insight into the fusion of religion and environmental activism in green entrepreneurship wisdom through zero waste store. Such insights provide an excellent opportunity to build new understanding and frame explanations of necessary entrepreneurial studies through the role of Islam and environmental activism.

Keywords: Islamic Navigation; Green Entrepreneurs; Zero Waste Store

1. Introduction

In the 1960s, which is considered the origin of the idea of green entrepreneurship, developed countries issued environmental protection regulations as a response to environmental degradation caused by increasing industrialization (Jiang et al., 2018). Over time, apart from being profit-oriented, green entrepreneurship developed and combined into a global activism movement for environmental issues such as renewable energy (Haldar, 2019), land degradation (Maroušek et al., 2019), climate change and biodiversity (Potluri & Phani, 2020). The opposition movement against the conventional industry based on entrepreneurship is considered a medicine for a sustainable economy (Vatansever & Arun, 2016). However, it was soon realized that the macro-green economy in developing countries differs from developed countries, one of which distinguishes it is that it is built from bottom-up society and industry (Herman, 2021). The main actors are green entrepreneurs who uphold the "sustainability principle" of green values in running a business and selling green products or services (Zhao et al., 2020).

The new generation of entrepreneurs with a spirit of environmental concern has attracted the attention of academics, practitioners, and policymakers (Fallah & Soori, 2022; Haldar, 2019; Muo & Azeez, 2019). One of the things the writer found was Life and Co Store, located in Semarang, Indonesia, with the tagline "nature has a story, humans have a feel" (Wardhani, 2020). Established in April 2020, Life and Co Store is a zero waste bulk store engaged in a small-scale business selling various household appliances made from environmentally friendly materials and organic food in bulk. The store sells its products without packaging, where consumers can directly transfer the products they want to the containers they carry with the amount they want. The store is also connected to a waste bank to recycle unused consumer goods. In addition, Life and Co Store also provides a co-working space to hold seminars, learn and discuss environmental issues.

From the author's search, what is interesting is that the background of some of the founders of Life and Co Store is campus da'wah activists with a strong interest in Islam. Meanwhile, research conceptualizing religion and

green entrepreneurship has not been widely explored. Hence this situation is said to be a "blind spot" and confusion in entrepreneurial practice. Clearly, the study of these relationships is challenging in practice because little attention has been paid to the role of religion in stimulating the spirit of green entrepreneurs.

This study aims to examine how religion plays a crucial role in managing the Life and Co Store. This study attempts to describe the dynamics of Muslim entrepreneurs to innovation by examining the concept of actualizing Islamic teachings in the practice of green entrepreneurship. It begins by examining the organization and relationships fostered internally to influence the ability to secure resources and maintain participation and social capital. Bonds enable solid interpersonal relationships that foster a sense of community in the management of the business, bridge knowledge, and help ensure the business can survive sustainably. The author focuses on belief systems and religious passions that can develop during the entrepreneurial process, contributing to the prevalence of green innovation.

2. Literature Review

2.1 Green Entrepreneurship and Zero Waste Store

Berle (1991) defines green entrepreneurship as entrepreneurship that takes environmental responsibility for creating an ideal world. However, the lack of agreement on the definition of "wise" makes the literature that has developed then become fragmented to distinguish between green and non-green entrepreneurship (Rodgers, 2010). If the same line is drawn, green entrepreneurship broadly refers to businesses based on green or environmentally friendly principles, specifically to minimize the negative impact of their production and distribution activities on the environment (Gast et al., 2017). However, it is not widely understood how businesses that rely on green entrepreneurship can fulfill environmental sustainability without neglecting social and economic empowerment. This concept is therefore based on a holistic understanding of the interrelationships between the three pillars of sustainability: People, Planet, and Profit (Elkington, 1998).

The concept of green entrepreneurship is indeed essential, but in practice, entrepreneurs experience various obstacles such as public awareness (Silajdžić et al., 2015), environmental knowledge (Joshi & Rahman, 2015; Xu et al., 2020), sustainable green resources (Sher et al., 2019), and price transparency (Soomro et al., 2020). For example, green entrepreneurs can lose potential customers and avoid purchases due to high prices (Sher et al., 2019), which they gain after complying with environmental concerns with specific standards. The case Small and Medium Enterprises (SMEs) that run green businesses face working capital, high-interest costs, and a lack of required collateral (Mkhonza, 2018). Therefore, the most important way to expedite the process of developing green entrepreneurship is through government support (Haldar, 2019), such as providing tax cuts or exemptions (Uslu et al., 2015), implementing appropriate laws and regulations (Vatansever & Arun, 2016), and reforming regulations competitive play (Pacheco et al., 2010).

Comprehensive entrepreneurship education can increase awareness of purchasing environmentally friendly products (Potluri & Phani, 2020), including subscribing to zero waste stores. Zero waste store is a business that carries the concept of sustainability by providing a low negative impact on the environment (Hartmann & Ibáñez, 2006). The zero waste store business brings the concept of sustainability to two aspects of environmental issues, namely, the products offered and the business run. The zero waste approach directly challenges the assumption of replacing single-use items with recyclable alternatives to minimize waste.

Zero waste stores recognize that waste is a 'misallocated resource' generated during the transition phase between production and consumption activities. Thus, it must be recirculated into the system for reuse, reassembly, resale, redesign, recycling, or reprocessing (A. U. Zaman, 2016). Zero waste does not see waste as a residual substance that must be disposed of but is considered a resource that must be reused (Glavič & Lukman, 2007) and requires re-circulation in the system (A. Zaman & Newman, 2021). This brings a change in the habits of consumers to provide solutions that carry the greenwashing principle of their products (Fuentes et al., 2019).

2.2 Islamic Business Ethics

Islam encourages its followers to work proactively to create valuable social and economic values (Abdullah et al., 2015; Abuznaid, 2009). Islamic ethics values all types of work because work improves people's welfare and maintains social prestige (Ali & Al-Owaihan, 2008). Therefore, work is a good form of worship (*muamalah*) to achieve the pleasure of Allah. Islamic teachings are committed to the passion of giving to encourage new jobs and further develop entrepreneurial intentions. However, entrepreneurship can lead to obsessive passion in the form of feelings of uncontrollable joy (Astakhova & Ho, 2018). So that Muslim entrepreneurs must remain consistent with ethical principles (Kaliffa, 2003). Commitment to running entrepreneurship based on Islamic ethics is the same as passion. Entrepreneurs generally feel obligated to act from obsessive passions (Vallerand et al., 2003).

Muslim entrepreneurs should engage in socially beneficial activities guided by Islamic principles that shape entrepreneurial ethics (Hassan & Hippler, 2014). This can be translated into Islamic ethics, empowering Muslim

entrepreneurs and encouraging business creation. This type of entrepreneur seems highly valued for aligning individual and social interests (Seelos & Mair, 2005) and represents the protective belt of society consolidated by religion (Tracey, 2012). In short, spiritual capital is positive in innovating entrepreneurship (Neubert et al., 2017). Thus, in the Islamic context, ethical values shape how individuals behave and, in turn, certain types of entrepreneurship.

