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Editor-in-Chief's Note

We are very pleased to bring you the second volume of the Journal of Wealth Management and Financial Planning (JWMFP). JWMFP captures the vibrant pulse of the emerging and promising Financial Planning profession in Malaysia. It features original research and concepts of effective approaches to education and practice concerning the various aspects of financial planning and wealth management. In addition, JWMFP provides research-based benchmarks and studies for public, corporate and academic reference.

This second issue of JWMFP features eight informative articles, one of which is a research article on *Behavioural Finance Theory in Financial Planning*. Other articles include *Maqasid Al Shariah in Wealth Management, An Analysis of Factors Influencing Credit Card Ownership and Amount of Credit Card Debt, and Microfinance through Islamic Banks and Zakah*. In addition, one article discusses the challenges and issues in managing ecotourism business in Malaysia while another article features financial planning to lead independent retirement years. We also have two book reviews in this second issue. One is a review of Peter Ong's *The Bullettrain Entrepreneur - 5 Pillars towards SME Success* and the other is of Anthony Robbins' *MONEY Master The Game: 7 Simple Steps To Financial Freedom*.

I would like to express my gratitude towards the reviewers and writers who contributed their articles, making the second issue of JWMFP possible.

Do write to us at mfpc@mfpc.org.my and give us your views and feedback to further improve the journal. We look forward to a JWMFP of greater value and wider readership.

Enjoy reading our second issue!

Assoc. Prof. Dr Mohamad Fazli Sabri
Editor-in-Chief

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Evidence of Behavioural Finance Theory in Financial Planning: An Empirical Study of the Employees Provident Fund (EPF) Retirement Scheme in Malaysia

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ABSTRACT

Even with an economy favourable for investment, a considerable number of Employees Provident Fund (EPF) members still choose pre-retirement housing withdrawal over EPF Members Investment Scheme (EPF-MIS) withdrawal. This paper discusses this EPF pre-retirement withdrawal phenomenon from the perspective of the application of behavioural finance theories. The researcher only focused on the choice of financial planning related activity aspects, which are EPF Members Investment Scheme (EPF-MIS) and housing withdrawal. Interviews using qualitative face-to-face in-depth, open-ended questions were conducted with 30 purposive selected participants to evidence the phenomenon application behavioural finance theories. The paper concludes that a combination phenomenon application of both the Expected-Utility Theory and the Prospect Theory did occur in EPF pre-retirement withdrawal. Furthermore, the paper recommends more studies of the factors influencing EPF pre-retirement withdrawal for more unique and innovative financial planning product marketing strategies.

Keywords: Behavioural Finance, Financial Planning, Retirement

INTRODUCTION

Complex decision-making includes analysis of several factors following various steps (Kengatharan & Kengatharan, 2014). This is the same for behavioural financial planning decision-making derived from complex models of finance. Classical behavioural financial theory is based on the assumption that individuals always act to maximize return on wealth. However, a number of studies have indicated that individuals

do not always act in a rational manner (Chaudhary, 2013). When the uncertainty element occurs during the decision-making process, individuals tend to be confused. Thus, individuals are not always rational and markets are inefficient (Chaudhary, 2013; Kengatharan & Kengatharan, 2014).

The decisions of individuals regarding EPF pre-retirement withdrawal play an important role in achieving personal

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financial planning. EPF pre-retirement withdrawal activities that are identified as able to achieve financial planning are EPF-MIS and housing withdrawal (Khoong, 2014). The chosen decision can be explained using behavioural finance theory. Through an understanding of individuals' financial behaviour, financial institutions may gain better understanding about individuals to provide innovative financial products to meet market demand (Khoong, 2014).

Typically, comprehensive financial planning includes credit and cash management, insurance and risk management, tax planning, investment planning, and retirement and estate planning (Malaysian Financial Planning Council, 2014). However, most behavioural finance theories apply to insurance and investment financial planning strategies (Dichtl & Drobetz, 2011a; Chaudhary, 2013). Furthermore, among the behavioural theories being applied in financial planning related strategies is dollar-cost averaging (Dichtl & Drobetz, 2011b). Effective and efficient dollar-cost averaging is not only found in investment planning but in debt planning too (Khoong, 2014). The dilemma is the lack of discussion in behavioural finance theories regarding retirement planning, which is an essential aspect in financial planning. Thus, this study fills the gap in the discussion of behavioural finance theories regarding retirement planning. In order to understand the phenomenon, the researcher is guided by the inquiry, 'What are the applications of behavioural

finance theories in retirement planning decision-making?' The purpose of this study is to discover the application of behavioural finance theories in the retirement planning decision-making phenomenon for EPF members.

LITERATURE REVIEW

Behavioural Finance Theory

Even though finance has been studied for thousands of years, behavioural finance study is still in its infant stage (Chaudhary, 2013; Kengatharan & Kengatharan, 2014). Debondt, Forbes, Hamalainen and Muradoglu (2010) defined behavioural finance as a science concerning how psychology influences the financial market. This view emphasizes that psychological cognitive factors rather than rational and wealth maximizing affect individuals' decision-making (Chaudhary, 2013). Using psychology, behavioural finance tries to understand how emotions and cognitive errors influence individual behaviour (Kengatharan & Kengatharan, 2014). Currently, behavioural finance looks at individuals' decision-making in the finance aspect (Kengatharan & Kengatharan, 2014).

Expected-Utility Theory was first developed by Von Neumann and Morgenstern in 1947. This theory summarizes that individuals are able to make rational decisions even under situations of uncertainty. As stated by Dichtl & Drobetz (2011a), Expected-Utility Theory is based on three principles: (1) the overall expected

utility of a choice is equal to the sum of the probability weighted utilities of all possible outcomes; (2) a choice is acceptable if it adds value to the existing outcomes; (3) all individuals are strictly risk-averse. This theory is based on monetary objective probabilities outcomes rather than subjective expected utility. Individuals are completely rational and able to deal with complex choices, risk-averse, and wealth maximizing (Nagy & Obenberger, 1994).

Most of the previous theories argued that individuals are rational when making decisions related to financial aspect. However, since the 1970s, studies have found that individuals behave differently. The Prospect Theory was introduced following those studies. Prospect Theory states that individuals tend to be more risk-averse in 'gain' decision situations, and individuals tend to be more risk-seeking in 'loss' choice situations (Mori, Diaz, Ziobrowski & Rottke, 2010). This Nobel Prize winning Prospect Theory tries to explain why individuals act irrationally under different situations.

Prospect Theory begins from empirical evidence to describe individuals' irrational decisions that involve risks. Figure 1 illustrates Dichtl and Drobetz's (2011) description of the way individuals evaluate potential 'gain' and 'loss'. The explanation is as follows:-

1. Individuals evaluate their choices in terms of potential 'gain' and

'loss' relative to individual specific reference points, in which a phenomenon refers to the wider concept of framing. As compared with Expected-Utility Theory, individuals evaluate choices in terms of the total expected wealth.

2. Individuals are risk-averse in a 'gain' situation, while they are risk-seeking in a 'loss' situation. As compared with Expected-Utility Theory, individuals are always risk-averse. Prospect Theory risk implies an S-shaped value function, in which the curve passes through the reference point and is concave over gains and convex over losses.
3. Individuals demonstrate loss aversion. In S-shaped value function, given the same variation in absolute value away from the reference point, there is a bigger impact of losses than of gains. Gains and losses of the same amount are valued in an asymmetric way, and individuals care more as regards potential losses than potential gains.
4. Individuals weigh the probabilities of various outcomes. This allows incorporating the empirical

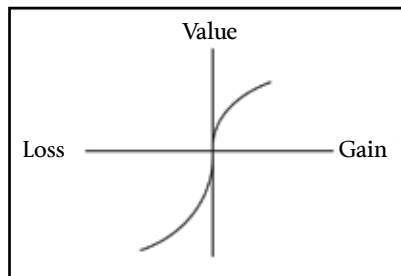


Figure 1: Prospect Theory

observation that individuals overweigh events with low probability of occurrence, but underweigh 'average' events. As compared with Expected-Utility Theory, individuals use the statistical probabilities.

Malaysian Employees Provident Fund (EPF) Retirement Scheme

The Employees Provident Fund (EPF) is a social security institution set up according to the Employees Provident Fund Act 1991. EPF members include both private and non-pensionable public sector employees. As at June 2014, EPF had a total of 14.05million members, and 6.57million were active contributors (Employees Provident Fund, 2014). A contribution constitutes the amount of money credited to members' individual accounts and calculated based on their monthly wages. Currently, for employees who earn monthly wages of RM5,000 and below, the employee's contribution portion is 11 per cent, and the employer's contribution portion 13 per cent of the employees' monthly wages. For employees who earn monthly wages of above RM5,000, the employee's contribution portion remains 11 per cent, while the employer's portion remains at 12 per cent. The primary functions of EPF includes maintaining members' contribution accounts, ensuring capital preservation,

and at the same time adding value to members' savings (EPF, 2013). EPF will invest members' saving into various approved financial instruments to generate income, such as Malaysian Government Securities, Money Market Instruments, Loans & Bonds, Equity and Property (EPF, 2013). According to the Employees Provident Fund Act 1991, EPF guarantees a minimum of 2.5 per cent dividend annually. Nevertheless, EPF has been able to provide dividends above the minimum value. From 1960 until 2013, EPF dividend payout ranged from 4.0 to 8.5 per cent (EPF, 2013). The EPF scheme allows members to make withdrawal at different ages. As shown in Table 1, there are three types of EPF withdrawal, comprising retirement withdrawal, pre-retirement withdrawal, and other withdrawal.

Typical comprehensive financial planning should include credit and cash management, insurance and risk management, tax planning, investment planning, and retirement and estate planning (MFPC, 2014). EPF members are encouraged to make withdrawals in order to achieve quality financials in future years (EPF Annual Report 2013). Pre-retirement withdrawal for investment and housing withdrawal are essential to achieve a comprehensive

Table 1: EPF Types of Withdrawal

Retirement withdrawal	Pre-retirement withdrawal	Other withdrawal
Age 55	Age 50, health, education, excess RM1 million, investment, housing	Incapacitation, death, living country, pensionable employee/option, haj

financial plan (Khoong, 2014). In the Integrated Model for Financial Planning (IMFP) (Chieffe & Rakes, 1999), both investment and housing are mentioned. Their 2X2 matrix symbolizes the area positioning for the various topics in financial planning, time and whether or not the occurrence of the financial event elements play an important role. Investment is a standalone event, categorised under planned financial events and future period element. On the other hand, housing, is one type of long-term commitment. In Malaysia, housing is considered one type of credit debt since availability of the credit facilities is from financial institutions (Khoong, 2014). However, under the IMFP model, debt planning is only highlighted in credit management.

Thus, from the financial planning aspect, both investment and housing EPF withdrawal are considered as part of financial planning. Since both investment and housing withdrawal are from different accounts, members are allowed to make withdrawal for both investment and housing at the same time if they fulfil the requirement. However, there is a phenomenon where members only make either withdrawal for investment or for housing, even though they understand and fulfil the requirement for both the investment and the housing withdrawal.

EPF Pre-retirement Withdrawal Phenomenon from the Application of Behavioural Finance Theory Perspective

The decision choice of EPF members can be described using both Expected-

Utility Theory and Prospect Theory. If an individual is eligible for EPF pre-retirement withdrawal for both investment and housing withdrawal, the individual will tend to choose to investment withdrawal. The Expected-Utility Theory explains that individuals are rational and tend to choose higher rate of return to maximizing wealth (Dichtl & Drobetz, 2011). However, there occurs individuals choosing housing withdrawal over investment withdrawal even when eligible for both withdrawals. This can be explained by the Prospect Theory as shown in Figure 2. In order to understand the application of Prospect Theory, researcher needed to decide the frame for both situation and risk. Firstly, the situation frame. Participants were in a situation that allows both investment and housing withdrawal. Thus, they have a positive cash flow (Mori et al., 2009). Second, determine the risk frame. This can be explained by Maslow's Hierarchy of Needs Theory. Housing is placed in the category of basic needs and present a low risk level (Kaur, 2013). Thus, housing withdrawal has a low risk level compared with investment, and suits risk-averse individuals. This housing withdrawal under the EPF scheme is justified as being in the basic needs category. This is because the only purpose for housing withdrawal is for one house only. Withdrawal is allowed for a first house. For a second house, members can make withdrawal after meeting the condition of having sold the first house. This setting justifies that housing withdrawal is to achieve a

basic need. According to the Prospect Theory, if an individual is in a 'gain' situation, he or she tends to make a risk-averse choice.

METHODOLOGY

From the understanding of the researcher, there are few studies on the use of both EPF pre-retirement withdrawal for investment and for housing as a choice in financial planning. The closest study may be that done by Jamaludin and colleagues (2012), which looked only at the choice of investment withdrawal. Thus, this study can be considered an initial stage in the study of both choices from the financial planning point of view. Since this present study is an empirical study, it adopted the qualitative approach. By employing the strategy of inquiry through the use of case studies, the researcher explores in depth the programme (Creswell, 2003) of EPF pre-retirement withdrawal. Face-to face in depth, interviews using open-ended questions were conducted with 30 selected participants. The advantage

of this data collection procedure is participants can provide historical information (Creswell, 2003). Thus, researcher gains explanation of their historical experience phenomenon decision choice. Those who have experience with such withdrawal perhaps have the clearest understanding of the needs (Khoong, 2014). For this purpose, the participants were selected through purposive sampling. The participants selected had to fulfil two criteria. First, the participants had to understand they could make withdrawal for both investment and housing and had been were eligible to do so from 2000 until 2014. This was to reflect the current finance behavioural choice. Second, those selected participants had to have experience in EPF pre-retirement withdrawal, either investment or housing, and not both together. For this empirical study, 30 participants who fulfilled the two criteria were selected for the interview session. They comprised 15 participants for investment withdrawal and 15

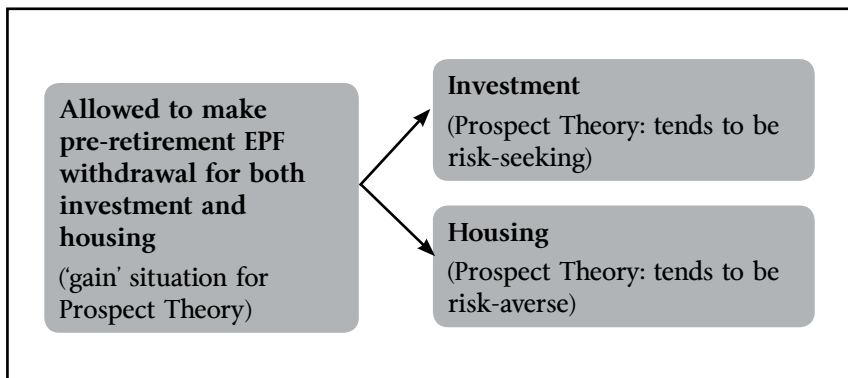


Figure 2: Application of Behavioural Theory in EPF Withdrawal

participants for housing withdrawal. The interview sessions were held between June and November 2014 and at a place convenient to the participants.

FINDINGS AND DISCUSSION

The findings of the study are divided into three main sections. The first covers the demographic character of the participants while the second covers the overall finding of the decision for their choice of EPF pre-retirement withdrawal. The third section, further finding, includes section two and three, each discussing the participants' investment and housing withdrawal separately. The occurrence of both Expected-Utility Theory and Prospect Theory application is discussed.

Demographics of Participants

The participants were divided into two categories, pre-retirement withdrawal for investment and pre-retirement withdrawal for housing. The participants for investment withdrawal were labelled MIS1 to MIS15, and participants for housing withdrawal were labelled HOUSE1 to HOUSE15. The demographics for participants in

both categories are shown in Tables 2 and 3 respectively.

Table 2 highlights the demographics of the 15 investment withdrawal participants. This category comprised 11 male and four female participants. Their ages ranged between 24 to 53 years. Most of the participants (nine) were Malay, four were Chinese, and two were Indian. Eight participants were single and seven participants were married. The majority of the participants (13 participants) had tertiary education, and nine participants worked at the management level. All of the participants made investment withdrawal for unit trust type of investment.

Table 3 highlights the demographics of the 15 housing withdrawal participants. In this category, there were eight male and seven female participants. The age of the participants ranged between 23 to 52 years. Most of the participants (eight) were Malay, five were Chinese, and two were Indian. The majority of the participants (12) were married. 11 participants had tertiary education, and 10 participants worked at the management level. The

Table 2: Demographics of Investment Withdrawal Participants

Participants	Gender	Age	Ethnicity	Marital Status	Education Level	Occupation (level)	Types of Withdrawal
MIS1	Male	32	Chinese	Married	Degree	Management	Investment (unit trust)
MIS2	Male	33	Malay	Married	Diploma	Non-management	Investment (unit trust)
MIS3	Female	43	Malay	Married	Degree	Management	Investment (unit trust)
MIS4	Male	27	Malay	Single	Secondary school	Non-management	Investment (unit trust)

Continuation of Table 2: Demographics of Investment Withdrawal Participants

MIS5	Female	31	Indian	Marriage	Diploma	Non-management	Investment (unit trust)
MIS6	Male	28	Chinese	Single	Degree	Management	Investment (unit trust)
MIS7	Male	41	Malay	Marriage	Degree	Management	Investment (unit trust)
MIS8	Female	35	Malay	Single	Degree	Management	Investment (unit trust)
MIS9	Male	53	Malay	Marriage	Diploma	Non-management	Investment (unit trust)
MIS10	Male	48	Chinese	Marriage	Post-graduate	Management	Investment (unit trust)
MIS11	Male	24	Chinese	Single	Secondary School	Non-management	Investment (unit trust)
MIS12	Male	29	Malay	Single	Degree	Management	Investment (unit trust)
MIS13	Female	25	Malay	Single	Diploma	Non-management	Investment (unit trust)
MIS14	Male	37	Indian	Single	Degree	Management	Investment (unit trust)
MIS15	Male	32	Malay	Single	Post-graduate	Management	Investment (unit trust)

type of withdrawal was lump sum (nine participants) and monthly repayment (six participants) housing withdrawal.