The creation of innovative and creative social enterprises is highly valued in Islamic ethical principles. Because it has been recognized that entrepreneurship and its business are considered the engine of the country's socio-economic development (Altinay et al., 2016), Islamic teachings can be one of the motivations for Muslim entrepreneurs to be more involved in entrepreneurship for the benefit of society. Islamic ethics positively affect innovation capacity in public sector companies (Kumar & Rose, 2010). This description leads us to consider Islamic ethics' direct and indirect effects on social innovation (Gursoy et al., 2017). If passion is accepted, it has an intermediary role in the entrepreneurial process. So it makes sense to identify Islam as a conductor of passion that can stimulate social innovation, especially green entrepreneurship.

3. Research Method

An exploratory study was applied to broadly explore Islamic values influencing entrepreneurship at Life and Co Store, Semarang. Seidel's (1998) qualitative research framework was adapted as a design to study and reveal a deep understanding of the object under study.

3.1 Data Collection

Life and Co Store has only five active structural managers, all of whom are women. Respondents were divided into two layers of groups. The first tier respondents were three Founder Life and Co Store selected using purposive sampling. The primary respondents (key informants) were selected based on aspects of experience and involvement in the religious community. An interview protocol (semi-structured interviews) was prepared beforehand to outline important information about the study's theme, aims, and objectives. The interviews were intended to track aspects of religiosity in the respondent's entrepreneurship and activities and to help develop a picture of the business's context. These questions consist of the presence of religious studies, critical issues of religion in entrepreneurship, and environmental issues from an Islamic perspective.

In addition, the second-tier respondents are active administrators who joined Life and Co Store through recruitment. The second-tier respondents were selected based on different responsibilities and departments, which were considered capable of reflecting the conditions and variations in the management of Life and Co Store. Three additional people were asked to comment on their own experiences at work and their observations of the experiences with the founders of Life and Co Store. The six respondents can be seen in Table 1.

Table 1. Respondents Data

Respondents	Age	Gender	Religion	Education	Qualification	Position
Founder-1	25	Female	Islam	Bachelor	Biology	Director
Founder-2	25	Female	Islam	Bachelor	Public Health	Head of Marketing Communication
Founder-3	25	Female	Islam	Bachelor	Public Health	Non-Active
Staff-1	25	Female	Islam	Bachelor	Biology	Head of Product Development
Staff-2	21	Female	Islam	Bachelor	Accountancy	Head of Finance
Staff-3	21	Female	Islam	Bachelor	Oceanography	Head of Opeartional

In addition, researchers also conducted informal discussions, communication, and interactions through social media. Comments in communication via social media were noted on emerging themes such as verses from the Koran and hadiths on environmental issues. This protocol provides the researcher context sensitivity beyond the data and details not captured during the interview. This methodology provides a wealth of data by providing evidence of emerging themes. These various data sources facilitate descriptive views to assist the data analysis process.

3.2 Data Analysis

The analysis phase tends to use an inductive approach based on specific data collected and leads to general conclusions. This stage uses the general qualitative data analysis strategy formulated by Seidel (1998)The first stage starts by noting the topic of the data collected and marking it so that the source of the data can be traced. The second stage is then sorting and classifying the data based on the goals to be achieved. At this stage, the researcher is required to mark and index of the data. After the data is more neatly arranged, the third stage researcher must think that the data categories have meaning. Researchers look for ways to find and find patterns from the relationships of each data. Finally, write down the general findings.

To determine the trustworthiness of the data, a triangulation technique is used. The data obtained need to be re-examined the degree of trustworthiness of the information through different times and tools in qualitative research. The most widely used triangulation technique in research is to compare the state of one's perspective data with various opinions and views of others. The process sought is not the similarity of views, thoughts, and opinions, but what is essential is knowing the reasons for the opinions expressed.

4. Finding

The findings of this study from respondent's interviews revealed how religious fundamentals are processed and transformed in creating and supporting entrepreneurial activities. It also reveals the extent to which respondents are involved with their religion, how they compromise beliefs that go hand in hand with entrepreneurship, their attributional characteristics, and how these characteristics can affect entrepreneurial relationships. The three main themes underlying the encouragement of religion and green entrepreneurship at Life and Co Store are the deconstruction of religious entrepreneurship, belief systems, and knowledge transfer.

4.1 Entrepreneurial Religiosity

Religious motives seem to provide a spiritual impetus that develops as a source of economic independence for the management of Life and Co Store. Contemporarily, entrepreneurship is a form of imitating the Prophet Muhammad, a pioneer role model taking sustenance. In addition, this *muamalah* rite is a supplier of entrepreneurial agents trying to be implemented in the Zero Waste Store. The data reveals how respondents to the first tier of administrators are motivated by religious beliefs to generate income. Respondents firmly believe that entrepreneurship and earning a living can only be accepted if Islamic religious principles confirm it. For example, Founder-2 believes that:

> *"My view on entrepreneurship is seen from the perspective of Islam, it is clear that Rasulullah is an entrepreneur. So, in our opinion, as long as the business is good with a good purpose and Islam is also an example for entrepreneurship. So, I think this is the motivation as well to build Life and Co."*

Furthermore, Founder-1 also has the same belief that Islam, through the example of the Prophet Muhammad, intensively encourages its adherents to be more involved in developing entrepreneurship by quoting the main teachings of the sunnah: *"Entrepreneurship has been taught since the time of our Prophet because he was a trader, the nine doors of sustenance were comes from trading."* The concept of trading is exemplified as a line in running the economy and moving more social dimensions. This passion can be developed to encourage the creation of innovative social projects.

On the other hand, most second-tier respondents put more emphasis on implementation. For example, Staff-2 emphasized: *"Islam in regulating entrepreneurship is already good, but how to implement it because you have to be honest, sell the best products, take enough profit, like that."* All second-tier respondents did not give specific answers regarding a literally proposition but by looking at Islamic laws universally.

The Life and Co Store manager runs his business by taking the difference between the purchase price and the selling price. The researcher's observations in the case of Life and Co Store confirm that large incomes are obtained when getting orders for hampers in large quantities. Staff-3 justifies his earnings by saying:

> *"Currently, the biggest advantage is from selling hampers. As recently, ASEAN-SEDP ordered hampers in large quantities, so there we get a pretty good profit compared to individuals who buy directly at the store because if the hampers buy more than those who buy the units."*

In terms of profits, the managers believe they have set the price difference following Islamic rules. Although in Islamic law, there is no explicit rule regarding the percentage of profit difference between buying and selling prices. Nevertheless, Islam emphasized that fixing the legitimate price according to the market price as long as it does not exploit others (Yousef, 2000). Efforts are also tried to be applied in Life and Co Store. Staff-2 gave an example: *"The profit is also as possible as not more than 50% of the price we buy, so from that we don't make very large or excessive profits."*

In the case of Life and Co Store, respondents seem to align their livelihoods and personal lives with religious teachings. The importance of religion's transformative potential for economic motives and activities, implies the ability to legitimize, in religious or ideological terms, the development of new motivations, activities, and institutions that were not covered by their original impulses and views.

The initial work of the enterprises founders did not seem to be demarcating between the example of the Prophet of Allah and the type of business chose to run. Business activities and awareness of the obligations attached to their position as servants of Allah are intended to ground the teachings of Islam through universal values that

everyone can accept. As confirmed by Founder-3: *"Because we are part of the management, we always involve the God. For example, if our business is not in accordance with the corridors of Islam, it is not true. It means that it is not a blessing."*

4.2 Belief Attribute

Based on the data, Islam seems multidimensional, and its influence impacts the respondents' ideology, philosophy, and daily life. In all respondents, there is an awareness that concern for the environment has developed because it contains an element of continuity, and some of its practices are seen in Islam. Life and Co Store managers tend to instill awareness of environmental issues as they continually adapt, expand, and define religious understandings of their entrepreneurial practices. Founder-1 Life and Co Store have a strong opinion on this:

> *"One of our foundations is that we believe, especially, that as humans, God sent us to be rahmatanlilalamin and that is already in the Qur'an. Rahmatanlilalamin means that we must be a mercy not only to humans, but also to other creatures."*

Similarly, there seems to be a congruent view that religious beliefs and environmental concerns stem from personal interpretations and understandings of religious texts such as the Qur'an and Hadith. The extent to which individuals feel comfortable blending the boundaries of environmental and religious issues varied throughout the interviews. For example, Founder-1 asserts that a Muslim has a mission as a fill and caliph or leader for all creatures, which is interpreted to protect all creatures, including supporting natural structures such as bacteria, microbes, fungi, plants, and animals. The second-tier respondents did not provide any arguments in Islamic texts about the laws that govern nature. On the other hand, the first-tier respondents also do not have a problem with the broad meanings of interpreting Islam for the sake of nature. Similarly, Founder-3's view underscores this position:

> *"We take care of the environment, we take care of nature to keep it beautiful and balanced, that's the goal. Those good goals must be supported in religion because it is a good thing."*

He further argues that Islam strongly encourages its adherents to be more involved in preserving nature by quoting the verses of the Qur'an: *"Corruption has spread on land and sea as a result of what people's hands have done, so that Allah may cause them to taste the consequences of some of their deeds and perhaps they might return to the Right Path."* (Al-Qur'an: Surah Ar-Rum Verse 41).

It seems that Islam is more infused with faith ideas that emphasize the curative nature of sacred texts associated with the issue of nature conservation. Suffice it to say that there is a gap in understanding between founders with a more adequate religious understanding of environmental preservation than second-tier managers/respondents. When asked about how Islam regulates environmental issues, Staff-2 answered the meanings of Islamic values in the Universal context as explained by the previous founders but did not know the explicit arguments: *"I don't know if there are any hadiths that discuss environmental issues. I don't know yet."*

Although both tiers of respondents are ascribed to Islamic teachings, there are differing understandings that Islam has a rich and diverse heritage capable of supporting many causes and lifestyles. In that context, many Muslim respondents seek to understand and respond to environmental conservation in a way they perceive consistent with their personal beliefs.

4.3 Knowledge Transfer

The data reveal a relationship between the knowledge transfer from the founders to the second-tier respondents who were reported and observed during the business run. For example, the involvement of first-line respondents in influencing business managers is illustrated in the insight of Founder-1, which is stated as follows: "Usually at Life and Co, we discuss (natural damage issues) like that. We believe that no matter how small we do, we will be accounted for (responsible for the hereafter), so we try our best."

In addition, the managers confirmed that they also conduct seminars for business transactions. Hence, social patterns seem to reinforce environmental activism networks that intrinsically address related issues. This is palpable because environmental issues are evident in all orientations, which are pluralistic, as practiced and assumed by most of the respondents.

However, when they have to seek knowledge from religious or scientific studies on environmental issues from an Islamic perspective, they experience difficulties. Because Islamic clerics or scholars do not discuss environmental issues from an Islamic perspective much. The first-tier and second-tier respondents shared the same

confession. Staff-2 asserted: *"That is the problem. The relationship between Islam and the environment is rarely blown up, I think, and I have seen several online or offline studies that I have participated in that have never discussed these studies."*

The transfer of knowledge provides an essential building block in theorizing about the process of establishing environmental activism in the religious axis. However, the sources of knowledge are difficult to obtain, or maybe almost no one provides them. It has been suggested that understanding and awareness of environmental issues provide entrepreneurs with a platform to respond to opportunities through different strategies based on personal and group characteristics, social capital, social networks, and community attitudes. They believe that pluralism can be applied when the managers have the same vision of the environment. Meanwhile, discussing it from an Islamic perspective becomes a personal discussion between people with the same belief. The importance of the environment and context, and the interaction between entrepreneurs and the environment, then make managers not focus on religious studies in a broad circle, which was emphasized by Founder-2: *"Usually we do not specifically discuss Islamic studies, but we usually mention about our obligations as religious beings. It is just not about a particular religion."*

5. Discussion

This study found that one of the motivations for establishing Life and Co Store was the desire of entrepreneurs who tried to unite their religious beliefs and work (van der Westhuizen & Adelakun, 2022). Muslim entrepreneurs concerned about environmental activism use religious conventions to create green businesses. Delving deeper into the level of interconnection between religious values and entrepreneurship, research respondents expressed that the two are not mutually exclusive but complementary. The founders of this business experienced a desire for greater synergy between work and faith. They were starting to be disappointed with the state and problems of the natural environment around them. Then the entrepreneurs experienced enlightenment, realizing that green entrepreneurship might be a way to overcome environmental problems while still uniting religious beliefs.

Thus, green entrepreneurship can serve as a bridge between religion and their ideals, enabling entrepreneurs to integrate their religiously oriented goals with business work that can finance operational activities independently (Ajzen & Fishbein, 1980). Green entrepreneurs illustrate that in the case of a zero waste store that produces an enlightened view not only for business but also their conception of religious beliefs that is expanded and has a more dynamic nuance. In this context, the process model that represents a path through which a person becomes a green entrepreneur shows that the value system transmitted by religion can influence the entrepreneurial process. As a result, entrepreneurial tactics maneuver to exploit spiritual capital alongside moral skills and manipulation of norms (Stewart, 1990) to create a dialectic of variations in habits and beliefs in entrepreneurship.