Overall Finding - Decision Choice on EPF Pre-retirement Withdrawal

From the semi-structured interview,

participants explained the decision for their choice of EPF pre-retirement withdrawal. Tables 2 and 3 show the summary of the types of EPF pre-retirement withdrawal of the participants. Those who made investment withdrawal were categorised as risk-seeking. On the other hand,

Table 3: Demographics of Housing Withdrawal Participants

Participants	Gender	Age	Ethnicity	Marital Status	Education Level	Occupation (level)	Types of Withdrawal
HOUSE1	Female	27	Chinese	Married	Diploma	Management	Housing (lump sum)
HOUSE2	Male	28	Chinese	Married	Secondary School	Non-management	Housing (lump sum)
HOUSE3	Female	27	Malay	Married	Degree	Management	Housing (monthly)
HOUSE4	Male	30	Chinese	Married	Degree	Management	Housing (monthly)
HOUSE5	Male	37	Malay	Single	Diploma	Non-management	Housing (lump sum)
HOUSE6	Female	41	Malay	Married	Degree	Management	Housing (lump sum)
HOUSE7	Female	35	Malay	Married	Diploma	Non-management	Housing (lump sum)
HOUSE8	Female	37	Chinese	Married	Degree	Management	Housing (monthly)

Continuation of Table 3: Demographics of Housing Withdrawal Participants

HOUSE9	Male	23	Indian	Married	Secondary School	Non-management	Housing (monthly)
HOUSE10	Male	30	Malay	Single	Degree	Management	Housing (lump sum)
HOUSE11	Female	33	Malay	Marriage	Post-graduate	Management	Housing (lump sum)
HOUSE12	Male	52	Indian	Single	Diploma	Management	Housing (lump sum)
HOUSE13	Male	35	Chinese	Marriage	Secondary school	Non-management	Housing (monthly)
HOUSE14	Female	44	Malay	Marriage	Secondary school	Management	Housing (monthly)
HOUSE15	Male	27	Malay	Marriage	Post-graduate	Management	Housing (lump sum)

those who made housing withdrawal were categorised as risk-averse.

The decision choice of the EPF members can be described using both Expected-Utility Theory and Prospect Theory. According to Expected-Utility Theory, if an individual is eligible for both EPF pre-retirement investment and housing withdrawal, the individual will tend to choose investment withdrawal. Individuals tend to choose a higher rate of return to maximize wealth (Dichtl & Drobetz, 2011a). On the other hand, there occurs individuals who choose housing withdrawal over investment withdrawal despite being eligible for both withdrawals. This can be explained by Prospect Theory.

In order to understand the application of Prospect Theory, researcher needed to decide the frame for both situation and risk. Firstly, the situation frame. Participants were in a situation allowing for both investment and housing withdrawal. Thus, they had a positive cash flow (Mori et al., 2009). Second, determine the risk frame. This can be explained by Maslow's Hierarchy of Needs

Theory, in which housing is categorised as a basic need and with a low risk level (Kaur, 2013). Thus, housing withdrawal has a low risk level compared with investment withdrawal, suiting risk-averse individuals. This housing withdrawal under EPF scheme is justified as being in the basic need category. This is because the only purpose for housing withdrawal is for one house only. For a first house, the withdrawal is allowable. For a second house, members can make the withdrawal after meeting the condition of selling the first house. This setting justifies that housing withdrawal is to achieve a basic need. According to the Prospect Theory, if an individual is in a 'gain' situation, he or she tends to make a risk-averse choice.

FURTHER FINDINGS

Further findings included investment and housing withdrawal as the situation. Both will be discussed under combination application of Expected-Utility Theory and Prospect Theory. The setting for Prospect Theory situation frame was such that investment withdrawal is a 'gain' situation, while housing withdrawal is a

'loss' situation. This was decided in such a way to show that the investment withdrawal is a positive cash flow, while housing withdrawal is a negative cash flow (Mori et al., 2009).

Finding from Investment Withdrawal

For investment withdrawal, the situation is 'gain' due to positive cash flow. In order to decide the risk frame, participants were asked about the type of unit trust product, either equity or bond. Equity indicated high risk level, while bond indicated low risk level (Siswantoro, 2012; Afshar, 2013). With this frame, MIS1, MIS2, MIS6, MIS9, MIS10, MIS13 and MIS 15, were categorized as risk-seeking, while the rest of the participants were categorized as risk-averse, as shown in Table 4.

According to Expected-Utility Theory, individuals tend to choose equity investment withdrawal. Individuals tend to choose higher rate of return to maximize wealth (Dichtl & Drobetz, 2011a). On the other hand, it occurred that individuals chose bond

(risk averse) investment withdrawal even though he or she was eligible for both withdrawals. This can be explained by Prospect Theory as can be seen in Figure 3. According to the theory, if an individual is in a 'gain' situation, he or she tends to make a risk-averse choice.

Finding from Housing Withdrawal

For housing withdrawal, the situation is a 'loss' due to negative cash flow. In order to decide the risk frame, participants were asked on the type of housing mortgage products based on interest rate that is either floated or fixed. Risk frame is determined such that floated rate indicated high risk level, while fixed rate indicated low risk level (Mori et al., 2009). HOUSE1, HOUSE4, HOUSE7, HOUSE10, HOUSE13 and HOUSE14 were categorized as risk-seeking, while the rest of the participants were categorized as risk-averse, as shown in Table 5.

According to Expected-Utility Theory, individuals will tend to choose housing mortgage with fixed rate.

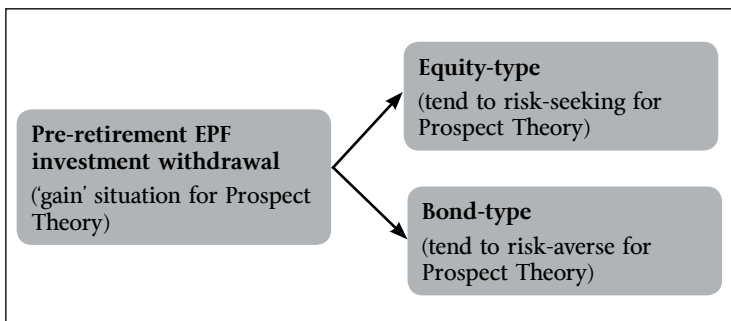


Figure 3: Application of Behavioural Theory in EPF Investment Withdrawal

Table 4: Investment Withdrawal Finding

Participants	Types of withdrawal	Categories of Risk (under Prospect Theory)
MIS1	Investment (unit trust)	Equity (High)
MIS2	Investment (unit trust)	Equity (High)
MIS3	Investment (unit trust)	Bond (Low)
MIS4	Investment (unit trust)	Bond (Low)
MIS5	Investment (unit trust)	Bond (Low)
MIS6	Investment (unit trust)	Equity (High)
MIS7	Investment (unit trust)	Bond (Low)
MIS8	Investment (unit trust)	Bond (Low)
MIS9	Investment (unit trust)	Equity (High)
MIS10	Investment (unit trust)	Equity (High)
MIS11	Investment (unit trust)	Bond (Low)
MIS12	Investment (unit trust)	Bond (Low)
MIS13	Investment (unit trust)	Equity (High)
MIS14	Investment (unit trust)	Bond (Low)
MIS15	Investment (unit trust)	Equity (High)

Individuals tend to choose fixed rate to avoid uncertainty in rate changes (Mori et al., 2009; Mori et al., 2010). On the other hand, there occurred individuals who chose housing mortgage with floating rate even though he or she was eligible for both withdrawals. This can be explained by Prospect Theory as in Figure 4. According to the theory, if an individual is in a 'loss' situation, he or she tends to make a risk-seeking choice.

CONCLUSIONS & IMPLICATIONS

From this empirical small-scale study,

the researcher found this study very useful in contributing to understanding application financial behaviour theory phenomenon. It appears that EPF members apply either Expected-Utility Theory or Prospect Theory in their EPF pre-retirement withdrawal. EPF pre-retirement withdrawal for investment and housing withdrawal are well-suited for the two theories. Thus, the retirement planning choices are related and can be explained by financial behaviour theory.

In order to overcome the increasing demand for total financial planning plans from Malaysians, one of the

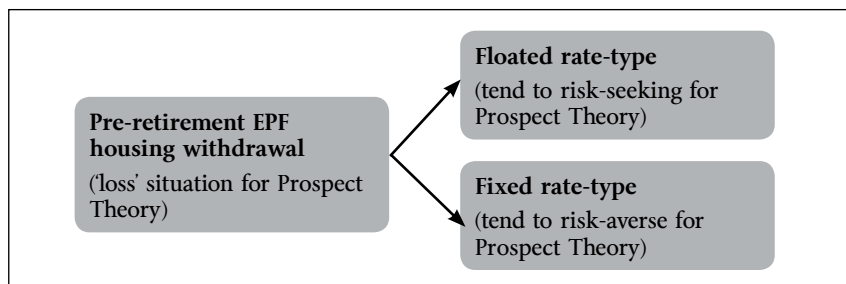


Figure 4: Application of Behavioural Theory in EPF Housing Withdrawal

Table 5: Housing Withdrawal Finding

Participants	Types of withdrawal	Categories of Risk (under Prospect Theory)
HOUSE1	Housing (lump sum)	Floated (High)
HOUSE2	Housing (lump sum)	Fixed (Low)
HOUSE3	Housing (monthly)	Fixed (Low)
HOUSE4	Housing (monthly)	Floated (High)
HOUSE5	Housing (lump sum)	Fixed (Low)
HOUSE6	Housing (lump sum)	Fixed (Low)
HOUSE7	Housing (lump sum)	Floated (High)
HOUSE8	Housing (monthly)	Fixed (Low)
HOUSE9	Housing (monthly)	Fixed (Low)
HOUSE10	Housing (lump sum)	Floated (High)
HOUSE11	Housing (lump sum)	Fixed (Low)
HOUSE12	Housing (lump sum)	Fixed (Low)
HOUSE13	Housing (monthly)	Floated (High)
HOUSE14	Housing (monthly)	Floated (High)
HOUSE15	Housing (lump sum)	Fixed (Low)

ingredients is the need to strengthen the social protection system to ensure basic protection. Thus, the programmes will be able to be sustained so that individuals and retirees have something to fall back on during retirement. In fact, while some of the pre-retirement withdrawal provided reasonable protection, their weaknesses must be overcome so that they can serve their beneficiaries better. While there are many forms of pre-retirement withdrawal, only MIS and housing withdrawals are considered suitable for retirement planning objective. Thus, it must be ensured that those who qualify do make withdrawal for proper objectives.

It is hoped that the results of this study will help policy makers to manage the nation's retirement planning effectively. It is therefore important that policy makers identify financial behaviour and transform them

to achieve retirement planning in their financial plan.

This study found that individuals may perform differently in different situations. Even though they are able to make investment withdrawal, there occurred situations where they make housing withdrawal. Individuals can be made aware of the importance of how to achieve comprehensive financial planning plan by taking the housing debt aspect into consideration. Early intervention programmes by policy makers will enable them to take full advantage of the time value of money. In order to ensure that both withdrawals are made, there is a need to take a relook at the withdrawal scheme and promote it again to EPF members. Financial education should be provided to EPF members on how to use their savings prudently pre-and post-retirement. This to ensure members to take advantage

of the return according to their risk tolerance.

Further studies should concentrate on other factors that may influence the decision in both withdrawals. This may also take into consideration conventional and Islamic products as the choice of participants. Besides, further studies may focus on the EPF pre-retirement housing withdrawal, which includes lump sum and monthly withdrawal. This is because these studies may be able to provide more explanation of financial behaviour theory in bigger context. With an understanding of these factors, more unique and innovative financial planning product marketing can be done. Finally, caution is warranted in the interpretation of the findings of this study, as financial behaviour learning experience pattern will develop as it matures, especially in the retirement planning aspect. ■

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Maqasid Al Shariah in Wealth Management

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ABSTRACT

The phenomenal growth of global wealth shed lights on the importance of wealth management. By 2015, the increase of global wealth is expected to reach USD55.8 trillion. Aligned with the growth in global wealth is the need for efficient and robust wealth management. This emphasizes the role that Islamic wealth management can play. Wealth management would have a great impact in society if Maqasid al Shariah is applied effectively. It is no longer acceptable for wealth management to be Shariah compliant by merely avoiding riba and non-Shariah compliant investment. Rather, the focus now is to implement Maqasid al Shariah in every aspect and in each process of wealth management. This paper aims to discuss this potential new growth sector and elaborate on the concept of Maqasid al Shariah in wealth management globally by highlighting the noble practice through the schemes of creation, accumulation, protection, cleansing, and distribution with the objective to encourage Muslim nations to break the limits for more High Net Worth Muslim Individuals (HNWMIs). This will in turn strengthen social solidarity and ethical behaviour in society and ensure great impact across the borders from a quantitative and qualitative perspective.

Keywords: Maqasid Shariah, Muslim, Wealth Management

INTRODUCTION

Islam is a comprehensive way of life that covers the material and spiritual needs of mankind. It is believed that Islam provides the right and clear answers that surpass any human attempts or solutions as a revelation from the Creator who knows exactly what suits His living creatures best. Shariah laws and prohibitions were set for a great purpose, which no doubt meets the purpose of mankind existing in this world of "Khilafah".

Under this general concept, Muslims and non-Muslims are responsible to make

this earth comfortable to live in and to fulfil general accountabilities toward fellow human beings and all creatures on earth. One of the most important responsibilities to fulfil is socioeconomic welfare. The call for Islamic Finance was to realize this objective and it was first hosted in 1970s as a niche segment in Egypt. Since then, Islamic Finance has enjoyed notable growth and outstanding progress. Simultaneously, wealth creation across sectors within Islamic finance such as sukuk, Islamic banks, Takaful, and Islamic funds has further motivated the growth of Islamic wealth. The introduction of Islamic

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Finance in the first place was to fulfil and achieve the very objective of Shariah. Likewise, the call for Islamic wealth management is to achieve the purpose of Shariah rather than replicating the conventional way of managing wealth.

This paper is an attempt to convey the message that wealth management would have a great impact in society if Maqasid al Shariah is applied. The first part of this paper focuses on Maqasid al Shariah and its frameworks and conditions. The following part sheds light on wealth facts and its growth globally. The final part provides the implication of Maqasid al Shariah in wealth management process accordingly, which is the core of this paper.

Maqasid Al Shariah

The concept of Islam can be broken down into three main elements: Aqidah (a set of beliefs), Shariah (a set of laws) and Akhlaq (a code of ethics). Shariah is the set of teachings, rulings, laws, and guidance derived from the key sources of Shariah i.e. the Quran, the authentic traditions (sunnah) of the Prophet Muhammad (salla Allahu 'alayhi wasallam) and the scholarly opinions (ijtihad) based on Quran and Sunnah.

Shariah also comprises the legal regulations known as Ahkam or commands that can be split into five categories: Wajib (Obligatory), Mandoob (Recommended), Mubah (Permitted), Makrooh (Discouraged or Abominable) and Haram (Forbidden or Prohibited).

All the commands in Shariah are within the realm of human capability and capacity. There is not a single command in the Qur'an that humans cannot carry out or perform.

لَا يُكَلِّفُ اللَّهُ نَفْسًا إِلَّا وُسْعَهَا
لَهَا مَا كَسَبَتْ وَعَلَيْهَا مَا اكْتَسَبَتْ

*(Allah burdens not a person beyond his scope. He gets reward for that which he has earned, and he is punished for that [evill] which he has earned.)
(Qur'an, 2:286)*

Maqasid is the Arabic word for objectives, goals or purposes. Hence, Maqasid al Shariah is the Objectives of Shariah and the wisdom behind its rules and guidance. Every command in Islam has its objectives that are explicitly mentioned in any Shariah sources. They are also implicitly understood through deep examination of all Shariah sources.

تنزيه المولى سبحانه وتعالى عن العبث في التشريع فما من حكم
إلا وله حكمة علم ذلك من علم وجهل ذلك من جهل ولذلك كانت
أكثر الأحكام تأتي معللة مبيّنة في الكتاب والسنة

Sanctifying Allah from tampering with the verdicts. Every single verdict has a wisdom knowing that or not, so most verdicts' wisdoms go along with the verdict in Qura'n and Sunnah (Mohammed Al Habash).

It is a universal truth that Allah created the world for a purpose, and brought humanity to it for a purpose, which is to set His commands also for another greater purpose and not just to be followed blindly.

In general, there are four conditions for Maqasid to be considered. The first condition is to be invariable, so it will be achieved without conjecture. Second, it must be explicit, so it is clear and there are no contradictions amongst scholars in its meaning. Third, is to be disciplined, so it has a particular definition. The final condition is to be constant, so that it will always lead to the same outcome (Ibn Ashor).

These four conditions are to be examined carefully to determine Maqasid in order to avoid any kind of abuse or misdirection. With fast changing life, new challenges appear and if Maqasid is not applied accurately, it will cause contradictions in the implementation.

Maqasid al Shariah are the goals and objectives of Islam as a system of life that constitutes standards, criteria, values, and guidance based on divine revelation (wahy) to be applied in everyday life to solve human problems and to provide guidance. More specifically, Maqasid al Shariah is the underlying purposes upon which the Shariah is established (Laldin and Furqani, 2013).