Another important finding is that this study shows how factors of environmental activism, economic considerations, religious understanding, and social capital meet for business formation and activism tools. Muslim entrepreneurs try to respond to environmental problems through economic processes and compromise on spatial, which is rarely done. When contemplating Islamic teachings that discuss environmental issues, most respondents emphasized that such ideas are caused by a lack of understanding of the details that refer to the Al-Qur'an and Hadith. The interpretation then refers to a context that can be interpreted universally. In revealing the dynamism in adopting values into the management of Life and Co Store, it seems that their entrepreneurial understanding does not stagnate with religious purification but has changed and adapted to the times. Thus, it is hoped that entrepreneurial praxis induced by socio-cultural variations will flourish (Ojo, 2019).

The founders demonstrated innovative entrepreneurship in creating new markets and customer relationships, as well as with their role as social and institutional mediators in driving environmental activism. They place themselves on the boundaries between religious belief and environmental activism, that plurality values can also be the answer to environmental problems. The fact is that Life and Co Store gets funding from the Jaminan Kredit Indonesia (Jamkrindo), where interest credit (*riba*) is prohibited in Islam (Azmat et al., 2021). It could be that the lack of Islamic financial literacy is a different subject, and they do not yet have an awareness of the problem. It should be noted that ethics is not limited to monetary or non-monetary dimensions but refers to a set of moral conceptions and rules of behavior for society. Hence, this research study argues that conceptualizing arousal is not limited to simple components of positive or negative feelings but requires further study of the influence of ethical variables to understand the antecedents of desire for social innovation. Social responsibility is an essential principle in managing Islamic practice.

Muslim entrepreneurs are more concerned with social actions and services than mere profit by taking actions that support social development. Because Islamic ethics are related to morality, economy, and society, ethical behavior presents a positive predictor of entrepreneurial action and innovation. Thus giving effect to the behavior of the enterprises' management. The founders and staff, guided by ethical principles, strive to acquire new knowledge to be more responsive by respecting creativity and innovation. This is seen as a source of fulfillment goals to be more persistent in completing tasks. Therefore, this study tries to determine whether ethics can encourage innovation and what role passion can play in developing this behavior.

6. General Implications and Conclusion

The results of this study provide helpful general implications for future research and practice. First, green entrepreneurs can make progress on environmental issues. No matter how simple the SMEs that carry the concept of green entrepreneurship are, they become essential in solving some of the most challenging and deep-rooted local problems in their city, such as what Life and Co Store did to prevent the use of plastic waste. On the other hand, business management must also generate profits. Muslim entrepreneurs will find it challenging to be sustainable if they only assume that they get a "*pahala*" or reward for their business that positively impacts the environment and customers. Therefore, policymakers must provide comprehensive entrepreneurship education and motivate grassroots communities to engage in green business.

Second, it is crucial to see Islamic teachings that are inclusive and closely related to environmental issues. That Islam will always be relevant to every era with all the challenges. The entrepreneurial spirit has given rise to the impetus to benefit from the reinterpretation of religious teachings and practices at Life and Co Store and, more broadly, for Muslim entrepreneurs. This new generation has experienced a hybrid of beliefs that are not only rooted in Islamic teachings but how environmental activism and plural collaboration can complement each other in achieving environmental solutions. This means they are more progressive and less stubborn in solving modern problems. Difficulties are experienced when respondents seek studies or *halaqah* from Islamic scholars on environmental issues, even almost none. Therefore, Islamic religious leaders must be literate in environmental issues and discuss them when delivering sermons.

To summarize the relationship between Islamic values and green entrepreneurship, there is still little literature that integrates issues of entrepreneurship, Islam, and segments of the young workforce, especially those involved in the green entrepreneurship sector. It takes more significant effort in mobilizing, teaching, and practicing, which serves as an instrument to change society at large and entrepreneurs in particular to emphasize the importance of spiritual expression in green doctrine. These new forms of green entrepreneurship are competing for space in metropolitan cities. Although this study only focuses on the positive aspects of establishing a green business using religious idioms, there are still many unclear questions on optimally marketing a religion-based business. Green entrepreneurs will be more plural to remain relevant in a particular market niche. Should the organization explicitly market itself as “faith based”. The line between business and religion can be fragile and confusing, with far-reaching implications for macroeconomic interventions. For green entrepreneurs, combining religious beliefs and work with an entrepreneurial imperative can be a challenge in itself, and it presents an opportunity in terms of the need for support.

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THE 10th ISLAMIC BANKING, ACCOUNTING AND FINANCE INTERNATIONAL CONFERENCE 2022 (*i*BAF 2022)

ملكية الضّوائع من أموال المسلمين بوضع اليد عليها: دراسة تحليلية لما عليه العمل في بيت المال الماليزي

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الملخص

اتفق الفقهاء من علماء الأمّة أن بيت المال إن كان منتظما تعود إليه الضّوائع من الأموال، التي ليس لها صاحب شرعي تعود إليه، سواء كان صاحبها مسلما أو غير مسلم، ، لكنهم اختلفوا في الصّفة التي يستحق بها هذه الأموال والمرتبة التي تعود إليه بها، وهنا تكمن مشكلة البحث، فإن ملكيّته لها بكونه وارثا يجعله جهة مقدّمة على الزّائد من الفرائض، وعلى ذوي الأرحام في الاستحقاق، أما إن كانت تعود إليه هذه الأموال بكونه حافظا لها من الضّياع، فهي ملكية تأتي بعد انعدم مراتب التّوريث كلها، وقد هدف هذا البحث إلى بيان الصّفة التي يمتلك بها بيت المال الماليزي لهذه الأموال والمرتبة التي يضع يده عليها بها، والكشف عن طرق التي تؤول إليه بها هذه الأموال، وبيان محل الصّرف لها، وقد اعتمدت هذه الدّراسة على المنهج الاستقرائي وذلك من خلال تتبّع آراء الفقهاء وأدلتهم في شروط استحقاق بيت المال للميراث، كما اعتمدت على المنهج التّحليلي في مناقشة آراء الفقهاء وأدلتهم وتحليلها، والكشف عما عليه العمل اليوم في بيت المال الماليزي. وقد خلصت هذه الدّراسة البحثية إلى أن بيت المال الماليزي هو صندوق سيادي يسمح بالمساهمة عن طريق التبرع له، كما أنه يستقبل الأموال التي مصادرها غير مشروعة شرعا أو قانونا، وأنه ليس بجهة وارثة أو مالكة لهذه الأموال، إنما هو جهة مشرفة على الأموال التي تحول إليه من الأوقاف والبنوك، وهي تحوّل إليه تحت بند التّبرع لتكتسب الصّفة القانونية التي أقرها الدستور الماليزي، وهذه الأموال هي محل الصّرف في المنافع العامة للمسلمين.