Shariah was revealed for the welfare and happiness of human beings by deploying justice and fairness in this world. (Al Asfhani). The end was also revealed

in Ibnul Qayim's renowned book *Eilam al-muwaqqi'in* in which he stated:

The Shariah edifice and foundations embody wisdom and benefits for humanity in their worldly life and afterlife. All of it is justice, all of it is benefits, and all of it is wisdom. Any issue in which the ruling departs from justice to injustice, from mercy to its opposite, from benefit to harm, and from wisdom to arbitrariness is not, in fact, part of the Shariah, even if it has been attributed to it by a process of interpretation (Laldin & Furqani, 2013).

أفحسبتم انما خلقناكم عبثا
وأنكم اليينا لا ترجعون

"Did you think that We had created you in play (without any purpose), and that you would not be brought back to Us?" (Qura'n, 23:115)

Thus, Muslim scholars had come to the consensus on the wisdom behind Shariah rules and enriched this concept throughout the years. Al Imam al Shafee' (d.75H) was the first scholar who mentioned Maqasid when he wrote his first book about Usul al fiqh, *Al Umm*. Imam al-Haramayn al-Juwayni (d. 478H) was the first scholar to classify Maqasid and provide the most popular categories of daruriyyah, hajiyyah, and tahsiniyyah, which has ever since been generally accepted. Abu Hamid al-Ghazali (d.505H) then developed the doctrines of Maslahah (Public Interest) and Ta'lil (Ratiocination) in his works of *Eshfa' al-Ghalil and Al-Mustasfa Min 'Ilm Al-Usul*. Al-Ghazali was generally critical of the doctrine of public interest as a source

of proof, but validated it where it promoted the Maqasid of the Shariah. As for the Maqasid themselves, al-Ghazali wrote categorically that the Shariah pursued five basic objectives — life, intellect, faith, lineage, and property to be protected as absolute priorities.

Ibnul Khatib (d. 606H) elaborated further in his book *Al Mahsol*, followed by Al Eizz Bin Abdul Salam (d.660H) who explained it in his book *Qawaid Al Ahkam fi Masaleh Al Anam*. Then his pupil Al Qirafi also modelled after his mentor in his book *Sharh Tanqeeh Al Fusol* and added the sixth to the existing list of the five essential maqasid, namely the protection of al-'ird (honour) which was later endorsed by Taj al-Din 'Abd al-Wahab ibn al-Subki (d. 771H) and Muhammad ibn Ali al-Shawkani (d. 1255H) (Kamali, *Al-Maqasid Al-Shari'iyah*).

The particular objective and wisdom behind the Shariah is mainly to achieve the purpose of humankind existing comfortably in this world of "Khilafah". Allah says:

قالوا أتجعل فيها من يفسد فيها ويسفك
 الدماء ونحن نسبح بحمدك ونقدس لك
 قال إني أعلم ما لا تعلمون

(Behold, your Lord said to the angels: "I will create a vicegerent on earth." They said: "Will you place therein one who will make mischief there-in and shed blood?; while we do celebrate Your praise and glorify Your Holy (name)?". He said: "I know what you know not!") (*Qura'n* 2:30)

Khilafah has two categories. The first is the General Khilafah (Ammah) which is vicegerent inclusively to all Muslims and non-Muslims. It is to hold the responsibility to make this earth comfortable to live in and to fulfil general responsibilities towards fellow human beings and all creatures on earth. This is different from exclusive khilafah (khassah), which is exclusive to Muslims because only Muslims can implement certain instructions and commands according to Allahs will.

Frameworks of Maqasid Al Shariah

Maqasid al Shariah can be illustrated in different frameworks. In this paper, two frameworks are explained.

Muslim scholars have agreed that the ultimate objective of Maqasid al Shariah is to serve the interests (jalb al-masalih/) of all human beings and to save them from harm (dafa al mafasid/) as illustrated in Figure 1. This is stated in the *Qura'n* and the *Sunnah* and endorsed by Muslim scholars such as Izz al-Deen Bin Abd al-Salam, *Qawid al-Jalb al-masalih Ahkam fe Masalih al-Anam*. Ibn Qayyim al-Jawziyyah, *Ilam al-Dafa al-mafasid*. Muwaqqi'en, Ibn Ashor, *Maqsid al-Shariah al-Islamiyyah*; al-Najjar, *Maqasid al-Shariah bi Abad Jadeedah* (Asyraf Wajdi & Said Bouheraoua, 2011).

Al-Ghazali's Framework

Al-Ghazali defined Maqasid based on its relevance to maslahah. He categorised Maqasid into three categories, with

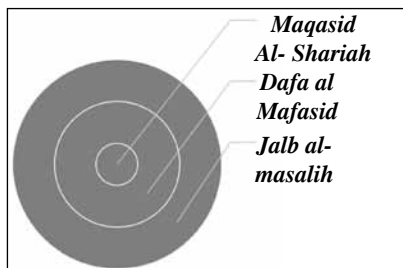


Figure 1: General Framework of Maqasid Al Shariah

the first category comprising the significant *maslahah dharuriyyat* (essentials), while the other category *hajyatt* (complementary) is to enable the achievement of *dharuriyyat*. The third category is *tahseniyat* (embellishments) for the attainment of comfort and an easy life. Nevertheless, the three categories are not independent of each other but they complement each other (Wahbah al Zuhaili, 2011).

Al-Ghazali defined the essentials of Maqasid al Shariah, stressing on safeguarding five objectives:

Abu Zuhrah's Framework

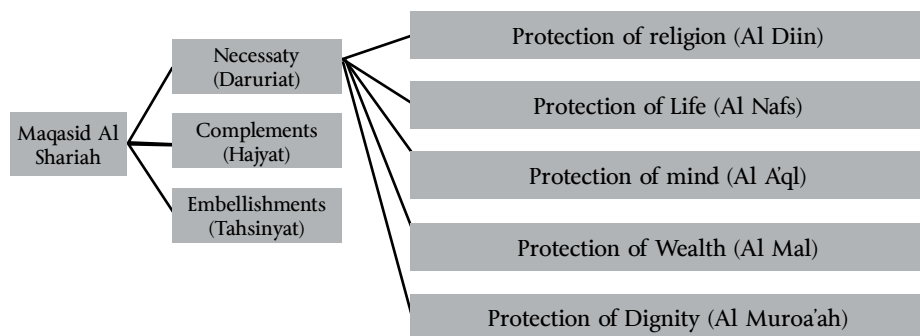


Figure 2: Al-Ghazali's Framework

Educating individuals is the priority in this framework. This supreme objective, once achieved, will lead to the other objective

مَقْصُودُ الشَّرْعِ مِنَ الْخَلْقِ خَمْسَةٌ،
وَهُوَ أَنْ يَحْفَظَ عَلَيْهِمْ دِينَهُمْ
وَنَفْسَهُمْ وَعَقْلَهُمْ

فَكُلُّمَا يَتَضَمَّنُ حِفْظَ هَذِهِ الْأَصُولِ
الْخَمْسِ فَهُوَ مَصْلَحَةٌ،
وَكُلُّ مَا يَفُوتُ هَذِهِ الْأَصُولِ
فَهُوَ مَفْسَدَةٌ، وَدَفْعُهَا مَصْلَحَةٌ

The very objective of Shariah is to promote the well-being of the people, which lies in safeguarding their faith (dēn), their lives (nafs), their intellect (Ñaql), their posterity (nasl), and their wealth (mēl) as illustrated in Figure 2.

Whatever ensures the safeguarding of these five which serve public interest is desirable, and whatever hurts them is against public interest and its removal is desirable (Asyraf Wajdi & Said Bouheraoua, 2011).

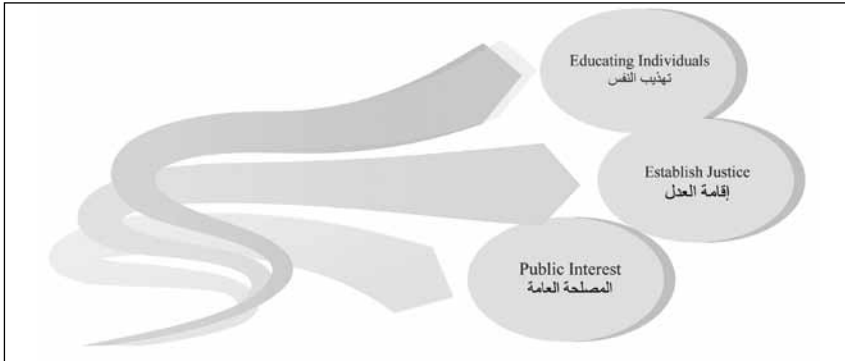


Figure 3: Abu Zuhrah's Framework

- justice - and consequently, lead to public interest as illustrated in Figure 3.

Global Wealth

In 2011, the global population of high net worth individuals (HNWIs) reached 11 million, while the increase of global wealth is expected to reach USD55.8 trillion by 2015 (World Wealth Report, 2013). An HNWI is generally defined as an individual with USD1 million or more at his/her disposal for the purpose of investing. There are three discrete wealth bands: "millionaires next door" – individuals with USD1 million to USD5 million in investable assets; "mid-tier millionaires" – individuals with USD5 million to USD30 million; and "Ultra-HNWI" – individuals with USD30 million or more.

Surprisingly, the growth of HNWIs in emerging and developing countries continues to develop at a faster rate than that of developed countries. The number of HNWIs in the Asia Pacific region stood at 3.37 million individuals,

surpassing North America with 3.35 million individuals, for the first time.

The escalation of wealth in the Asia-Pacific region, which coincidentally also has the highest Muslim population in the world, opens the door for more Muslim HNWIs to participate and capitalise on the opportunities in Islamic wealth management products. Islamic Finance is well accepted in these countries by both Muslims and non-Muslims. In Malaysia, the majority of Islamic Finance customers are non-Muslims who have been attracted to Islamic Finance for its ethical and stable bases.

This paves the way for the acceptance of Maqasid al Shariah implementation in wealth management. Likewise, non-Muslim HNWIs who are passionate about socioeconomic contribution and who are looking for long-term, stable and moral way of managing their wealth will definitely find Maqasid al Shariah frameworks inclusive enough

to govern the wealth circle right from wealth creation to wealth purification.

A good chunk of HNWIs (25% of them) lack confidence in the ability of fund managers to generate wealth in the near future. Apparently, this is the rational consequence of the reported losses of HNWIs' wealth. For instance, in 2011, regardless of the increased number of HNWIs, their aggregate financial wealth had declined.

Maqasid al Shariah can protect wealth from excessive leverage, speculation or uncertainty, which can cause huge losses in the short term. Specifically, Maqasid al Shariah frameworks help to avoid miserable ends and serve for long-term sustainability as they permit only investment in real and socioeconomic projects. Shariah compliance played the same role for Islamic Finance for three decades to result in the notable high growth in this sector.

Currently, there are more than 600 Islamic financial institutions operating in over 75 countries worldwide. Assets with Islamic banks and Islamic banking windows have grown at a CAGR of 40.3% between 2004 and 2011 to reach USD1.1 trillion (Kuwait Finance House Research, KFHR, 2013). These provide an indication that

acceptance of the Islamic Finance industry has generally set a positive momentum for the future, and it bodes well for the expansion of Islamic wealth management with Maqasid al Shariah implementation in order to manage Islamic Finance and attract wealthy people to adopt it solely.

Maqasid Al Shariah in Wealth Management

The fast growth of Islamic finance and the creation of wealth across Muslim countries indicate the potential of Islamic wealth management to flourish. However, the aim of this paper is to present the importance of Maqasid al Shariah implementation in wealth management starting from wealth creation values and mechanisms and ending with wealth purification for the overall welfare of society.

Some decades ago, a number of Muslim scholars who were influenced deeply by Sufi ideology, discussed the concept of Zuhd in Islam. Zuhd is to renounce worldly pleasures in order to gain nearness to Allah. The interpretation of some verses and Hadiths led Muslims to avoid wealth by any means in order to be pure Muslims who are closer to Allah. This ideology in turn was deployed among followers and wealth was seen as the devil and a big hurdle in the way to Allah's satisfaction.

Looking thoroughly at the Shariah sources, in Qura'n, wealth is a type of Allah's blessing to good people.

ولو أن أهل القرى آمنوا واتقوا لفتحنا
عليهم بركات من السماء والأرض

"And if only the people of the cities had believed and feared Allah, We would have opened upon them blessings from the heaven and the earth" (Qur'an, 7:96)

Imaam Ahmed was asked about a man who had one thousand dirhams, and if such an individual could be considered a Zaa'hid? Imaam Ahmed said: 'Yes; but with one condition, which is, if his wealth increases, he doesn't become too joyful and if it decreases, he doesn't become distressed and unhappy' (Ibnul Qayyem, 2007).

The Prophet (salla Allahu 'alayhi wasallam) said: "One should covet only two: a person whom Allah has given wealth and he spends it in the right way, and a person whom Allah has given wisdom and he gives his decisions accordingly and teaches it to others (Bukhari). Another hadith also conveys the same message, when the Prophet (salla Allahu 'alayhi wasallam)

said: "The upper hand is better than the lower hand" (Muslim, 1033). This means that he who gives in charity is better than he who takes it.

It is obvious from these two hadith and many others that Islam encourages people to accumulate wealth and gain knowledge as two worthy desires. Creating and accumulating wealth are considered a means of worshipping if the purpose of accumulation is not merely to follow desires or to have a luxurious life, but to participate in promoting welfare.

Figure 4 shows the process of Islamic wealth management: wealth creation, wealth accumulation, wealth protection, wealth distribution and wealth purification.

Maqasid Al Shariah in Wealth Creation

Wealth can never be created by mere luck in Islam. The only way for an individual to create wealth is to plan and work hard to obtain lawful "halal" income. It cannot be connected to any harm or cause any harm to society as a whole, or any individual in particular. For this reason, speculation, gaming,

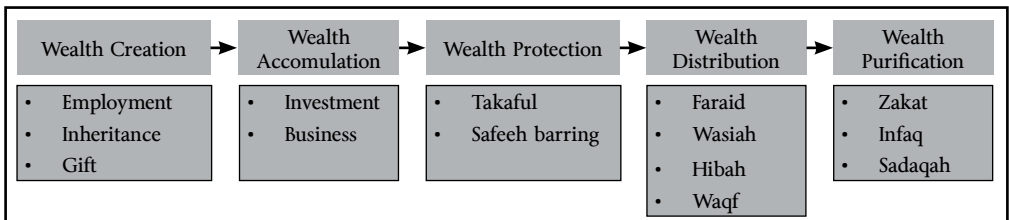


Figure 4: Islamic Wealth Management Process

gambling, bribery or fraudulence are forbidden. Enterprise and employment are the most common means of halal income. An individual can also acquire wealth via gift or inheritance.

The question now is how to implement Maqasid al Shariah in the first process of wealth management that is wealth creation?

Looking back into Abu Zuhra's framework for Maqasid, wealth creation in the light of Abu Zuhra's framework includes educating individuals, establishing justice and considering public interest. Individuals will be classified into three classes to illustrate how educating each class will enrich the goal of wealth creation.

The lower class is the underleveraged individuals. Educating those who are struggling with their living means will not only reduce their poverty but is also a key to wealth creation. Hence, establishing justice by providing an equal opportunity for them to obtain the required knowledge and skills come next to grow their opportunity to create wealth. Inevitably, a lower population of underleveraged individuals and a higher percentage of productive individuals bodes well for the overall economic nourishment.

The middle class on the other hand benefit from Maqasid al Shariah in a slightly different way. Educating middle class individuals focuses on the promotion of socioeconomic gains through raising their levels of awareness

about many issues, including the importance of balanced consumption. It is in the core of our needs in Islamic wealth management as explained by the following verse:

ولا تجعل يدك مغلولة إلى
عنقك ولا تبسطها كل البسط
فتتعد ملوما محسورا

And do not make your hand [as] chained to your neck or extend it completely and [thereby] become blamed and insolvent

This verse explains how important it is to have a balanced life where one only consumes based on what he/she has. It also promotes self-awareness and Shariah-conscious Muslims, which indirectly encourage towards Maqasid-based and holistic ends (Omar Mohammad and Syahidawati). The hierarchy of Maqasid al Shariah in Al Ghazali's framework provides an excellent technique to choose priorities in spending. Dharuryat to be fulfilled first then hajyat and finally tahsynyat.

Educating the wealthy about wealth creation can be seen from a different angle since those individuals have already created their wealth. It is crucial for HNWIs to support the lower and middle classes to create their wealth and have the mind set of win-win.

Maqasid Al Shariah in Wealth Accumulation

"Maqasid al-Shariah should not be reduced to merely identifying Shariah objectives in legal/law dimensions.

The Maqasid discussion in the financial sphere should always refer to the general objective of Shariah that lays the framework and direction of how financial transactions should be arranged in the Islamic economic system" (Laldin & Furqani, 2013)

The most essential step to be taken in wealth accumulation in accordance with Maqasid al Shariah is to educate HNWI's as illustrated in *Abu Zuhra's* framework. The first rule for wealth accumulation is to educate HNWI's to break the debt habit. Islam takes the matter of debt very seriously and warns against it and urges to avoid it as much as possible.

The Prophet (salla Allahu 'alayhi wasallam) said:

نفس المؤمن معلقة بدينه
حتى يقضى عنه

"The soul of the believer is suspended because of his debt until it is paid off"
(At-Tirmidhi 279H).

The second rule of wealth creation is to raise the awareness of HNWI's about the importance of ethical and sustainable business and investments for the long term. It is crucial to have HNWI's who think about the whole society and environment. By choosing Shariah-compliant investments or businesses that are based on the real economy, overall economic conditions will improve. This in turn will double the opportunity of

accumulating wealth further. Besides, self-disciplined HNWI's who are aware of Maqasid al Shariah will be able to give priority to businesses and investments that accomplish necessities before moving to complements or embellishments.