الكلمات المفتاحية: ملكية، الضّوائع، الأموال، وارث، بيت المال الماليزي

مقدمة

يعد الميراث ملكية تدخل في حيز الوارث بغير إرادته، ولا موافقته، وهذا الميراث هو خلافة في ملكية الموروث تمتدد في فروعه المتصلين به بالنّسب أو في أصوله المتفرع منها، قال تعالى: ﴿ ءَابَآؤُكُمۡ وَأَبۡنَآؤُكُمۡ لَا تَدۡرُونَ أَيُّهُمۡ أَقۡرَبُ لَكُمۡ نَفۡعٗاۚ فَرِيضَةٗ مِّنَ ٱللَّهِۗ إِنَّ ٱللَّهَ كَانَ عَلِيمًا حَكِيمٗا ﴾ (an-Nisa: 11) ، فنسب الوارث من مورثه شرطا من شروط انتقال هذه الملكية، فلابد أن يتحقق النسب للمورث، ونقصد به القرابة الحقيقة للميت وهي أن يكون اتصال أسري سببه الولادة أو ما يعبر عنه بقرابة الدّم، وهو يشمل الأصول وهم الآباء ويشمل الفروع وهم الأبناء ويشمل الحواشي وهم الإخوة وأبناؤهم والأعمام وأبناؤهم قال تعالى: ﴿لِّلرِّجَالِ نَصِيبٞ مِّمَّا تَرَكَ ٱلۡوَٰلِدَانِ وَٱلۡأَقۡرَبُونَ وَلِلنِّسَآءِ نَصِيبٞ مِّمَّا تَرَكَ ٱلۡوَٰلِدَانِ وَٱلۡأَقۡرَبُونَ مِمَّا قَلَّ مِنۡهُ أَوۡ كَثُرَۚ نَصِيبٗا مَّفۡرُوضٗا﴾ (an-Nisa: 7). أما الأخوال وأبناؤهم وإن كانوا من الحواشي فهم أصحاب رحم وليسوا أصحاب فرض وتعصيب، قال تعالى: ﴿ٱلنبى أولىٰ بٱلمؤمنين من أنفسهم وأزوٰجهۥ أمهٰتهم وأولوا ٱلأرحام بعضهم أولىٰ ببعض فى كتٰب ٱلله من ٱلمؤمنين وٱلمهٰجرين إلا أن تفعلوا إلىٰ أوليائكم معروفا كان ذلك فى ٱلكتٰب مسطورا﴾ (al-ahzab: 6) وقد ذكر السّيوطي طرَفاً منها فقال: " يترتب على النّسب اثنا عشر حكما توريث المال، والولاية، وتحريم الوصيّة، وتحمل الدّية، وولاية التّزويج، وولاية غسل الميت، والصّلاة عليه، وولاية المال، وولاية الحضانة، وطلب الحد، وسقوط القصاص، وتغليظ الدّية" (Raouane et al. 2021; As-Suyuti 1983: 267)

كما أن التّوارث بين الزّوجين هو حق لهما، لقوله تعالى: ﴿وَلَكُمۡ نِصۡفُ مَا تَرَكَ أَزۡوَٰجُكُمۡ إِن لَّمۡ يَكُن لَّهُنَّ وَلَدٞۚ فَإِن كَانَ لَهُنَّ وَلَدٞ فَلَكُمُ ٱلرُّبُعُ مِمَّا تَرَكۡنَۚ مِنۢ بَعۡدِ وَصِيَّةٖ يُوصِينَ بِهَآ أَوۡ دَيۡنٖۚ وَلَهُنَّ ٱلرُّبُعُ مِمَّا تَرَكۡتُمۡ إِن لَّمۡ يَكُن لَّكُمۡ وَلَدٞۚ فَإِن كَانَ لَكُمۡ وَلَدٞ فَلَهُنَّ ٱلثُّمُنُ مِمَّا تَرَكۡتُمۚ مِّنۢ بَعۡدِ وَصِيَّةٖ تُوصُونَ بِهَآ أَوۡ دَيۡنٖۗ﴾ (an-Nisa: 12) ، لذلك كان عقد الزّوجية الشّرعي أو المدني هو الأصل المقرر في وقتنا الحاضر لإثبات العلاقة الزّوجية ولا يعدل به إلى غيره، وهو يثبت بعقد الزّواج الصّحيح شرعا وقانونا، ويراد بالعقد هنا العقد الصّحيح سواء صحبة دخول بالزّوجة أم لا، وهو موجب للتوارث بين الزوجين وليس من شرط الميراث الدخول بالزوجة أو حتى الخلوة بها، عن عبد خير عن عليّ عليه السَّلامُ في الرَّجُلِ يتزَوَّجُ المَرأةَ فيَموتُ عنها، ولم يَفرِضْ لها صَداقًا، ولم يَدخُلْ بها، قال: لها الميراثُ، وعليها العِدَّةُ، ولا صَداقَ لها". وعن عبد الله بن مسعود (At-Thawy, 1994: 353) ،

رضي الله عنه أَنَّهُ سُئِلَ عن رجلٍ تزوَّجَ امرأةً ولم يفرِضْ لَها صداقًا، ولم يدخُلْ بِها حتَّى ماتَ قالَ ابنُ مسعودٍ: لَها مثلُ صداقِ نسائِها لا وَكْسَ ولا شَطَطٍ وعليها العدَّةُ ولَها الميراثُ فقامَ معقِلُ بنُ سنانٍ الأشجعيُّ فقالَ قضى فينا رسولُ اللَّهِ صلى الله عليه وسلم، في بَروَعَ بنتِ واشقٍ - امرأةٍ منَّا - مثلَ ما قضَيتَ (An-Nasa'i, n.d: 3524)

، وينوب العقد الزّواج بكل أشكاله أي شهادة (Ibn Qudamah, 1997) وتبقى أثار الزّواج قائمة حتى في الطلاق الرّجعي ما لم تنته مدته الزّواج في هذه الأيام مناب الفراش في إثبات الزّوجية وما يترتب عليها من حقوق شرعية ومدنية، وقد فسر الكرخي الفراش بالعقد فقد جاء عن ، وهو ما ذهب إليه الأحناف بالعقد كاف لإثبات (Muslim, 2006: 1458)) "رسول الله صلى الله عليه وسلم: "الولد للفراش، وللعاهر الحَجَر النّسب، وزاد بعضهم التّحقق من الدّخول حتى تعد الزّوجة في حكم الفراش تماشيا مع الأعراف والمعمول به عند النّاس وذهب الجمهور الفقهاء وليس منه عقد الزواج الفاسد، أو العقد العرفي، حتى لو أعقبه دخول أو خلوة فلا يثبت به توارث بين .(Ibn Al-Qayyim, 1994) إمكانية الوطء حتى أن المجلس الأوروبي للفتوى أمر (Islamic Family Law, Act 1984) الزوجين ما لم يصحح هذا العقد في الدّوائر الرّسمية المختصة المسلمين بتسجيل زواجهم لدى الدّوائر الرّسمية المختصة، فقد حث المسلمين الذين يقيمون في أوروبا على الالتزام بتوثيق عقود الزّواج والطّلاق لدى الجهات الرسمية المختصة؛ لأن إجراءاتها نافذة وتترتب عليها كل الأحكام القانونية، فهو طلب من المجلس إلى المسارعة إلى ترتيب الأوضاع القانونية لحالات الزّواج غير الموثق، صيانة لحقوق المرأة الشّرعية والمالية، وحقوق الأولاد، وحفاظا على الأسرة وتماسكها، كما أوصي المجلس .الأئمة والمراكز الإسلامية، وعموم المسلمين في أوروبا بعدم إجراء عقود الزّواج الشّرعي قبل توثيقها مدنيًا، إلا إذا سمح القانون بذلك (European Council for Fatwa and Research, n.d.)

وقد جاءت هذه الدّراسة على ضوء ما سبق تقديمه لتبحث وتحلل في استحقاق بيت المال الماليزي للميراث بكونه جهة وارثة، وتبحث أيضا في مآل الضّوائع من أموال المسلمين، والتي ليس لها وارث تعود إليه، وقد أجابت هذه الدّراسة على أن بيت المال الماليزي وإن كانت هذه الممتلكات والأموال التي ليس لها مالك شرعي، تعود إليه، فهو ليس بجهة مالكة لها بنص القانون، كما ناقشت وحللت أن استحقاق الأشخاص للميراث بجهة الإسلام مقدم على بيت المال، في استحقاق ملكية هذه الأموال، وأن بيت المال، هو الحافظة الأخيرة لهذه الأموال، إن لم يكن للميت وارث شرعي أو .وارث بجهة الإسلام

مفهوم بيت المال

هو الجهة المختصة بحفظ المال، وهو مصطلح قديم الاستعمال حيث كان يسمى في صدر الإسلام بيت مال المسلمين أو بيت مال الله، وهو كان يدل على المكان الذي تحفظ فيه الأموال العام للدولة، وقد كان هذا المكان في عهد رسول الله صلى الله عليه وسلم في بيته وذلك لقلة الأموال التي كانت تأتي إليه في بداية تأسيس الدولة الإسلامية عن عقبة بن الحارث: صَلَّيْتُ وراءَ النبيّ صلى الله عليه وسلم بالمَدِينَةِ العَصْرَ، فَسَلَّمَ، ثُمَّ قامَ مُسْرِعًا، فَتَخَطَّى رقابَ النَّاسِ إلى بَعْضِ حُجَرِ نِسائِهِ، فَفَزِعَ النَّاسُ مِن سُرْعَتِهِ، فَخَرَجَ عليهم، فَرَأى أنَّهُمْ عَجِبُوا مِن سُرْعَتِهِ، فَقالَ: ذَكَرْتُ شيئًا مِن ، ولما توسعت مداخيل الدّولة من فيء وخمس الغنائم ونحوها (Al-Bukhari, 1998: 851) .تِبْرٍ عِنْدَنا، فَكَرِهْتُ أنْ يَحْبِسَنِي، فأمَرْتُ بقِسْمَتِهِ وكثر بها المال القادم إلى المدينة، اتخذ رسول الله صلى الله عليه وسلم من المسجد بيتا مؤقتا للمال، حيث أن رسول الله صلى الله عليه وسلم لم يكن يحتفظ بالمال الذي يأتيه، بل كان يوزعه من فوره على مستحقيه من أهل المدينة وفقراء المسلمين، فعن أنس بن مالك: أُتِيَ النبيُّ صلى الله عليه وسلم ، وتطورت (Al-Bukhari, 1998: 3165)) بمالٍ مِنَ البَحْرَيْنِ، فَقالَ: انْثُرُوهُ في المَسْجِدِ، فَكانَ أكْثَرَ مالٍ أُتِيَ به رَسولُ اللَّهِ صلى الله عليه وسلم هذه الاستعمال في العصور اللاحقة حتى اصبح استعماله منحصرا في المال الذي تملكه الدولة من النقود والعروض والأراضي التي أصبحت ملكا للدولة الإسلامية أو ما يدفع عنها من زكاة وخراج، أو حتى الأرضي البور التي لم يكن لها مالك قال القاضي أبو يعلى: "بيت المال عبارة عن الجهة لا عن المكان"، وهذا المعنى فقد أشار القاضي أبو يعلى إلى أن بيت المال هو إدارة تسير وتنفيذ، وعليه فقد استحدث ديوان بيت المال وهو المتصرف الإداري في الدّاخل والخارج من هذه الأموال ومصروفاتها في رواتب الجند والعطايا والإعمار والإصلاح، قال الماوردي وأبو يعلى: "كانت الدواوين أربعة: ديوان يختص بالجيش، وديوان يختص بالإعمال وديوان يختص بالعمال، وديوان يختص ببيت المال، وقد ذكر ابن الأثير أن أبا بكر هو أول من خص بيت المال بمكان خاص به حيث قال: "أن أبا بكر رضي الله عنه كان له بيت مال بالسّنح، وهي من ضواحي المدينة وكان) "يسكنه إلى أن انتقل إلى المدينة فقيل له ألا نجعل عليه من يحرسه قال لا .(Al-Mawsu'at Al-Fiqhia, 1983; Raouane et al. 2022

وقد جرى خلاف بين الفقهاء في اعتبار بيت المال من الجهات الوارثة في الإسلام وذلك فيما انعدمت الأسباب الأخرى المستحق للميراث، فقد اتفق الفقهاء بدون خلاف بينهم أن الموصى له بجميع المال يستحق أن يملكه إذا لم يكن هناك وارث يرث هذا الموصي، ثم يأتي بيت المال كجهة مستحقة لهذا المال الذي لا صاحب له، ويندرج هذا المال تحت اسم الضوائع من الأموال، فذهب الحنفية والحنابلة إلى عدم توريث بيت المال سواء كان منتظما أو غير منتظم أي أن المال يعود له لا لكونه وارثا لهذا المال، لذلك نجد أن بيت المال تعود إليه الضوائع من الأموال سواء كان أصحابها مسلمون أو غير مسلمين، لقول صلى الله عليه وسلم: " لا يَرِثُ المُسْلِمُ الكافِرَ، وَلا يَرِثُ الكافِرُ المُسْلِمَ. إذا لو كان وارثا لم يستحق هذه .الأموال من غير المسلمين لأن من يُسيّر بيت المال هم جماعة المسلمين، وبيت المال هو جهة ضامنة لهذه الأموال فإذا عرف لها صاحب ردت إليه (An-Nawawi, 2003; Raouane et al. 2022)