Essentials must be provided to every human being and investments and businesses should follow the needs of people in order to achieve the next pillar of Abu Zuhra's framework which is to establish justice. It is not accepted based on Maqasid al Shariah to have two distinct classes in a city where one is living a very luxurious life while the other cannot find the basics of life. The spirit of Maqasid al Shariah will reduce self-preservation and selfish characteristics that prevent the person from being concerned about the interest of the public and instead choose to invest in businesses without considering their impact on society or the environment.

Maqasid Al Shariah in Wealth Protection

Wealth is one of the Dharuriat in Islam, and its preservation is a noble aim in the religion. The Prophet (salla Allahu 'alayhi wasallam) mentioned in a hadith:

"Anyone who is killed in defence of his property and wealth is a martyr". The wealthy should protect and safeguard the wealth by all means. Nobody has the right to take even a penny without consent.

Takaful considers the right way to protect wealth after creating and accumulating it. As we have no knowledge or control of the future, we are encouraged

to protect ourselves, our family, property, etc. (Ahmad Faizal Abdul Aziz & Shaifulfazlee Mohamad, 2013). Protecting each other's wealth and properties is highly emphasized by the Prophet (salla Allahu 'alayhi wasallam):

"If anyone relieves a Muslim believer from one of the hardships of this worldly life, Allah will relieve him of one of the hardships of the Day of Resurrection. If anyone makes it easy for the one who is indebted to him (while finding it difficult to repay), Allah will make it easy for him in this worldly life and in the Hereafter, and if anyone conceals the faults of a Muslim, Allah will conceal his faults in this world and in the Hereafter. Allah helps His slave as long as he helps his brother" (Muslim 216H).

Takaful is mutual indemnity whereby participants mutually indemnify each other. It is different from insurance in the sense that the contribution made is considered a donation. As a result of this donation, risk is shared between participants (Ahmad Faizal Abdul Aziz & Shaifulfazlee Mohamad, 2013).

"And give not unto the foolish your property which Allah has made a means of support for you, but feed and clothe them therewith, and speak to them words of kindness and justice." (Qura'n 3:5).

Besides, wealth protection in Islam is crucial. In this sense, Allah states in the Qura'n the prohibition of giving wealth to safeeh (foolish person):

Safeeh is one, whether male or female, who is not able to dispose of money in a proper way. This includes the insane, young children and adult men or women who are not able to dispose of money in a proper way. Rather, they waste it and spend it on things that do not benefit them. It is also ruled in Islam to prevent safeeh from disposing his own wealth in miscellaneous and in a way that will eat up this wealth with no benefits (Ibn Rushd, 2004).

NWIs need to know that this wealth is a trust in their hands. As such, it is important to be wise in consumption and avoid squandering and scattering wealth in an irresponsible manner.

Maqasid Al Shariah in Wealth Distribution

Inheritance is the other way of creating wealth. It promote Maqasid al Shariah as a way of wealth circulation. It is important for a balanced economy in society to circulate wealth among more people.

Allah asserts on this in Qura'n:

كي لا يكون دولة بين الأغنياء من

So that it may not be [a benefit] going round and round among such of you as may [already] be rich" (Qur'an 59:7)

As mentioned in the Maqasid al Shariah's framework, *maslahah* is the main Maqasid of Shariah. The Shariah requires both the greatest acts of worship and the simplest acts of worship in its essence equally. Likewise, the Shariah punishes the greatest and the simplest sins equally

(Al Izz bin Abdul Salam - Al Qawa'id). The main objective is to achieve maslahah. As stated previously, one of maslahah's conditions is to be a general (كلية) and inclusive maslahah, not limited and specific (خاصة) to some individuals or groups.

Wealth distribution, for this reason, should be for the welfare of the whole of society and for long-term stability.

In wealth distribution, estate planning (farai'd) and wasiah are the first channel of wealth. It is essential for every person to ensure that his/her family and beloved ones will enjoy the same quality of life always.

Allah S.W.T has determined the rulings and methods to distribute inheritance among all beneficiaries with the purpose to act fairly to all levels of beneficiaries and to avoid discrepancies among them (Mohd Ridzuan Awang, 2008).

This accurate method for wealth distribution is to safeguard the family and the business itself. When every member of the family has their fair share, this preserves the sustainability for wealth, whereas if only one member accounts for all the wealth, this could result in a negative impact on family connections and the business as a whole.

Other than farai'd, wasiah is applicable for not more than one third of the wealth to be distributed to those beloved relatives or friends who are not

entitled for any inheritance by farai'd after death.

The wealthy may also grant to whom he/she wishes any amount of money during life through hibah. Promoting these channels serve Maqasid al Shariah in the sense of wealth circulation. To avoid wealth concentration in the hands of a few, farai'd, wasiah, hibah and waqf help to widen the wealth circle to include more beneficiaries.

HNWIs still have a way to channel a portion of the wealth for accumulating their deeds after death. The Prophet (salla Allahu 'alayhi wasallam) stressed that all good deeds come to an end except three things as follows:

"When a man dies, his good deeds come to an end except three: ongoing charity, beneficial knowledge and a righteous son who will pray for him" (Muslim, 3084).

Waqf considers one of these three pillars that Muslims are encouraged to take part in. And although Waqf formed numerous wealth channels in the golden era of Islamic rule, it has unfortunately been neglected recently.

The institution of Waqf has played a significant role in sustainable development in the history of Islam and establishes that Waqf institutions are integral to the survival and growth of Muslim communities (Imtiaz B. Ali, 2009).

Waqf in the early stage was covering religious studies by waqf on mosques besides financing education, libraries, salaries of teachers and other staff and stipends to students. Healthcare services were also covered by waqf to include the construction of hospitals and spending on patient medicine, apprentices, physician, and pharmaceutical research. The beauty and mercy in waqf also appears in the animal waqf such as birds' waqf, cats' waqf and unwanted domestic animals. It also includes the waqf for pilgrimage and marriage expenses to those who cannot afford it (Monzer Kahf).

The public benefit and the beauty of waqf is not a niche to be covered in few words but this is an attempt to reopen this door widely as it serves the community and supports socioeconomic and justice.

Maqasid Al Shariah in Wealth Purification

As mentioned earlier, wealth should be protected and safeguarded by all means. Nevertheless, this notion of preservation has a different sense in Islam. Giving out the compulsory alms (zakat) will contribute to the growth of wealth instead of lessening it, as the Prophet (salla Allahu 'alayhi wasallam) said:

ما نقص مال من صدقة

"A wealth of a man will not be diminished by sadaqah (charity)" (Muslim)

It can be assumed in some cases that the wealth cycle from its creation to distribution may contain some impure means or ways and it needs to be purified. This is stated in the hadith:

"A human being's feet will not depart from before his Lord on the Day of Resurrection until he is questioned about five things:

1. *His lifetime – how did he consume it?*
2. *His youth and body – how did he utilize them?*
3. *His wealth – how did he earn it?*
4. *His wealth – how did he spend it?*
5. *And what did he do in regard to what he knew?" (Al Albani, 2010).*

Sometimes, wealth affects the owner by making them too joyful at having it, or too distressed and unhappy if it decreases. This reflects a misunderstanding of its purpose, and the real owner (Allah) and his/her role as a trustee and khalifah only. These inner sins must also be purified by giving a portion of the wealth away. Allah says:

خذ من أموالهم صدقة تطهرهم وتزكيهم بها

"Take, O, Muhammad, from their wealth a charity by which you purify them and cause them increase" (Qur'an 9:103)



The wealthy should afford a quality life for the family beyond dharuriyyat to cover hajyyat and tahsinyiyyat within his/her means. Hence, in Shariah, this small coterie from only spouse and children needs to be expanded to cover parents and grandparents as well.

CONCLUSION

Based on the framework of Maqasid al Shariah, Islamic wealth management can play a distinctive role in wealth creation, accumulation, protection, distribution and purification. It is imperative to start by educating individuals on the wide implementation of farai'd, waqf, zakat and other channels for the stable future and constant growth for the whole society.

The rapid growth of Islamic Finance globally asserts the need for Islamic wealth management and it is an indication that the preference for Shariah-compliant products and services as an ethical and sustainable solution is growing. HNWI's who are passionate toward socioeconomic gains and who are looking for sustainable growth should resort to Maqasid al Shariah as it protects wealth from excessive leverage, speculation or uncertainty, which can cause huge losses in short term.

This paper offers a practical implementation of Maqasid al Shariah frameworks in the wealth management process to meet the supreme objective of human existence. Abu Zuhra's framework of Maqasid al Shariah emphasized educating individuals to achieve self-discipline, which will have a great impact from a quantitative and qualitative perspective. In terms of quantity, self-discipline will create more HNWI's from those who have the potential to become wealthy but prefer to consume all their wealth rather than save it. It will also correct the misconception of zuhd among Muslims and grant them a chance to be in line with the pace of growth of HNWI's. Moreover, wealth distribution and wealth purification will directly increase the size of the middle class by decreasing the number of poor and needy people.

From a qualitative sense, self-discipline will increase the awareness of HNWI's on the negative impact effects of interest, speculation and other prohibited elements in Islam. Educating individuals will also enable HNWI's to categorize their consumption and investment according to the three categories of essentials, complements and embellishments. ■

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Analysis of Factors Influencing Credit Card Ownership and Amount of Credit Card Debt

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ABSTRACT

The objectives of the study were to determine the factors influencing credit card ownership and amount of credit card debt. The data was collected from 537 graduate students of the Graduate Programme of Management and Business, Bogor Agricultural University, Bogor Indonesia. Logistic regression was used to analyse factors influencing credit card ownership. Multiple regression was utilized to analyse factors affecting the amount of credit card debt. The results of the study show that marital status and income positively and significantly affected credit card ownership. Respondents who were married, and with higher income were more likely to have credit cards than those who were single, and with low income. The amount of income, household expenses and number of credit cards had positive and significant effects on the amount of credit card debt. Respondents with higher income and household expenses had a larger amount of credit card debt than those with lower income and smaller household expenses. The larger the number of credit cards held, the higher the amount of credit card debt. The results of the study provide important implications for public policy and consumer education. Consumer educators and financial services authorities need to develop public campaigns for building awareness of being smart and wise consumers in using credit cards.

Keywords: Credit Card, Consumers, Debt

INTRODUCTION

Previous studies have measured credit card behaviour using two approaches: attitude and objective measurement. Khare, Khare, and Singh (2012) used

seven questions with a five-point Likert scale to measure credit card use. Lin, Wang, Yang, and Sekarini (2013) measured attitudes toward credit card use by asking about respondents'

intensity and excessive credit card use. Fogel and Schneider (2011) measured attitudes toward credit card usage by three questions using a five point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Robb and Sharpe (2009) measured attitudes toward credit card use through financial literacy and debt repayment. The dependent variable of this study was measured by looking at the students' decision to pay the debt either in instalments or in full. Limbu, Huhmann & Xu (2012) measured attitudes toward credit card use by asking respondents of their confidence in their credit card, credit card use, and behaviour in controlling the amount of expenditure or credit card debt each month. Sari and Rofaidah (2011) used attitudes and subjective perceptions on credit card use to measure credit card behaviour.

A small number of previous studies have used the objective measure of credit card behaviour by asking about the number of credit cards, frequency of card usage in a month, and payment made in full (non-revolving) or payment in part (revolving credit) (Temba & Tumedi, 2012). Chien & Devaney (2001) defined credit card debt as the total outstanding balance on the credit cards that respondents were currently holding. Sprenger & Stavins (2010) used credit card payment to measure credit card behaviour. Respondents were considered as having revolving balances if they regularly carried a

balance on his/her credit card (did not pay off the balance in full). Sayono, Sumarwan, Achsani & Hartoyo (2009a) measured credit card ownership by asking respondents whether or not they had credit cards. Another study by Sayono, Sumarwan, Achsani, Hartoyo (2009b) measured credit card behaviour by three variables: frequency of credit card use, total amount of transactions made using credit cards, and method of payment of the credit card bill.

A number of factors were found to affect consumers in deciding the use of credit cards. Demographics, motivations, attitudes, and personality influenced consumer decisions in credit card ownership (Sayono, et al., Achsani, Hartoyo 2009b). Credit card ownership will affect the amount of debt held. Credit card debt is affected by household size, education, marital status, professional status, attitudes toward credit card, and income (Chien & Devaney, 2001). Research by Marlina (2002) showed that a smaller family size and husband's income increased the probability of credit card usage. A study conducted by Sari & Rofaida (2011) showed that attitude, subjective norm, and behaviour control had high influence on credit card usage. Perceptions of the usefulness of the credit card had an influence on a positive attitude in credit card usage. Subjective norm affected positive credit card usage. Furthermore, the higher the respondents' self-control, the wiser the consumers in using credit cards.

Consumer attitudes and behaviour will determine wise credit card usage. Wise use of credit cards is influenced by educational background, income, and age of consumers (Sari & Rofaida 2011). Younger users of credit card are unwise consumers. Undergraduate students are more likely to have higher credit card debt than graduate students (Robb and Sharpe, 2009). Research by Khare, Khare & Singh (2012) showed that convenience in the use of credit cards were factors affecting credit card usage in India.

Increasing the number of credit cards in the community is driven by bank campaigns. Kontan (2014) interviewed 250 credit card users who live in Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi) in 2011. Kontan's study (2014) showed that 58 per cent of respondents had two to five credit cards, 41 per cent only had one card, and 1 per cent had six to ten credit cards. The study by Sari and Rofaida (2011) showed similar findings. 39 per cent of respondents had two credit cards and 71 per cent of respondents had already used credit cards for more than four years. Purnomo (2013) cited Bank Indonesia data that showed the average number of credit card owned was three.

Studies to determine the factors influencing whether a customer has a credit card or not have been conducted by Sayono, et al., (2009a and 2009b). A study to determine whether a person

used a credit card as revolving credit or as a method of payment has also been conducted. No previous study has examined the effect of number of credit cards owned on amount of credit card debt. Credit card marketing in Indonesia is very intensive. Credit card marketing is directed at consumers who do not have a credit card and also those already have a credit card. The data shows that many consumers have more than one credit card. Having an excessive number of credit cards would have a negative impact on a financial consumer if the consumer is not wise in using a credit card. Based on these conditions, the current study will determine the factors affecting credit card ownership and the amount of credit card debt. The results of this research provide important implications for the formulation of public policy for the welfare and protection of consumers. In addition, they are also useful for the health of the banking industry that issues credit cards. The objectives of the study are to determine the factors influencing credit card ownership and the amount of credit card debt.

The larger the number of credit cards owned, the higher the amount of credit line, and therefore consumers with a higher numbers of credit cards will have more opportunity to have larger credit card debt. Credit cards will provide financial resources for consumers to improve their economic welfare because consumers will be able to finance their current consumption

by using their credit cards. However, the excessive use of credit cards as revolving credit will make consumers' future financial situation worse because their future income will decrease as they have to repay their debt. The current study will provide information on the factors influencing the number of credit cards owned and the amount of consumers' credit card debt. This study is very important because it will have some implications for public policy and consumer education. Previous studies have never used saving and household expenses as independent variables in their model of factors influencing credit card behaviour. The current study utilized saving and household expenses as two of the independent variables in the model of factors influencing the number of credit cards owned and the amount of credit card debt. This study will provide information on how saving and household expenses are related to credit card behaviour.

LITERATURE REVIEW

Various independent variables have been tested to determine factors influencing credit card behaviour. Variables used have been credit card attributes such as ease, usage patterns, the status of the use (Khare, Khare & Singh, 2012); and demographic factors such as age, gender, education, occupation, race (Khare, Khare & Singh, 2012; Sprenger & Stavins, 2010; Fogel & Schneider, 2011; Limbu, Huhmann & Xu, 2012; Ludlum, Tilker, Ritter, Cowart, Xu, Smith, 2012). Other variables have included values,

attitudes, personality and knowledge (Khare, Khare & Singh, 2012; Lin, Wang, Yang & Sekarini, 2013).

In relation to educational background, credit card users are more likely to have master's degrees (Sari & Rofaida 2011). According Sumarwan (2011), education is a critical factor for a good job position. More highly educated people are more likely to have better jobs. The Central Bank of Indonesia's policy restricts credit card ownership to credit card applicants who have a minimum monthly income of USD250. Higher income applicants have to have credit cards. Income can affect the use of consumer credit cards. High income households have more financial resources to spend (Fogel & Schneider, 2011).

Age and gender influences credit card use (Khare, Khare & Singh, 2012; Sprenger & Stavins, 2010; Mu 2010). Older adults are committed in their use of credit cards and are more reliable in the use of credit cards compared to students (Limbu, Huhmann & Xu, 2012). Undergraduate students have higher credit card debt compared to graduate students (Robb & Sharpe, 2009). In terms of gender, women use credit cards more often than men (Sprenger & Stavins, 2010). Male students have higher commitment in using credit cards than female students (Limbu, Huhmann, & Xu, 2012). However, a study by Ludlum, Tilker, Ritter, Cowart, Xu & Smith (2012) shows no differences between women and men in

the use of credit cards. People who have higher economic resources pay credit card bills better (Robb & Sharpe, 2009). Women are more efficient in managing monthly balances than men (Limbu, Huhmann & Xu, 2012). Respondents with a higher level of education have greater knowledge of and are more responsible in the use of credit cards than less educated respondents (Robb & Sharpe, 2009). Married respondents have higher knowledge of credit cards than unmarried respondents (Ludlum, Tilker, Ritter, Cowart, Xu & Smith, 2012).