وقد اختلف الفقهاء في مرتبة بيت مال المسلمين في استحقاقه لهذا الميراث، من حيث الصفة التي تعود إليه بها هذه الأموال، والمرتبة، فقد ذهب الشافعية إلى أن بيت المال إذا كان منتظما يقدم على الرد وعلى ذوي الأرحام، وهو قول لبعض المالكية أيضا. قال النووي: "إن الصّحيح أنهم لا يرثون ولا يرد، هو فيما إذا استقام أمر بيت المال، بأن ولي إمام عادل، أما إذا لم يكن إمام أو لم يكن مستجمعا لشروط الإمامة، ففي مال من لا عصبة له ولا ذا فرض مستغرق وجهان...والثاني: أنه يرد ويصرف إلى ذوي الأرحام...قلت: وهذا الثاني هو الأصح أو الصّحيح عند محققي بيت ذهب الحنفية والحنابلة وبعض المالكية أن مرتبته تكون بعد ذوي الأرحام، وقد ذهب الحنفية والحنابلة (An-Nawawi, 2003) "أصحابنا وبعض المالكية إلى أن بيت المال لا يضع يده على هذه الأموال إلا بكونه حافظا لها من الضّياع، وعليه لا يقدم على من يُرد عليه الزائد من الفرائض ولا على ذوي الأرحام سواء كان منتظما أو كان غير منتظم، وذلك مصداقا لقوله تعالى: ﴿وَأُوْلُواْ ٱلْأَرْحَامِ بَعْضُهُمْ أَوْلَىٰ بِبَعْضٍ فِى كِتَٰبِ ٱللَّهِ﴾(al-Anfal: 75).

(Al-qarafi, 1994))وقد ذهب المالكية إلى أن بيت المال هو جهة وارثة بالإسلام، سواء كان منتظما أم لا

وهذا الرأي هو أحد القولين في المذهب الشّافعي، لأن بيت مال المسلمين تمثله جماعة المسلمين الذين يعقلون عنه كأقاربه، إذا لم يكن له وارث، أي أنه لا رد على أصحاب الفروض، ولا ميراث لذوي الأرحام. وقد جاء في روضة الطالبيين ما نصه: "أن من مات ولم يخلف وارثا (An- "بالأسباب الثلاثة، وفضل عنه شيء، كان ماله لبيت المال، يرثه المسلمون بالعصوبة، كما يحملون ديته، هذا هو الصّحيح المشهور Nawawi, 2003)

عمل بيت المال الماليزي

ما زالت دولة ماليزيا تحتفظ بهذا المسمى أعني بيت المال، وقد تم إنشاء صندوق يعرف باسم بيت المال وهو ما يجمع فيه الأموال المنقولة وغير المنقولة والممتلكات كما أن هذا الصندوق السيادي يسمح بالمساهمة عن طريق التبرع له، من قبل أي شخص يريد ذلك، ويخضع بيت المال

في تسيره إلى الأحكام الشّرعية والقوانيين، كما يخضع بيت المال إلى مجلس يقوم بتسييره وإدارة ممتلكاته وفقا للقواعد الصادرة في القانون والتي تنص على أنه يجوز بيع أي استثمارات في الأصول والأموال الممنوحة لبيت المال وهي تحت تصرف إدارة المجلس والتصرف فيها ، كما يمكن استثمار عائدات هذه الممتلكات من وقت لآخر في أي استثمارات مصرح بها بموجب أي قانون مكتوب في الوقت الحالي من أجل استثمار الصناديق الاستئمان. كما أن المجلس مخول بنص القانون أن يسن القواعد والقوانيين التي يراها مناسبة لإدارة وتوزيع جميع ممتلكات الصندوق (Laws of Malaysia, 2013)

ويعتبر بيت المال في ماليزيا مكانًا خاصًا للمسلمين لتخزين ممتلكاتهم وأموالهم، وتتم إدارة هذا البيت من قبل المجالس الدينية الإسلامية لكل ولاية من ولايات الاتحاد الماليزي وفقًا لما نص عليه الدستور الاتحادي، والذي يضع الشؤون الدينية هيئة خاضعة لقانون الولاية، وفقا لقانون المالية الوطني لعام 1957.

ويجب إعطاء الأولوية لاستخدام هذه الأموال والممتلكات بيت المال في الأمور المتعلقة بشؤون المسلمين واحتياجاتهم، فلا يمنع إعطاء غير المسلمين منها في الوقت نفسه، وهذا على سبيل تأليف القلوب وتحقيق المصلحة العامة في سد حاجة الفقراء والمحتاجين، وهذ وفق ما يقرره بيت المال ومقدراته المالية (Jakim, 2009)

وقد تقتضي الأولوية أن تباع الأراضي لصالح المسلمين ولو بأقل من قيمتها الحقيقية وذلك وفق ما تقتضيه المصلحة العامة، لأن هذا الأصول كانت تحت ملكية المسلم من قبل، وحتى لا تثار القلاقل بسبب نقل ملكيتها لغير المسلم بسب ما يسببه هذا النقل من حساسية لمسلمين هناك، لذلك نجد أن بيت المال التزم بهذه الاستراتيجية لغلق باب المفسدة المترتبة عن نقص ملكية المسلمين لهذه الأراضي وذهاب ممتلكاتهم لغير رجعة، فبيت المال بهذا التشريع ينظر نظرة البعيد الذي يرد أن يحافظ على أسلمة هذه الأراضي والممتلكات وهي بصورة أخرى تمثل وقف على أبدية التمليك للمسلم، فدفع المفسد المتوقعة مقدم على جلب المصلحة المؤقتة ولهذا منع بيت المال نقل ملكية الأراضي التي في ذمته لغير المسلمين وذلك وفق المصلحة العامة للدولة أيضا، وهذا ما أقره المجلس الديني الإسلامي في ملقا (MAIM) 2002 في تشريع الصادر عام (Jakim, 2015).

كما أقر القانون الماليزي أن بيت المال الماليزي ليس بجهة وارثة أو مالكة لهذه الأموال، إنما هو جهة مشرفة على الأموال التي تحول إليه كالأوقاف أو الأموال التي ليس لها مالك وتعود إليه، وقد أقرت إدارة الفتوى في ماليزيا، أن الأموال التي ليس لها صاحب يمكن أن توضع في بيت المال لتصرف في المصالح العامة للمسلمين، وهذا الأموال كغيرها من الأموال الأخرى التي تحول إليه من الجهات الأخرى الموجودة فيها كالبنوك، وهي تحول إليه تحت عقد التّبرع لتكتسب الصّفة القانونية التي أقرها الدستور الماليزي، (Jakim, 2012)

كما أن لبيت المال أن يستقبل الأموال التي مصادرها غير مشروعة شرعا أو قانونا، كالأموال الرّبوية، والأموال النّاتجة عن المقامرة والغَرر، والاحتيال والسّرقة والرّشوة، وغيرها من الأموال المحرمة بصفة شرعية أو قانونية، فتصرف في المصلحة العامة للمسلمين كتمويل وبناء الجسور وصيانتها وشق الطّرق وإنارتها، وهي محل الصّرف في المنافع العامة للمسلمين، أما إن عرف لهذه الأموال مطالب معروف ردت إليه أو إلى ورثته من بعده (Jakim, 2010)

أما ميراث حديثي الإسلام أو ما يطلق عليهم اسم المؤلفة قلوبهم في ماليزيا، وهم الذين يراد تأليف قلوبهم بالاستمالة إلى الإسلام أو ربط قلوبهم وتثبيت إيمانهم على دين الإسلام، أو كف شرهم عن المسلمين أو نصرهم وفي الحديث الذي يرويه أنس بن مالك عن رسول الله صلى الله عليه وسلم: " إِنِّي أُعْطِي قُرَيْشًا أَتَأَلَّفُهُمْ، لأَنَّهُمْ حَدِيثُ عَهْدٍ بِجاهِلِيَّةٍ"(Al-Bukhari, 1998: 3126). وقال القرطبي هم قوم أسلموا في الظّاهر ولم تستيقن قلوبهم، فيعطون ليتمكن الإسلام في صدورهم (Al-Qurtubi, 2006) ، وهو اسم يصاحبهم مدة خمس سنوات بحسب اللجنة الاستشارية ، وقد عدّهم القرآن من أصحاب الزّكاة كما صندوق الزّكاة الماليزي حتى تصرف لهم لقوله تعالى: ﴿إِنَّمَا ٱلصَّدَقَٰتُ (Mjkphswp, 2019) القانونية لِلۡفُقَرَآءِ وَٱلۡمَسَٰكِينِ وَٱلۡعَٰمِلِينَ عَلَيۡهَا وَٱلۡمُؤَلَّفَةِ قُلُوبُهُمۡ وَفِي ٱلرِّقَابِ وَٱلۡغَٰرِمِينَ وَفِي سَبِيلِ ٱللَّهِ وَٱبۡنِ ٱلسَّبِيلِۖ فَرِيضَةٗ مِّنَ ٱللَّهِۗ وَٱللَّهُ عَلِيمٌ حَكِيمٞ﴾ (التوبة ٦٠ (Mjkphswp, 2019).

أما بالنسبة إلى أموال المسلمين الجدد الذين ليس لهم وارث شرعي، ونقصد بالشّرعي هنا قريبا مسلما، فلا توارث بين المسلم وغير المسلم وهو الذي عليه أكثر أهل العلم، وعليه العمل في دائرة الفتوى الماليزية حيث جاء في نص إحدى الفتاوى النص على عدم التوريث بين المسلم وغير المسلم وغير (Muslim,))، ولقوله عليه الصلاة والسلام: "لا يَرِثُ المُسْلِمُ الكافِرَ، وَلا يَرِثُ الكافِرُ المُسْلِمَ(Malaysia Warta Kerajaan, 1999) المسلم ، إلا أن دائرة الفتوى في المجلس الأوروبي ترى بتوريث المسلم من قريبه الكافر، حيث يرى المجلس عدم حرمان المسلمين ميراثهم 2006: 1614 من أقاربهم غير المسلمين، فقد جاء في نص فتوى التّالي: " يرى المجلس عدم حرمان المسلمين ميراثهم من أقاربهم غير المسلمين ومما يوصون لهم به. مع التنبيه إلى أنه في أول الإسلام لم يحرم المسلمون من ميراث أقاربهم من غير المسلمين. وهو ما ذهب إليه من الصحابة معاذ بن جبل، ومعاوية بن أبي سفيان، ومن التابعين جماعة منهم سعيد بن المسيب ومحمد بن الحنفية وأبو جعفر الباقر ومسروق بن الأجدع، ورجحه شيخ الإسلام ابن تيمية وتلميذه ابن القيم" (European Council for Fatwa and Research, 2018) ،

وإذ لم يكن لهذا المسلم الجديد قريب مسلم يرثه فإن بيت المال الماليزي نص أن تعود أمواله وممتلكاته إلى بيت مال المسلمين، حيث جاء نص الفتوى: " إذا مات المؤلف دون أن يترك وريثاً فإن ماله، يجب أن يقدم إلى بيت المال، كما يجب أن يتم تسليم جميع ممتلكات المتحول الذي مات دون وريث إلى بيت المال، فإن ترك ورثة تقسم بينهم بحسب قواعد الميراث، كما لا يحق للورثة غير المسلمين أن يرثوا ممتلكاته" (Malaysia Warta Kerajaan, 1999)،

وإذ أغلقت الشّريعة التّوارث بين القربيين إذا اختلف دينهم فقد فتحت للمسلم أن يُنعم على قريبه الكافر بإن يوصي له بثلث ماله، ويدخل في هذا المنع من الميراث الزوجة أيضا إذا كانت كتابية، فلا يحق لها أن ترث بكونها زوجة، كما لا يمكن أن يرثه أقرباؤهم غير المسلمين، لكن له الحق أن يوصي لهم بكل ماله بكونه لا وارث له شرعي.

الخاتمة والنّتائج

وقد سطر البحث في نهايته على نتائج يراها مهمة وهي:

إن دائرة الفتوى في دولة ماليزيا تقر بأن بيت المال الماليزي ليس بجهة وارثة وإن كانت تعود إليه هذه الممتلكات والأموال التي ليس لها مالك شرعي، فهو الحافظة الأخيرة لهذه الأموال من الضّياع إن لم يكن للميت وارث شرعي أو وارث بجهة الإسلام، فوضع اليد على هذه الممتلكات لا يعني امتلاكها وهذا ما نص عليه القانون الفدرالي أيضا.

إن استحقاق الأشخاص للميراث بجهة الإسلام مقدم على بيت المال، في استحقاق ملكية هذه الأموال التي ليس لها صاحب تعود إليه، وهو جهة وارثة إذا انعدمت الجهات العاصبة الأخرى، فهو سبب قوت التّوريث به أدلة كثيرة، وبه جاء نص حديث تميم الدّاري والذي يعد العمل به موافقا لقواعد الميراث العامة.

إن أموال المسلمين الجدد الذين ليس لهم وارث شرعي، يجب أن تؤول إلى من موالهم بسبب الإسلام، سواء كان شخصا أو مؤسسة، فإذا انعدمت كباقي الجهات الوارثة الأخرى رجعت أموالهم إلى بيت المال، ليضعها في شؤون المسلمين ومصالحهم العامة، هذا إن كانت إقامتهم في أوطان المسلمين، أما إن كانت إقامتهم في بلدان لا تحكمها قواعد الإسلام فيجب نقل أموالهم بطريق الوصيّة.

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