The dependent variable of the current study is credit card ownership and amount of credit card debt. There have been previous studies related to credit card ownership and credit card debts. One study examined the behaviour of undergraduate students regarding credit card usage (Bittiker, 2010; Robb & Sharpe, 2009; Limbu, Huhmann & Xu, 2012; Ludlum, Tilker, Ritter, Cowart, Xu & Smith, 2012). Studies have also focused on impulsive buying behaviour, debt and credit card payment (Sprenger & Stavins, 2010; Lin, Wang, Yang & Sekarini, 2013; Mu, 2010) while others investigated the number of credit cards owned (Ludlum, Tilker, Ritter, Cowart, Xu & Smith, 2012; Sari & Rofaidah, 2011; Wang, 2011). Sayono, et al., (2009b) examined the frequency of credit card use, the total value of the transaction usage, credit card payment behaviour (full Payment, <10% payment, and late payment penalties). Intention to

use credit card as an attitude variable was used to measure the behaviour of credit card usage by Sari and Rofaidah, 2011. Other attitude variables used to measure credit card behaviour were intensity of bill payment, overall intensity of bill payments, and the intensity of credit card use to avoid paying cash. In addition to attitude measurement of credit card behaviour, previous studies also measured credit card behaviour using ratio scale with currency as the unit of measurement. The variables measured in the ratio scale were debt, credit card payment, and total value of credit card transaction. Other credit card behaviour variables were also measured using the ratio scale but with the unit of measurement being intensities and frequency. These variables included frequency of credit card use, number of transactions, intensity of bill payment, and number of credit cards. The current study will use the objective measure of credit card behaviour, credit card ownership and amount of credit card debt. The current study reflects differences and similarities with previous studies. The differences include saving and household expenses as two of the independent variables tested in the model of factors influencing credit card ownership and amount of credit card debt.

The current study will investigate income as a factor influencing credit card ownership and amount of credit card debt. Previous studies have

examined income as a predictor of credit card behaviour. Sayono, et al., (2009a) examined age, gender, marital status, household size, education, position in employment, income, motivation, attitude, and personality as the independent variables. Wang (2011) investigated the effects of income on credit card ownership and amount of credit card debt among undergraduate students in the United States. His study found that income has significant and positive influence on the amount of credit card debt, but it is not significant in explaining credit card ownership. The samples for the current study comprised 537 graduate students of the Graduate Programme of Management and Business, Bogor Agricultural University, Bogor Indonesia. The results of the study will provide insight into how income influences credit card behaviour among graduate students in a developing country.

Higher income respondents may not use credit card wisely because they think they have more financial resources to spend (Fogel & Schneider, 2011). Mu (2010) found people who work full-time have a lower price sensitivity than people who do not work, so they are more compulsive in using credit cards. People who have income, education, and lower age tend to have a smaller number of credit cards (Themba & Tumedi, 2012). However, younger students are more likely to use credit cards than older students (Ludlum, Tilker, Ritter, Cowart, Xu & Smith, 2012).

Even though previous studies have tested the influence of income on some credit card behaviours, none of the studies specifically investigated the effect of income on the amount of credit card debt. The current study will provide insight into how the amount of debt is affected by income. Amount of credit card debt is one of the indicators for the financial well-being of consumers. Consumers with a higher amount of debt may have more burden in the future; their future well-being will be reduced because they have obligations to pay their debts.

The current study will investigate the effect of household size on credit card behaviour, especially on credit card ownership and amount of credit card debt. Household size is an important variable of consumers' demographic characteristics. Household size indicates the number of people being supported by a family. A larger household represents a larger amount of family needs and resources that have to be met. Consumers who have credit cards may use credit cards as revolving credit to finance their needs when they do not have available cash to spend. Sayono, et al., (2009a) studied the effect of household size on credit card ownership; however, they did not examine the influence of household size on amount of credit card debt.

The current study will test marital status as a predictor of credit card ownership and amount

of credit card debt. Marital status is another demographic characteristic of consumers that may influence their credit card behaviour. Consumers who are married may have more financial resources than single consumers. Consumers with higher financial resources are more likely to be granted more credit cards, and thus they have opportunities to use credit cards either as a method of payment or as revolving credit.

The current study tested the effect of saving on credit card ownership and amount of credit card debt. Saving can be defined as consumers' financial resources which are not used for financing consumer consumption. Many credit card issuers use consumers' saving as an indicator of credit eligibility. Consumers with a higher amount of saving are more likely to be granted credit card. No previous study has investigated the relationship between saving and credit card behaviour. The current study will provide new insight into the influence of saving on credit card behaviour.

The current study also investigated the influence of household expenses on credit card behaviour. Household expenses represent the amount of income spent on various product purchases. Consumers who have credit cards may use their credit cards to pay for their purchases. Consumers may also use their credit cards as a method of payment when they pay the full

amount on their credit card bill on the due date, but they might use their credit cards as revolving credit when they pay only some of the amount on their credit card bill on the due date. No previous study has examined the relationship between household expenses and credit card behaviour. The current study will provide some findings on the impact of household expenses on credit card behaviour.

The current study also examined the relationship between the number of credit cards and the amount of credit card debt. One credit card will provide a certain amount of credit line for a consumer that can be used as revolving credit, thus a consumer would have outstanding credit. Consumers who have a larger number of credit cards would have a larger amount of credit line, thus they may have a higher amount of credit card outstanding when they use their credit cards as revolving credit. Wang (2011) found that the number of credit cards and the amount of credit card debt are related to each other in the case of undergraduate students. This indicates that a larger number of credit cards is associated with a higher amount of credit card debt. The current study tested the effect of the number of credit cards on the amount of credit card debt by using multivariate analysis. The weakness of Wang's study (2011) was that he tested only the bivariate relationship between the number of credit cards and the amount of credit card debt without considering

the effects of other variables on credit card debt. The current study tested the influence of the number of credit cards on the amount of credit card debt by holding other independent variables constant.

METHODS

Research Design. The survey method was used as the research design for this study. The population of the study comprised graduate students of the Graduate Program of Management and Business, Bogor Agricultural University, Bogor, Indonesia. All 537 students were interviewed. The data was collected between June 2013 through October 2014. Self-administered questionnaires were utilized as a method of data collection.

Variables Description.

Several variables were used in this study: gender, marital status, household size, income, household expenses, saving, number of credit cards, and credit card debt. Gender was categorized as male or female. Marital status was classified into married or single. Household size was the number of persons that were related by marriage and those related by blood were considered as family members. Income was the amount of money received from various sources every month. Household expenses were the amount of money spent on food and non-food items monthly. Number of credit cards was the number of credit

cards owned by respondents. For the purpose of logistic regression analysis, credit card ownership variable was constructed from the number of credit cards variable. Respondents who had at least one credit card were coded one as having credit card, and those who did not have any credit card were coded 0 as having no credit card. Credit card debts were the total amount of debt owed on credit cards.

Data Analysis. The study tested two models. The first model examined factors influencing credit card ownership (the probability of owning credit cards). The second model investigated factors influencing the amount of credit card debt. The dependent variable for the first model has only two groups (have no credit card and have credit card), and logistic regression analysis is appropriate to test the first model. Hair, Black, Babin, Anderson & Tatham (2006) suggested that logistic regression is preferred for two reasons. Logistic regression does not face strict assumptions of multivariate normality and equal variance-covariance across groups. Furthermore, they suggested that logistic regression is more robust when the assumptions are not met, and is appropriate to apply in many situations.

To assess factors influencing the probability of credit cards owned, the logistic regression model was presented as follows.

Model 1

$$Y1 = f(X1, \dots, Xn)$$

$Y1 = 1$, if the respondent owned credit card

$Y1 = 0$, if the respondent did not own credit card

$X1$ = household size

$X2$ = marital status

$X3$ = saving

$X4$ = household expenses

$X5$ = income

$X6$ = credit card debt

To determine the factors influencing the amount of credit card debt, the multiple regression model was utilized. Multiple regression analysis is a general statistical model applied to test the relationship between a single metric dependent variable and several metric independent variables. The dependent variable for the second model was amount of credit card debt measured in metric units (US \$), while five of the independent variables were measured using the ratio scale, and the sixth independent variable (marital status) was measured using the nominal scale; however, it was transformed into dummy variable having two categories (1=married, 0=single). Therefore, all independent variables met the assumptions of metric scale for multiple regression. The multiple regression for the second model is presented as follows:

RESULTS AND DISCUSSION

Demographic and Socioeconomic Characteristics

Using credit cards has become increasingly popular as a method of payment. The characteristics of an individual will determine the decision to consume a particular product or service while demographic characteristics influence a consumer's decision to possess a credit card (Sayono, et al., 2009b; Sumarwan 2011).

This study interviewed 537 respondents, of whom 337 were male and 200 were female. Table 1 presents the demographic and socioeconomic characteristics of the respondents. About 63 per cent of the respondents were male and slightly more than half (56%) of the respondents were single. Many respondents were in the early stage of their careers and they were mostly younger than 30 years of age. Some of them were fresh graduates from undergraduate programmes from various universities. The average household size was four peoples (sd=1.6). More than half of the respondents (65.20%) had a small family (<4), less than a third of respondents had a medium-sized family (5-7 persons), and only a small proportion of respondents (1.5%) had a large family (> 8 people). The average household saving was USD370 dollars. Average household expenses amounted to USD460, and the average income was USD1055.

Credit Card Variables

Table 2 presents credit card variables. Among 537 respondents, about 53% of the respondents did not have any credit card. The number of credit cards owned ranged from one to eight credit cards. About 19% of the respondents owned only one credit card, followed by two credit cards (15%) and three credit cards (6%). The average number of credit card owned was one, and the average amount of credit card debt was USD75 dollars.

Model 1. Factors Influencing Credit Cards Ownership

Table 3 presents the results of logistic regression analyses of factors influencing the probability of credit card ownership. The dependent variable (Y1) for Model 1 was the ownership of credit card. Y1 was coded 1 if the respondents had at least one credit card, and was coded 0 if the respondents did not have any credit card. The independent variables for Model 1 were household size, marital status, saving, expenses, and income. Model 1 had R^2 of 0.21, which means

Table 1: Demographic and Socioeconomic Characteristics

Demographic		n	%		
Gender	Male	337	62.80		
	Female	200	37.20		
Marital Status	Married	237	44.1		
	Single	300	55.9		
Household Size	Min	Max	Mean	Standard Deviation	
	1	10	4.0	1.6	
Socioeconomic (in USD) Saving		0	769.23	369.78	3,724.77
Expenditure (in USD)		11.54	6,538.46	459.12	637.50
Income (in USD)		192.31	10,000.00	1,054.38	1,197.42

Table 2: Number of Credit Cards and Debt

Number of Credit Cards	n	%		
0 (no credit card)	282	52.50		
1	103	19.20		
2	83	15.50		
3	32	6.00		
4	21	3.90		
5	8	1.50		
6	4	0.70		
7	2	0.40		
8	2	0.40		
	Min	Max	Mean	Standard Deviation
Number of Credit Cards	0	8	1.0	1.4
Credit Card Debt (in USD)	0.00	1,230.77	75.31	158.99

that about 21% of variation in credit card ownership variable can explain the independent variables.

Table 3 provides beta (B) coefficient and Exp(B) which was exponentiated coefficient. The beta coefficient is the original coefficient. Its positive and negative signs indicate the direction of relationship between the independent variables and the dependent variable. The positive sign represents an increase in the independent variable, associated with an increase in the predicted probability of dependent variable (the probability of having credit card). The negative sign reflects an increase in the dependent variable, related to a decrease in the predicted probability of dependent variable (probability of having credit card). The original coefficients are presented as logit value, where a value of 0.00 equals to an odd value of 1.0 and a probability of 0.50. The negative values of the original coefficient means an odd less than 1.00 and probabilities less than 0.50.

The exponentiated coefficients are the logarithm of the original coefficients; therefore, they are interpreted differently from the original coefficient. The exponentiated coefficient will not have negative value. Because the logarithm of 0 (no effect) is 1.0, therefore an exponentiated coefficient of 1.0 represents a relationship with no direction. Exponentiated coefficients larger than 1.0 means a positive association and a value less than 1.0 reflects a negative correlation.

Marital status had a positive beta coefficient of 0.821 with significant level of 5%. This means that marital status had a positive and significant effect on credit card ownership. The Beta coefficient was the original coefficient indicating the relationship between marital status and the probability of credit card ownership. The positive beta coefficient indicated that marital status variable increased the probability of having credit cards. Married respondents had a higher probability of having credit cards than those who were not married. Married respondents were also more likely to have credit cards than those who were not married. Married respondents were usually older than the rest of the respondents and they were more likely to have longer job experience and thus they had higher income. This finding was consistent with previous research which states that marital status affects credit card ownership (Ludlum, Tilker, Ritter, Cowart, Xu & Smith, 2012). Credit culture is very closely related to household needs such as the purchase of household appliances, homes, and vehicles. This will encourage people who are married to use credit cards.

Income had a positive coefficient of 0.0006 with significant level of 1%, which showed that income had a positive and significant effect on credit card ownership. The positive beta coefficient of income indicated that an increase in the income level of the respondents increased the probability

Table 3: Logistic Regression on Factors Influencing Credit Card Ownership

Independent Variables	B	Exp(B)	Significance
Household Size	-0.069734683	0.932641233	0.256
Marital Status	0.507805609	1.661640901	0.014
Saving	0.00033243	1.000332486	0.631
Expenses	0.00045817	1.000458275	0.125
Income	0.000636146	1.000636348	0.000
Constant	-1.467797836	0.230432377	0.000
R Square = 0.21			
Significant level = 0.000			

Note: Logistic Regression on Factors Influencing Credit Card Ownership
(Dependent Variable: Y = Credit Card Ownership 0 = No Credit Card; 1 = Have Credit Card)

of respondents having credit cards. Respondents with higher incomes had a higher probability of owning credit cards than those with lower incomes. Income represented the ability to repay the debt, and also represented the purchasing power of the respondents. All credit card applicants are required to provide income statements to credit card issuers. Credit card issuers use income as an indicator of applicants' ability to repay their debt payment; therefore, applicants with higher incomes are more likely to be granted credit cards than those with lower incomes. This is in line with the research conducted by Fogel and Schneider (2011) who found that higher income respondents are more likely to have more credit cards and a higher amount of credit card debt.

The beta coefficient of household size was -0.069734683. The beta coefficient of savings was 0.00033243, and the coefficient of expenses was 0.00045817. These three beta coefficient were not significant at 5% level. This indicated that household size, saving,

and expenses did not have significant effects on credit card ownership. The changes in the value of household size, saving, and expenses did not change the probability of having credit cards.

Consumers' decision to have credit cards was not determined by their household size. Their decision was mainly influenced by their ability to repay their debt. Regardless of consumers' household size, as long as their income meet the requirement of credit card issuers, consumers are usually granted credit cards by the banks. It was surprising that saving was not significant in affecting credit card ownership. Credit card issuers usually use savings as a consideration in granting credit cards to applicants. The insignificant effect of savings may be due to small variation in the amount of savings the respondents had. The small variation in the independent variable will not have an impact on the variation in the dependent variable. Thus any change in savings will not change the probability of having credit cards.

Expenses also appeared to have insignificant effect on the probability of having credit cards. Expenses reflected the amount of income spent on various products purchased by respondents' family. In brief, expenses were calculated by subtracting income from savings and therefore there were relationships between savings, expenses and income. Among the three variables, only one variable may represent the economic or financial resources of the respondents. The model provided proof that income was the significant variable in the model and it became the best indicator of family financial resources.

Model 2. Factors Influencing the Amount of Credit Card Debt

Table 4 shows the results of multiple regression models of factors influencing the amount of credit card debt. The R square of the model was 0.443, indicating that about 44% of the variation of the amount of credit card debt was explained by the independent variables. Three independent variables: expenses, income, and number of credit cards had positive and significant effects on the amount of credit card debt.

The coefficient of expenses was 0.022 with significant level of 10% which indicated that expenses had a positive and significant effect on the amount of credit card debt. An increase in household expenses by USD1 will increase the amount of credit card debt by USD0.022 with the assumption of other variable values held constant. The positive significant coefficient of

expenses means that respondents who had higher household expenses had a larger amount of credit card debt than those who had less household expenses. The higher the household expenses, the larger the amount of credit card debt. When the respondents purchased goods and services for family needs, they could use credit cards for payment. Respondents who paid the full amount on their credit card bills were those who used credit card as a method of payment. Respondents who paid only some of the amount on their bill by the due date were those who used credit cards as revolving credit. The dependent variable of this study was the amount of credit card debt which implied that respondents financed their household expenses by using credit card as revolving credit.

The second factor which significantly affected the amount of credit card debts was income. Income had a positive coefficient of 0.047 with significant level of 1%. This meant that when the income of respondents increased by USD1, the amount of credit cards debt would increase by USD0.047. The amount of credit card debts was associated with income. Higher income respondents were related to respondents with larger amount of debts. Credit card issuers usually use income as a proxy for consumers' ability to pay their credit card bills. Credit card issuers will give a larger amount of credit line for consumers with higher income. Respondents with higher

income felt that they had higher ability to repay their debt; therefore, they felt comfortable to have a larger amount of credit card debt. It was not surprising that higher income respondents were more likely to have a larger amount of credit card debt. The results of the study were consistent with previous studies that found income influences debt (Chien & Devaney 2001; Sari & Rofaida 2011; Fogel & Schneider, 2011).

The number of credit cards had a positive coefficient of 43 with significant level of 1%. This result suggested that the number of credit cards had a positive effect on the amount of credit card debts. Respondents who had a larger number of credit cards were more likely to have higher amount of credit card debt. An increase of one credit card would increase the amount of credit card debt by USD43. Each credit card would provide a certain amount of credit line; therefore, a larger number of credit cards would be associated with a higher amount

of credit line. Respondents who had a higher amount of credit line would have the opportunity to use their credit line as revolving credit. Thus they would have higher probability of having higher credit card debt. This suggests that ownership of credit cards will make consumers more likely to have debt. Credit cards will make it easy for consumers to buy and to spend even if they do not have enough cash. Credit cards will facilitate consumers to buy now and pay later. As such, the larger the number of credit cards, the higher the amount of debt held.

CONCLUSION AND IMPLICATIONS

The results of the study show that income has a positive and significant effect on both credit card ownership and the amount of credit card debt. Income appears to be the strong predictor of credit card ownership and the amount of credit card debt. Higher income individuals are more likely to

Table 4: Factors Influencing the Amount of Credit Card Debt

Independent Variables	Unstandardized Coefficient	Standardized Coefficient Beta	Significance
(Constant)	-15.899		0.455
Household Size	-0.597	-0.006	0.860
Marital status	-6.261	-0.020	0.579
Savings	-0.001	-0.028	0.391
Expenses	0.022	0.087	0.060
Income	0.047	0.356	0.000
Number of Credit Cards	43.170	0.386	0.000
R Square = 0.443			
Significance = 0.000			

have credit cards, they are also more likely to have a higher amount of credit card debt. Marital status positively and significantly influences credit card ownership. However it does not have significant effect on the amount of credit card debt. The number of credit cards is a strong predictor of amount of credit card debt. Possession of a larger number of credit cards is related to a higher amount of credit card debt. Household size is not significant in influencing credit card ownership and amount of credit card debt. Similarly, savings do not have significant effect on credit card ownership and amount of credit card debt.

The results of the study provide important implications for those who are concerned with consumer education. Consumers with higher income may have more credit cards but they will tend to use credit cards as revolving credit rather as a method of payment. If consumers are not regularly made aware of this, they will not realize the consequences of their credit behaviour. Their convenience of shopping using credit cards will increase their credit card debt. Consumers who are not wise in using credit cards will face financial problems, and this will create problems for the financial industry because non-performing loans will also increase. Consumer educators and authorities of financial services need to conduct public campaigns to make consumers wise in using credit cards. ■

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Microfinance through Islamic Banks & Zakah (A Novel Practice)

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ABSTRACT

The failure of the current microfinance programmes in financing with zero interest and eradicating poverty encouraged the authors to look at a recent practice which can achieve such goals. Hence, the main objective of this paper is to present one of the Islamic approaches of microfinance which is currently practised in Sudan and which succeeded in financing with zero-interest through Islamic banks and zakah. This research used qualitative method in gaining some insight into the problem and to find the alternative solution. To achieve this, secondary data was used by referring to annual reports, World Bank reports from relevant web sites, the central bank's policies, published books, articles and journals. The results present the practical Islamic approach of micro-financing through Islamic banks and zakah, thus nullifying the misconception that banks are institutions which are not set up to provide financial services to the poor and needy.

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Keywords: Islamic Banks, Microfinance, Zakah, Zero-interest

INTRODUCTION

Poverty is no longer viewed as only an economic phenomenon, but is universally recognised as a social as well as political problem. The extent or degree of poverty varies from one community to another and of course from one place or country to another. It does not only depend on resource endowments, population size, economic and social policies, but also on the kinds of economic activities that are being undertaken. What is significant

is the sort of policies which are formulated to eradicate poverty and to what extent their implementations are sufficiently successful in meeting the objectives. Since poverty prevails in almost every community, the past decades have witnessed different approaches to poverty eradication which have been adopted by different communities, depending on the extent of poverty, resource endowments, ideology, the level of political commitment, etc., (Alhabshi (1996). One of these approaches is the microfinance approach.



For the past decades, the World Bank Group has partnered with governments worldwide to reduce poverty by providing financial services through many anti-poverty programmes. Among these anti-poverty programmes is the microfinance programme which has become one of the schemes for poverty reduction and economic redevelopment strategies around the world since the 1970s (Van Saten, 2010). The main objective of this microfinance programme is to provide loans to unemployed or low-income individuals or groups, specifically the moderate poor who are usually outside the formal banking system, to start their small business. Hence, millions of people have been accessing the services of formal and semi-formal microfinance institutions (MFIs). As a result, it has become a vast global industry involving a large number of governments, financial institutions and non-governmental organizations (NGOs) aiming to eradicate global poverty in developing countries including Muslim countries. However, all these programmes lend with interest, a situation which creates persistent poverty especially for those who fail to repay on time. According to World Bank statistics (2014), there are more than 500 million people who have benefited directly or indirectly from microfinance programmes in 100 developing countries, including Muslim countries. And these anti-poverty schemes have succeeded in reducing the poverty of people who lived on less than USD1.25 a day from 1.94 billion people in 1981 to 1.91 billion people in 1990 and to 1.22 billion people in 2010. However, the World Bank predicts that even if the current rate of progress is maintained, some 1 billion

people will still live in extreme poverty in 2015 (Investopedia 2014).

Since the main objective of conventional microfinance programmes is to lend with interest, which is not accepted in Islam, then what is the alternative Islamic approach to microfinance?

Theoretically speaking, according to Abdul Rahman & Dean (2013), the present structure of the banking system is not designed to finance the needs of the poorer segments of Muslim society. As such, they suggested that all central banks in Muslim countries review their policies in order to encourage Islamic banks to be engaged in microfinance. Abdul Rahman (2010) further argued that Islam has the potential to provide various schemes and instruments that can be advanced and adapted for the purpose of microfinance, such as *qard hassan*, *murabahah* and *ijarah* which are relatively easy to manage and to ensure the capital needs of potential micro-entrepreneurs and the poor.

Since the main objectives of Islam is to finance with zero interest, then Islamic microfinance institutions are one of the most suitable and important tools to combat poverty in Muslim countries. Realizing this fact, Sudanese banks entered the field of microfinance in 1994/1995 with the emergence of full-fledged Islamic microfinance supported by the Central Bank of Sudan. During that time, a new act was issued by the Central Bank which encouraged all banks in Sudan to carry out their social responsibility through providing microfinance to small producers, craftsmen,

productive households, professionals and low income people through *Musharakah* and *Murabahah*. Since then, microfinancing has been provided by Islamic banks and other financial institutions in Sudan.

LITERATURE REVIEW

There has been much research in microfinance and poverty eradication from the conventional as well as from the Islamic perspective. This section will highlight the views of some writers in discussing the issue from both perspectives.

Wrenn (2005), in his paper mentioned that microfinance is a relatively new concept which emerged in the 1970s in the field of development. Prior to that, from the 1950s to the 1970s, the provision of financial services by rich people or governments was mainly in the form of subsidized rural credit programmes and which usually resulted in high loan defaults, high losses and the inability to reach poor households.

Otero (1999) defined microfinance as a provision of financial services to low-income poor, and very poor self-employed people. Moreover, she added that since its inception in the 1970s, microfinance has evolved in amazing ways, incorporating into its practice social and economic development concepts, as well as principles that underlie financial and commercial markets, which resulted in an increased number of microfinance institutions around the developing world. However, she declared that it would be successful only if it was able to strike the right balance between the two frameworks - development and finance - that underlie its practice.

Chowdhury (2009), while acknowledging the role of microfinance as an important role in providing a safety net and consumption smoothening since borrowers of microfinance can benefit from learning-by-doing and from self-esteem, argued that its impact on poverty reduction remains in doubt.

Hulme and Mosley (1996), while acknowledging the role of microfinance in helping to reduce poverty, concluded that most contemporary schemes are less effective than they could be. They further stated that microfinance is not a panacea for poverty-alleviation and that in some cases the poorest people have been made worse off because of the interest.

Khavul (2010) acknowledged that microfinance is an emerging phenomenon that opens access to capital for individuals previously shut out from financial services. However, he argued that microfinance is poorly understood, and it remains unclear whether it delivers on its promises.

The weaknesses of conventional microfinance has been examined further by Khabir (2014) who in his paper stated that although the key objective of microfinance is providing credit access to the poor, there has been much debate among development specialists regarding what activities actually constitute a micro business and whether or not microfinance is being used merely for consumption smoothing purpose only. He further realized that in many cases the borrowers start by taking loans for micro-business but end up with fulfilling immediate consumption needs, turning

microfinance into merely a consumption-smoothing act.

Islam, Mohajan and Datta (2012) stated in their paper that Grameen bank is the largest microfinance bank in Bangladesh. It provides loans to assetless and landless poor people and even for dowry which they believe is against women's rights. They further stated that the rate of interest charged by Grameen Bank is very high and due to this, the poor women cannot use the loan in a high profitable business to bear this burden, so some of the borrowers lose lands and assets to pay for the loan.

Alhabshi (1996), in his paper provides an example of a modern Islamic microfinance through Amanah Ikhtiar Malaysia (AIM) which provides loans to many women and which has been supported by the Malaysian government by providing more funds to AIM in order to carry on its financial goals.

Habib (2004), highlighted that although various policies have tried in the last few decades to mitigate the menace of poverty, it still continues to plague large segments of humanity in general and IDB member countries in particular. In his paper he tried to solve the problem using the Islamic approach and he explained the role of zakah and waqf as the best components in addressing the problem of poverty which has to be studied carefully.

Overview of The Sudanese Economy

Sudan is an African-Arab country located in North Africa, bordered by Egypt in the north and the Red Sea in the North East. It is considered a junction between the Middle

East and sub-Saharan Africa. It is characterized with productive lands, sufficient livestock and industrialized sectors. However, Sudan has been facing internal political and economic problems since its independence which ended in July 2011 with the separation of the southern part of Sudan from the northern part. Moreover, the country is facing many economic problems such as a high rate of unemployment (15.9%), a high rate of illiteracy (29%), lack of good healthcare and relatively lower than average life expectancy of 57 years and a high 46% rate of poverty (Sudan Overview, 2014). In addition, Sudan is still suffering from huge amount of external debt accumulated due to interest on old borrowing. In 2012, the size of its foreign debt rose to USD42 billion due to non-payment and interest accrued as a result of borrowing in the 1970s (Babiker, 2013). As a result, many national and international anti-poverty programmes emerged in Sudan during the last decade, including microfinance to help in eradicating poverty. Understanding the position of Islam on the prohibition of interest/riba and realizing its harmful impact on the Sudanese economy has encouraged the Sudanese government in 1980s to replace its conventional banking system with the Islamic banking system, thus providing zero-interest financing.

Islamic Microfinance in Sudan

The history of the national and international microfinance programmes in Sudan as a policy targeting the poor with financial services is relatively recent. The first international experience of microfinance was the Faisal Islamic Bank which started at the end of the 1970s to provide microcredit

services to skilled workers and craftspeople in urban centres. During that time, Faisal Islamic Bank provided loans for micro-financing and charged conventional interest, which was not accepted by the Central Bank of Sudan in the 1980s. Hence an immediate blocking of such programmes was undertaken during that time. Alternatively, a replacement programme was started by Non-Governmental Organizations (NGOs) in the form of providing microcredit to the same groups which were targeted by Faisal Islamic Bank to help alleviate urban poverty and unemployment. This practice took the form of rotating the same funds; specifically, the same amount of debt recovered was reissued as credit to other applicants (Eissa, 2013). Even though many craftsmen in urban centres benefited from this programme, the services by these NGOs were limited due to limited funds for this programme (UNDP, 2008). This encouraged the Sudanese government to find alternative ways to provide Islamic microfinance through Islamic banks and later through both Islamic banks and zakah.

Microfinance through Islamic Banks

In 2001, the Central bank of Sudan imposed a mandatory policy for all banks, public as well as private banks, to allocate 10% of their investment portfolio for microfinance as a strategy towards poverty alleviation. In 2002, the process for microfinance was divided into direct provisions from the government of SP350 million (USD168 million) and the banks (Al Ebeid, 2012). Since currently all banks in Sudan are operating on the Islamic basis, the approach for microfinance is also through Islamic transactions, namely *Murabahah*,

Mugawalah, *Mudarabah*, *Musharakah* and *Salam*. Figure (1) shows the structure of the Islamic microfinance approach through Islamic banks in Sudan.

This microfinance model was practised in 2003 and 2004 by 19 public and private banks. Even though it was realised that some of the contributions of these banks was negligible in comparison to their total resources, nonetheless, it is important to note that four banks showed great concern for this programme with the sole mission of stimulating development in those respective sectors (Al Ebeid, 2012).

As seen in Table (1), Agricultural Bank was originally set up to provide credit for agricultural small-holders. Due to the risks involved in dealing with poor peasants, the bank gradually shifted to rich farmers who can offer collateral as a guarantee of repayment. It is currently financing irrigated agriculture which is even less risky than large rain-fed plantations of the rich farmers. With regard to the Farmer Commercial Bank, this bank provides comprehensive banking services for all segments of society with attention to small-scale producers. The primary mandate of Al Nelain Bank, also known as the Industrial Development Bank, is to provide credit for the small industries sector. Savings Bank was originally set up by the Ministry of Social Affairs as a small savings and microfinance bank. For this reason, it shows substantial commitment to microfinance, amounting to nearly 30% of its outlay, as can be seen in Table (1) (Alshafie, 2012).

The success of these banks in providing microfinance through the Islamic mode of

finance encouraged the Central Bank of Sudan to establish an independent Microfinance Unit (MFU) in 2007 to organise the microfinance sector. Additionally, in 2010, the Central Bank of Sudan increased the allocated portion of the investment portfolio from 10% to 12% and project finance of SP20,000 for all banks. A mandatory circular was issued for all banks in Sudan stating the following (Al-Zubair 2012).

"Investing 12% at least, of the investment portfolio for each bank, for the year 2012, in financing the projects and programmes of the small finance, micro finance, mini finance and the small finance with a social dimension and encouraging the banks and micro finance extending institutions to reach the targeted segments."

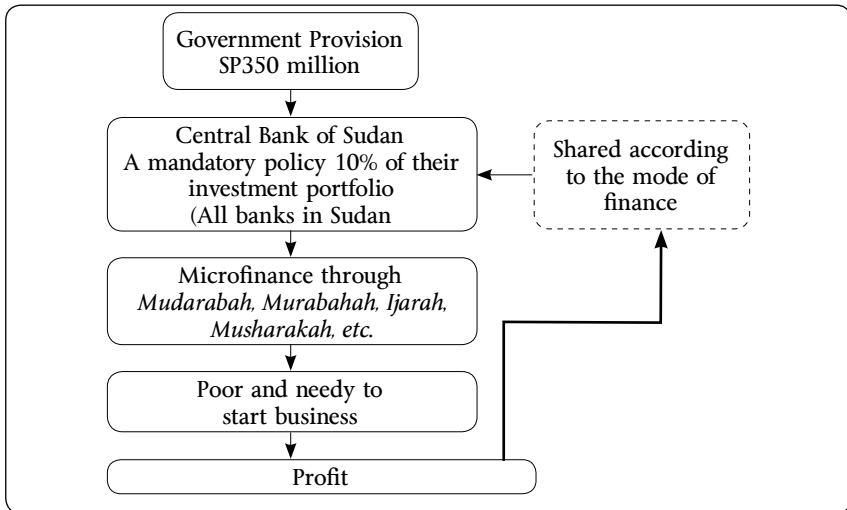


Figure 1: Microfinance through Islamic Banks

Source: Adopted from Abdel Mohsin, (2014)

Table 1: Sudanese Banks and Microfinance (2003-2004)

Banks	No. of Projects		Default Rate %		Microfinance Total Finance %	
	2003	2004	2003	2004	2003	2004
Banks	2003	2004	2003	2004	2003	2004
Agricultural Bank	653	864	29	15	0.82	1.14
Bank of Khartoum	15	5	0.03	--	0.02	0.00
Nelain Bank	1,995	1,019	13	17	3.65	2.24
Savings & Soc. Devt. Bank	2,618	5,426	24	18	29.02	29.88
Development Coop. Bank	32	51	--	0.05	0.09	0.13

Continuation of Table 1: Sudanese Banks and Microfinance (2003-2004)

Sudanese French Bank	36	9	.08	54	0.17	0.02
Al Ahli Sudanese Bank	37	46	2	2	0.40	0.60
Tadamon Islamic Bank	23	14	1	1	0.04	0.02
Sudanese Islamic Bank	160	140	5	3	0.65	0.50
Al-Baraka Bank	55	60	--	--	0.08	0.05
Export Development Bank	150	125	5	14	5.36	3.64
Workers Bank	55	33	3	0.35	0.61	0.19
Northern Bank	56	99	--	6	0.47	0.63
Real Estate and Commerce Bank	0	1	--	--	0	0.01
Farmers Commercial Bank	1,547	1,470	3	3	1.00	0.55
Animal Resources Bank	54	24	9	16	0.09	0.05
Omdurman National Bank	140	54	1	--	0.03	0.01
Ivory Bank	--	4	--	--	0	0.12
Gedarif Investment Bank	2	--	--	--	0.01	0
Total	7,628	9,444				

Source: Adopted from the 2006 Annual Report of Central Bank of Sudan

This is followed by the following policies from the Central Bank of Sudan:

- Introducing guarantee services via insurance companies according to the micro-finance insurance policy document in addition to the applicable guarantees.
- Setting up Kafalat Corporation, with a capital of not less than SP200 to render guarantee services to wholesale microfinance for the purpose of encouraging the banks to extend wholesale finance to microfinance institutions in the states and to the targeted sectors.
- Supporting the banks specialized in extending microfinance services and setting up and sponsoring microfinance institutions in all of the states.
- Contribution by the Central Bank to

the capacity building and training project for banks and institutions which extend microfinance in addition to provision of training to micro finance recipients (enabling and employing one thousand graduates to work in the banks as microfinance officers).

- Granting the graduates' projects first priority of financing from the resources earmarked to microfinancing from the banks and setting up special windows for financing the graduate projects in all the micro financing institutions in the states.
- Bolstering the graduates' projects portfolio and developing it by extra resources, not exceeding SP50 million.

Moreover, for Micro and Mini Finance Policies, the following policies were issued:

- Encouraging microfinance to contribute to achieving economic and social

development by increasing the contribution of the microfinance projects to the gross national income, the provision of employment opportunities, alleviation of poverty acuteness and achievement of social justice.

- Providing finance to women, graduates and youth projects, laying down the principles of social justice, distributing wealth between the population groups and segments and the various geographical areas as a stimulus for encouraging a reverse migration to the rural areas and bringing about stability, integration and settlement.
- Facilitating access of the micro and small finance services to the weak segments incapable of accessing the official financial services, through electronic transfers, mobile branches, rural agencies and intermediaries; working toward building confidence in clients founded on project quality, credit date, salaries and pensions as a guarantee for financing; in addition to reinforcing the role of small savings as a guarantee for granting and recovering the finance.
- Stimulating and supporting the establishment of micro finance institutions in the states, encouraging banks and the microfinance institutions to apply best practices for achieving sustainability of microfinance, and, popularizing the banking culture which enhances the capacities of microfinance and small finance.
- Striving to create an enabling environment for stimulating small savings and promoting the level of savings and investment through mobilization of capital from individuals, societies and non-government organizations and endeavouring to obtain a special exception from the Taxation Department to exempt microfinance projects from all Federal and State taxes throughout the repayment period.

Hence in 2012, this policy was implemented by nine banks, i.e. Agricultural Bank, Savings & Social Development Bank, Islamic Co-operative Development Bank, Workers Bank, Real Estate and Commerce Bank, Farmers Commercial Bank, Animal Resources Bank, Industrial Development Bank and Family Bank which was established by the Central Bank of Sudan in 2008 solely to provide services on microfinance basis and to the targeted category. Foreign and semi-foreign banks are still far from realizing the 12% ratio. It is clear that banks who met, or even exceeded, the ratio are government banks or those with a large component of capital owned by the government (Central Bank of Sudan, 2012).

In general, the modes of finance used by these banks for microfinance are *Murabahah*, *Mugawalah*, *Mudarabah*, *Musharaka* and *Salam* each for a specific purpose as shown in Table 2.

The sectors which have been funded through microfinance through these banks are the agricultural, service, commerce, real-estate, professing and transport sectors as seen in Table 3.

Among the microfinance projects which were provided by the Savings & Social Development Bank in 2013 in the different states are for small producers of Arabic Gum, for working women, and for the Alzahraa project for eggs production as shown in Table 4.

Microfinance through Diwan Al-Zakah

Diwan al-Zakah (Zakah Chamber) was

established by the government in 1990 as a centralized body to collect and to distribute zakah money to the eight recipients of zakah as mentioned in al-Quran in Surah Al-Tauba (9:60). Since then zakah has been compulsory for all eligible Sudanese Muslims working inside as well as outside the country and for all foreign Muslims working in Sudan. The first amount collected in 1990 was SP278 million, which increased to SP192 billion in 2003 and reached SP232 billion in 2010. Out of this amount, 61% of the collected zakah is allocated to alleviate poverty through paying directly to the poor and the needy in cash. Recently and due to the call for microfinance, 40% of that amount is paid directly to the poor and needy and 21% is given in kind as a means of production and subsistence schemes rather than in the form of handouts to enhance consumption (Awad, 1993). Hence, through this scheme, zakah has become an income-generating instrument for many families as it helps them to come up with

their own small business (Nur, 1996). In this case, the poor are given not only what satisfies their immediate basic needs but they are also provided with tools and equipment to start their small business and to earn income rather than rely on charitable handouts.

The success of this scheme encouraged Diwan al-Zakah to be involved in micro financing together with the Islamic banks in Sudan. In 2010, Diwan al-Zakah was involved with 32 banks in providing microfinance to needy families. In total, this scheme allocated SP200 million (USD75 million). SP150 million was provided by the banks and SP50 million was given by Diwan al-Zakah. Through this scheme they managed to finance 83,000 families who have become active members in society. This scheme gives qard-hassan loans or benevolent loans which have to be repaid to Diwan al-Zakah. Although this approach has been criticized by some scholars since zakah should be given as assistance the poor and not

Table 2: Modes of Finance Using Microfinance

MODE OF FINANCE	PURPOSE
Murabahah	Implemented when customers wish to buy new assets, (e.g. machines, equipment and livestock like cows and goats)
Mugawalah	Implemented when customers are in need of money and labour at the same time, (e.g. building of a room or a shop, maintenance of a car digging a well, etc).
Mudarabah	Implemented in the case of financing groups or associations that have had previous successful experiences with the bank in the domain of granting microfinance in murabahah mode
Musharakah	Represents partnership between the bank and its customers in the capital and management of a project
Salam	Implemented in the financing of small farmers in both rain-fed and irrigated sectors

Source: adopted from E-Source, http://198.20.244.191/~ssdbank/sudasiteen/index.php/microfinance/microfinance_services/3002-getting_started.html

to be repaid to zakah authorities (Bakheet, 1997), it is realized that this scheme has succeeded in empowering families, nevertheless, this scheme needs further improvement according to the teachings of Islam. Figure 2 shows a combined structure of Microfinance through Diwan al-Zakah and Islamic Banks.

Besides providing funds, Diwan al-Zakah organizes courses and prepares a manual for training in microcredit. In fact, almost all the activities of this institution are directed towards poverty alleviation and through their cooperation, Diwan al-Zakah and the banks have managed to eradicate poverty

Table 3: Sectors Funded through Microfinance Services

SECTORS	SIZE OF FINANCE IN MILLION SUDANESE POUNDS (SP)	%
Agricultural	26.2	20
Services	68	52
Commerce	16	12
Real-Estate	9	7
Professing	7.8	6
Transport	3.9	3
Total	130.9	100

Source: adopted from E-Source, <http://198.20.244.192/~ssdbank/sudasiteen/index.php?news=3017>

Table 4: Microfinance Projects provided by Savings & Social Development Bank

MICROFINANCE PROJECTS	SIZE OF FINANCE SUDANESE POUNDS IN MILLIONS	MEDIUM OF SIZE OF FINANCE SUDANESE POUNDS (SP)	BENEFICIARIES INDIVIDUALS/ HOUSEHOLDS
Arabic Gum Small Producers (States: South & North Kordofan, Sinnar, North Darfur)	5.0	500	3358
Womens Associations (States: North Kordofan and Kassala)	4.7	3117	1479
General Union For Sudanese Women (All states)	5.4	1226	4402
Alzahraa egg production (Shendi and River Nile)	5.0	7000	600

Source: adopted from E-Source, <http://198.20.244.192/~ssdbank/sudasiteen/index.php/microfinance/index.1.html>

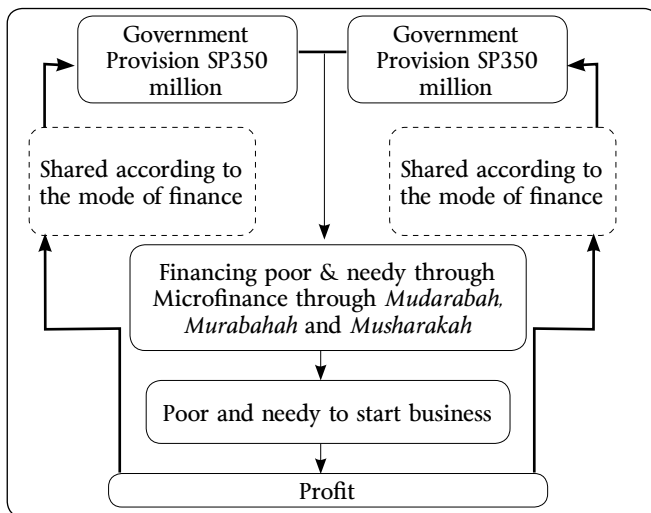
among 120,000 families with microfinance services (Alshafie, 2012).

In general it has been estimated that the number of beneficiaries that benefited from microfinance in 2013 reached more than 7 million in the different states (SDB, 2015).

CONCLUSION AND POLICY IMPLICATIONS

The paper highlights the fact that even though conventional microfinance schemes have succeeded to some extent in financing “unbankable” people, yet they fail to alleviate the poverty of the poor and the needy. Besides, they burden these people with interest which is not only prohibited in Islam but will also ensure persistent poverty of those who fail to repay their due amount. Looking at the alternative Islamic approach in solving such issues, the paper provides the current practice of microfinance through Islamic banks and zakah in Sudan. This Islamic microfinance approach uses almost all types of Islamic transactions, such as *Murabahah*, *Mugawalah*, *Mudarabah*, *Musharakah* and *Salam*, and hence, succeeds not only in financing the poor and the needy with interest-free microfinance but also in helping many families to start their own small business and come out of poverty.

Figure 2: Microfinance through Diwan al-Zakah and Islamic Banks



Source: Adopted from Abdel Mohsin (2014)

Besides, the new strategy of zakah distribution of using a portion of its fund in the form of financing productive projects through qard-hassan loans or benevolent loan for the poor and needy instead of giving it all in the form of consumption handouts will open the door for more in-depth research to study this approach for the benefit of the poor and needy. We hope that the current practice of microfinance through Islamic banks in Sudan will change the misconception of the relevant features of today's banks and financial institutions to provide financial services to the poor and the needy. ■

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Managing Ecotourism Business in Rural Malaysia: Challenges & Issues

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INTRODUCTION

There is a new wave of tourists who are saying “no” to mass tourism, irresponsible operators and resorts that are destroying the local environment. These tourists want real quality experience. They want to know that the shower they are taking is not depriving a village of water. They want to know that the hotel they are staying at is not robbing the locals of their livelihood. They want to also know that their very presence is not offending the local communities. Travel is about relaxation, rejuvenation, adventure, fulfilment, playfulness and sharing experiences rather than just ‘places and things’. It certainly is not about being cooped up in a tourist compound. This is what “Responsible Tourism” (RT) is all about. RT is the way forward to conserve the fragile ecotourism resources today for the generations to come.

In the Asia-Pacific region, there is an increased interest in developing ecotourism as it is one of the forms of tourism that is closely associated with good environmental practices. The phenomenon of global warming is on the agenda in many forums across the

world including in Malaysia, raising much interest in the environment. Nonetheless, there also seems to be a spin-off from the discussions in the form of ecotourism business and initiatives in the region with many countries embracing the concept of RT.

Thus, this article presents the view point of the researcher who has more than 20 years’ of local and international experience working and carrying out research on sustainable ecotourism management. The viewpoint will be elaborated based on seven (7) debatable statements of the issues that are engulfing the ecotourism industry in Malaysia.

DEBATABLE ISSUES

Issue #1: Responsible tourism is the way forward for sustainable ecotourism management.

In essence, Responsible Tourism (RT) provides quality travel experience that promotes conservation of the natural environment and offers opportunities and benefits for local communities. Ideally, RT is tourism operations that are managed in such a way that they

preserve the local environment and culture so that it can continue to deliver the benefits for years to come.

The tourism industry's interest in appearing to be "green" or "sustainable" has increased exponentially over the past year. Although tourism is a profitable business (if managed well), the industry is taking its toll on the environment (not to mention the social impact on the local communities). For many people today, going on a 'green-holiday' is an increasingly central feature of the travel patterns that have spread across the globe. Has the tourism industry's growth throughout the years created an increasing amount of stress on the environment? Is "eco-tourism" and "green-tourism" considered sustainable or as being responsible? Is this niche tourism (opposite of mass tourism) doing more harm than good?

Green tourism is indeed the fastest growing sub-sector of the tourism industry. Similarly, ecotourism is becoming the fastest growing form of tourism in Malaysia, currently making up about 10% of the country's tourism revenue. Nonetheless, there are well-founded concerns that green-washing is instead slowly shadowing the ecotourism industry whereby this concept of responsible tourism seems to be lacking in adequate scientific foundations, and is not viable as a solution to the global environmental problem.

In Malaysia, the prefix, "eco" which represents "being green" or "environmentally friendly" may sound benign but there seems to be an over-use of these terms to denote the idea of being 'hip', 'cool' and 'friendly' to the environment. This can lead some tourism businesses to use this label as a marketing tool, merely paying lip service to environmentalism by declaring they are green with no action taken to ensure they are. It is undeniable that green travel has gone from being a trend for the more well-informed traveller to being part of mainstream consumer and corporate culture. Thus, certification and rating of ecotourism sites is critical for the tourist to be able to gauge destinations that are practising green-washing.

Issue #2: The overall evaluation of genuine ecotourism certification/rating is important to implement in Malaysia.

There are approximately about 500 potential or existing ecotourism sites in Malaysia as reported by World Wildlife Fund for Nature (WWF) in their report for the National Ecotourism Plan in 1996. Although this plan is obsolete, there are no further updates on the plan. Currently, the Ministry of Tourism and Culture, Malaysia, has awarded a tender to update the current National Ecotourism Plan. Thus, the true status of genuine ecotourism sites in Malaysia is unknown.



There are many agencies managing ecotourism in Malaysia, which makes the coordination and standardisation of all the codes of practice a challenge. At the national level, the main government bodies relevant to ecotourism are the Ministry of Tourism and Culture, Tourism Malaysia (Malaysia's tourism promotion arm), Ministry of Agriculture, including the Department of Fisheries (for Marine Parks), Department of Agriculture (for agro tourism which is related to ecotourism) and Department of Irrigation and Drainage (for river management). Within Peninsular Malaysia, other very important government bodies overseeing ecotourism resources and service provisions are the Department of Wildlife and National Parks (for national parks, wildlife reserves and sanctuaries and protection of wildlife), the Forestry Department with the constituent state forestry departments (for recreational forests), the State Governments (eco-sites within the boundaries of a state), the Economic Planning Unit and State Economic Planning Units, other departments and agencies such as the Department of Aboriginal Affairs, Veterinary Services Department, Forest Research Institute of Malaysia, the Malaysian Fisheries Development Board and universities.

Hence, with so many agencies at the national level involved in managing and monitoring the quality of the ecotourism sites, a central and standardised certification or rating

system is more critical for Malaysia, compared to the other countries in Southeast Asia where the management of ecotourism destination is not as complex.

Therefore, it can be said that the main problems in the current practice of ensuring sustainable development of the ecotourism industry in Malaysia are: (a) lack of effective and proper approaches for efficient sustainable management practice of ecotourism sites; (b) lack of enforcement in ensuring the ecosystem is sustained; (c) insufficient environmental cum ecological expertise that incorporates the fundamentals of responsibility and sustainability; (d) lack of consistent approaches in implementing mitigation measures and in satisfying the requirements of national environmental regulatory authorities; and (e) the large number of small organisations involved in tourism and related fields make the effort to collect data from them both costly and time-consuming, resulting in unreliable and incomplete ecotourism databases.

Hence, a reliable and consistent rating system or sustainability barometer is required to ensure the sustainability of these ecotourism sites, which can also be used for intelligent decision-making. A systematic system can be developed to maintain a certain level of standard in these eco-sites.

In order to make ecotourism development sustainable with minimum impact on nature, it is

important that all ecotourism sites are evaluated in terms of importance and attractiveness. Nonetheless, with the complex bureaucracy and the structure of the national tourism organisations in Malaysia, the execution of this certification and rating is dictated by the political party in power and the Minister who manages his or her Ministry for a period of four to five years before being replaced with another Minister who has his or her own vision during the period of his or her term as a Minister.

A comprehensive National Ecotourism Plan that was prepared by WWF in consultation with the ecotourism Guru, Architect Hector Ceballos-Lascurain for the then Ministry of Tourism, Malaysia in 1996 was not utilised to the maximum to effectively manage the ecotourism industry in Malaysia. Currently, the Ministry of Tourism and Culture of Malaysia has already awarded consultants to re-work the National Ecotourism Plan.

With that in mind, Taylor's University, Malaysia, in collaboration with Universiti Sains Malaysia, Universiti Putra Malaysia, Universiti Teknologi Malaysia and Universiti Malaysia Sarawak is currently developing a barometer to measure the responsibility and capacity of all rural tourism destinations which also encompass ecotourism sites. This is an important project which is funded under the Long Term Research Grant

Scheme of Ministry of Education, Malaysia. The five-year project (2011-2016) will determine the future of the natural resources in rural Malaysia which are dwindling by the day with uncontrolled development.

Issue #3: There are many challenges for tourism and the ecotourism movement in Malaysia today regarding how suitable current State and Federal Government masterplans are and their connection to 'eco'.

Current State and Federal Government policies need to further holistically focus on the impact of over-development on ecotourism destinations. Fifty years ago, Malaysia was a destination of eco-paradise with beautiful and coral rich beaches and one of the world's oldest tropical rain forests. The diversity of its flora and fauna was a result of undisturbed evolution over 130 million years.

Malaysia has plenty of natural attractions to satisfy even the most discerning of adventure seekers. With the South China Sea and the Indian Ocean lapping its shores, Malaysia has an enormous variety of flora, fauna and marine life to be enjoyed. Ecotourism has become a major enterprise in Malaysia in the last decade. Several pristine rain forest areas have now been turned into national parks and recreational parks. Total Protected Areas in Peninsular Malaysia have dwindled, with the major areas still in East



Malaysia (Sabah and Sarawak). Today, even this part of Malaysia is projected for development under the Sarawak Corridor of Renewable Energy (SCORE), Sabah Development Corridor (SDC) and also the Economic Transformation Programme (ETP). Development is essential in any progressive country to increase the quality of life of the community but what is despised is the unsustainable and irresponsible development that is widely affecting the fragile rural eco-sites in the country. It is hoped that the development in these eco-paradise destinations will be carried out carefully and not solely for commercial purpose.

In a market driven environment, what the ecotourism industry in Malaysia needs and the public must demand is a ruler for measuring the impact of tourism on natural resources. Ensuring that nature-based tourism and ecotourism establish and maintain high standards will be a challenge for all parties. The management of the sensitive ecosystem in the ecotourism context can one way protect a country's heritage and make it available for local education and tourism. The investment in such facilities is usually repaid through tourists who come in larger numbers and stay longer because there are more things to see and do and at the same time be contented that the sustainability of the site has been considered. The environment is the resource base for tourism; without protection, the natural attraction that

brought the tourist in the first place will be lost.

Issue #4: Ecotourism has played its part in terms of better understanding and integration between Malaysian communities and the indigenous people in rural destinations.

Tourism may have played its part in bridging the understanding of the multi-culture, which is Malaysia's selling point. The tagline "Malaysia Truly Asia" that has been adopted since it was introduced in 1999 in a worldwide marketing campaign, indeed portrays the unique cultures and harmonious living among the three distinct ethnic groups of Asia, i.e. the Malays, the Chinese and the South Asians. These three ethnic groups together, the Malays (of Malaysia, Indonesia and Brunei), the South Asians (of Malaysia, India, Sri Lanka, Bangladesh and Pakistan) and the Chinese (of Malaysia, China and a large part of North and East Asia), make up almost 75% of the world population. Thus, Malaysia is indeed a melting pot or a sample of what much of Asia has to offer. Thus, tourism in Malaysia has certainly capitalised on this unique advantage in terms of better understanding and integration.

Similarly, tourism has certainly opened the doors for the indigenous people especially in Sabah and Sarawak. Nonetheless, the benefits that tourism brings in alleviating poverty among these indigenous communities can still be increased. Many of them continue

to live in a natural environment which is getting scarcer day by day with deforestation for development and plantation expansion. The Sarawak Corridor of Renewable Energy (SCORE), Sabah Development Corridor (SDC) and the Economic Transformation Programme (ETP) will further displace these communities if the development is not carried out with these communities in mind.

Issue #5: Ecotourism can be a realistic alternative or add-on to plantations and forestry in Malaysia.

Ecotourism may not be a realistic alternative to plantations and forestry in Malaysia. Malaysia is one of the world's largest producers of natural rubber and palm oil. Despite the existence of the industries in Malaysia for so many years, Malaysia still faces the problem of poor management practice in land clearing. Although the incidence of slash-and-burn is under control in Malaysia in comparison to Indonesia, the haze problem still persists.

Although the total size of rubber plantations in Malaysia has dwindled over the last decade, oil palm, which is the backbone of the plantation industry today in Malaysia, expanded from 54,000 hectares in 1960 to 5.1 million hectares as at 2012. Hence, this represents nearly a 70-fold increase in size in the last four and a half decades. Palm oil cultivation occupies 66% of the 6.3 million hectares of total agricultural land.

Deforestation for oil palms and rubber estates is a problem in East Malaysia (Sabah and Sarawak). With oil palm and rubber still fetching reasonably good prices (although prices have dropped in recent times) on the market, ecotourism will never be a good alternative to plantations and forestry in Malaysia. Instead, the plantation industry in Malaysia must ensure the practice of sound environmental management by ensuring zero burning, good agricultural practices and the use of biological agents to reduce pests and effluents. The Roundtable on Sustainable Palm Oil (RSPO) is a non-profit organisation issuing the certificate that validates that the production of palm oil is sustainable. The RSPO certificate is crucial for plantations to export their products to European and other Western countries. Malaysia is subject to RSPO but recently, the Malaysian Palm Oil Association (MPOA) threatened to quit RSPO due to a stalemate in negotiations between the RSPO and Malaysian oil palm growers on a host of contentious issues. Hence, without a win-win solution, these plantations may continue with unsustainable deforestation practices that will destroy the ecotourism potential of some of these sites.

On the other hand in Peninsular Malaysia, the damage done to the ecosystem is irrevocable. The bird's eye view as the planes land at the Kuala Lumpur International Airport (KLIA) provide evidence of massive

land clearing, erosion and destruction of flora and fauna. Nevertheless, there are some commitments from some responsible companies in Malaysia's palm oil industry. A wildlife conservation fund of approximately USD7million has been launched. The revolving fund will, for a start, help fund a survey on Sabah's Orang Utan population that is disappearing fast due to deforestation. Indeed the fund is one of the many examples of corporate social responsibility and environmental care by the palm oil industry.

Today, palm oil cultivation in Malaysia is strictly regulated and only land designated for agricultural purposes is utilised. In addition, research has also indicated that in a number of oil palm plantations in Sabah, greater biodiversity in plantations attracts animals and birds. Thus, there are some add-ons that ecotourism can bring to these plantations.

Issue #6: There is a rising trend in luxury tourism development which includes golf course development in eco-sensitive destinations. The sincerity of golf course developers about greening their act is sometimes regarded as a deception to expand in a sensitive ecosystem.

"Environmentally friendly golf course" and "environmentally sensitive golf course design" are common marketing clichés. Some claim the following:

"This 36-hole golf course was formed on 750 acres of land of which 147 acres

were wetlands that formed a part of the fragile ecosystem . . . incorporated these areas into the course architecture in order to protect the wetlands and the unique wildlife habitat."

Golf course development is now emerging as a major environmental issue in Asia, especially in eco-sensitive destinations. The problem may not seem so acute in Malaysia. Nonetheless, because the maintenance of large, closely trimmed grassy areas is more difficult and environmentally hazardous in tropical areas which are home to greater numbers of pests, diseases and weeds, the problem of environmental damage exists.

In a small drought-prone developed rural destination like Langkawi, a major tourist destination in Malaysia, there is a demand for water by about 3 million tourists and three golf courses. With a population of about 99000, the fishing villagers and farmers are at the mercy of golf course developers who are not sincere in greening their act or even creating employment for the local community. They are more interested in expanding their business in sensitive ecosystems.

As a result, after losing their farms, many of these villagers end up as cheap labourers on the land they once owned. Working on these golf courses represents a drastic change from their once independent and self-reliant way of life. All too often, this

kind of change leads to the collapse of whole rural communities. Those who are not employed by golf courses move to big cities, contributing to the urban problems of slums, traffic congestion and pollution. Thus, golf course developers should not venture into eco-sensitive sites and do more damage and provide short-term commercial benefit to a few.

Issue #7: There is an increased interest in ecotourism and environmental issues among tourism academics around the world. Nonetheless, the level of research in ecotourism is still lacking.

There has been an increased interest in ecotourism and environmental issues across the Asia-Pacific. With the global warming phenomena being on the agenda in many forums across the world, including Malaysia lately, interest in the environment has steadily increased in the region. The spin-off to this in the region at present seems to be ecotourism, with many countries adopting the concept of "Responsible Tourism" (RT).

Thus, more applied and fundamental research is required to study the ability to implement good practices in ecotourism or responsible tourism. Currently, most research in this region seems to be just research, providing no practical use or benefit. Tourism academics in Malaysia and in the region can play a distinctive role in moulding

future graduates who are going to dictate the industry with qualities that are essential for the survival of mankind in this globalised age.

CONCLUSION

As the ecotourism business becomes increasingly popular, the Government has to react promptly in developing a clear policy with benchmark standards and procedures that can be used for monitoring compliance. Such standards and monitoring procedures can distinguish between valid ecotourism initiatives and other enterprises that have misappropriated the ecotourism label without commitment to its principles. Such measurements are also necessary to help honest ecotourism projects critique their performance and move closer to the ideal of sustainability.

Today, the need for both standards and procedures to monitor compliance with these standards has emerged. Client evaluation is a simple procedure available to all ecotourism operations that can serve to both enhance tourist education and provide a simple system of self-monitoring.

With good policies, the management of sensitive ecosystems in the ecotourism context can protect a country's heritage and make it available for local education and tourism. The investment in such facilities is usually repaid through tourists who come in larger numbers and stay longer because there are more things to see and do



and at the same time be contented that the sustainability of the site has been looked into.

In conclusion, as the ecotourism industry continues to grow, greater pressure will be placed on nature tour operators, lodging establishments, trade associations and governmental bodies to ensure a high quality tourism experience for its customers, to protect the natural and cultural resources that are utilised, and remain economically sustainable. To accomplish this goal, the ecotourism industry in countries, regions and destination areas are going to have to make tough decisions on how they hope to ensure the future of the industry. An underlying tension will always exist among the different ecotourism providers on how to best achieve this goal. The tension is between self-regulation by a business, the collective development and enforcement of objectives and guidelines by an ecotourism association, or through regulation by a governmental entity.

With the adoption and adaptation of good and responsible practices, the industry in Malaysia has the potential to attract ecotourists from all over the world. Hence the role of the government in developing appropriate policies to safeguard these natural

resources is critical. There has to be the political drive from the highest levels of government to put forth educational policies that inculcate environmental awareness and sustainability as common knowledge at the national level. On the contrary, if Malaysia continues to support excessive uncontrolled development projects, deplete natural resources, have problems dealing with corruption and weak local enforcement, its natural tourism resources will one day vanish. Just as the Government used their machineries to push the 1-Malaysia agenda nationally, they need to drive environmental education and sustainable tourism with the same passion. Only then can the generations to come enjoy the God-given resources we are enjoying today. Thus, responsible tourism is the way forward for all ecotourism destinations. It is something that we have to do for the survival of planet Earth.

ACKNOWLEDGEMENT

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My Financial Planning Journey for Retirement

Ng Lian Lu

One of my life goals is to retire before the age of 55 and be a free man enjoying my life without obligations to anyone at any time! To be a free man, I must be financially independent. This means I would never have to ask financial support from my children or from other relatives during my retired life with my wife. In addition to living expenses, I must be able to pay for my personal and wife's old age medical costs plus the cost of a world tour which is another one of my life goals. This article is written to share with readers my experience of how I got myself ready for retirement aged 51 in 2011. It is my actual experience of planning to be a free man financially. This article has fictitious numerical figures but factual statements of my planning process and considerations to achieve a few other of my life goals. Readers are free to use this article for research purpose or as a base for your personal planning. I believe that the planning would be the same whether you are employed or self-employed except that the self-employed have another complication which is when the business is to be sold off before he or she retires.

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We must understand that our financial responsibilities will not end as long as we are still alive. The last expenses for all humans are our funeral expenses which may be paid either by us or our children. I prefer these to be paid by myself through planning. Therefore, financial planning, including planning for funeral expenses, estate planning and the execution of the plan

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Total for the education fund is $RM140 + RM662 + RM1,116 = RM1,918$ or RM2 million.

The estimation must be conservative for the fund to be sufficient at a good confidence level, such as do not consider the earnings of children working part-time jobs while studying.

In my estimation, I ignored the foreign currency risk and hoped the conservative fund estimation would be able to shield me from such risk.

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3. Committed Expenses Prior to Retirement

When a person retires, I am sure there are financial commitments made long before retirement. Housing loans and insurance premiums of life insurance policies bought prior to the retirement would be continued into retirement life. Any other loans that have no tangible and appreciable assets to back up, such as personal loan, car loan, and credit card loans, must be paid off before retirement because these loans generally have high

interest rate charges, such as 10% or more, and therefore these loans are a drain on your asset and savings. I do not think that you could find a relatively safe investment in the world that can earn a return to pay for the interest rate charged by these kinds of loans. For instance, credit card loans charge 10% or more per annum for the outstanding balance unpaid. There is no safe asset in the world allowing you to earn at least 10% to pay for the interest charged by the credit card company on a yearly basis unless you are betting on a risky investment which sometimes can earn a return of 20% or more but the risk of losing your investment is relatively high too. During retirement life, it is not advisable to invest life savings in high risk-high return investment vehicles. Therefore these loans must be paid off before your retirement and you are strongly advised against acquiring such kinds of loans after retirement.

The following were the options for my housing loans: (i) withdraw savings to settle housing loans upon retirement; (ii) continue paying the housing loans installments into my retirement life; or (iii) combination of the two above. At any point in time, I knew the amount of my outstanding housing loans, the monthly installments to serve the housing loans and the interest rate charged under each loan agreement. With this information, I compared my savings and yearly interest rate earned by my savings. I then decided on option (ii) for the following reasons: (a) Since the savings in my EPF account was



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However, the regular loan repayment was made from another saving account which earned less interest than the rate charged by the bank. One can argue that I could have used the savings from this other saving account (which was earning less return than the rate charged by the loan agreement) to settle the outstanding loan. I could do that, but I did not because I wanted to keep the cash in this saving account available for an investment opportunity that may earn higher returns than the rate charged by the loan agreements. If it was really necessary for me to pay off the housing loans, I could withdraw money from my EPF account any time to pay off the housing loans. Therefore no fund was needed to be earmarked specifically for the housing loan here since the housing loan had been considered paid off.

As for the life insurance policies, the options available were: (i) surrender my life insurance policies; (ii) continue to pay the regular premium until maturity or death whichever happens first; (iii) cease payment and apply for non-forfeiture options under the insurance policy contract; or (iv) any combination of the above. The option you select depends very much on the situation you are in. For my situation, my kids were still dependent on me, hence I had no choice but option (ii). However I would review my choices again when I eventually retired in four or five years after 2006 because one or two of my kids might be financially independent when I retired. If option (ii) was still chosen when I retired eventually, a Life Insurance Fund had to be earmarked and put aside. For the time being, I still could service the regular premiums from my monthly salary and hopefully my passive incomes after the retirement would be sufficient to pay for the regular premiums.

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Living expenses and the maintenance of cars are daily expenses which can be estimated easily. These amounts can either be met by setting up a fund for you to draw down on a monthly basis or be met through passive income which will be discussed below. For me, I decided these expenses were to be met through my passive income which meant no fund was specifically earmarked for this item.

5. Travel the World (Travel Fund)

My wife and I wish to take three holidays overseas and few local holidays in a year. This wish is not cast in stone. Even if an overseas travel fund was established, we could always make changes from time to time depending on the size of the fund and other needs for the money in the fund. We decided on an arbitrary amount such as RM300,000 and earmarked it as Travel Fund. At any time if we had extra cash, the cash could be put into the fund. The fund is also considered as an emergency fund which can be drawn down for emergency purpose at the expense of our world tour.

These were my liabilities. Three required funds were identified:

- 1) Education Fund: Estimated to be RM2 million
- 2) Medical Cost: Estimated to be RM200,000
- 3) Travel Fund: RM300,000
- 4) Daily cash flows for household expenses identified.

To retire, I had to have assets to back up these liabilities. At the point of my calculation in 2006, my total assets were not sufficient to back these liabilities and the shortfall was substantial, at least RM1 million. Hence I could not retire in 2006. But I felt that as days went by, my assets would be growing and my liabilities would be reducing, and based on my earnings and my expenditure pattern in 2006, I estimated that I would have sufficient assets to back my liabilities in 2009.

With the knowledge of asset-liability matching, I divided my liabilities into three classifications and looked for investment vehicles in the market that I could match to the needs of each class of my liabilities. The purpose of the asset-liability matching is to maximize the return of the earmarked funds and also match the cash flow need of the liabilities. I did research to understand what investment vehicles were available for my funds. There are factors that must be considered in the search for investment vehicles, such as size of the fund, duration of the liability period, risk tolerance, and cash flow pattern of the liability, among others.

(1) Short-Term Liability: Education Fund

The education fund for my children is a short term liability and its purpose would be fully met when my children complete their tertiary education, latest by 2016 as estimated. With the financial discipline my children must have (I cannot allow them to ask for money whenever they like or need), the need for a lump sum of cash occurs only at the beginning of each semester which is two times in a year as at summer time, they would either travel around in USA or return home for the summer vacation. This fund has no tolerance for risk and hence the asset had to be put into FD, or preference shares of blue chip counters, or government guaranteed bonds. Because of the size of the education fund, I negotiated with the bank officer for the best rate and put it into FD with the maturity dates matching the

need for cash each semester. Because of the conservative estimates for the education fund (10% inflation rate for the education cost and 3% discount rate as the earning rate of the fund), the fund would be sufficient despite the fact that the foreign exchange rate was ignored in my estimate.

(2) Long-Term Liability: Yearly Cash Need for Medical Fund

The size of the medical fund is relatively small because it is meant to pay for the yearly premium of three medical insurance policies until age 25 of my children and two policies until age 70 (the renewability of the medical policy is up to the attained age of 70) for myself and my wife. Thereafter, the fund would continue to pay for the medical cost directly whenever medical attention is needed for my wife and me. Again the fund has no tolerance for risk and cash must be available when the premium is due, hence again the fund was used to buy FD with the best negotiated rate from the bank. The need for cash to pay the yearly premium was done by scheduling the maturity date of FD at the premium due date.

(3) Floating Term Liability: Monthly Cash Need for Committed Expenses

The liability of these committed expenses (housing loan and life insurance policies) is called floating because it can be long or it can be short depending on the stability of the financial environment (it can be any reason causing the financial environment to be volatile, such as

economic or political situation or the situation of family emergency) I would be facing. In a stable environment, the liability would be long term in nature and monthly cash would be needed to pay the monthly instalments of housing loans and annual premium of life insurance policies. If my financial situation was desperate, the liability could be shortened by paying off the housing loans by withdrawing EPF money and/or surrendering life insurance policies. Therefore the fund backing this liability had to be invested into long-term assets that had to meet the following three criteria: (a) Assets must have the ability of producing passive incomes to meet the monthly cash need. (b) Assets must not be volatile in value because risk taking is not ideal for retirees. (c) Assets must have the characteristic of being able to appreciate in value over time. Criteria (c) would rule out FDs which would not appreciate in value over time; Criteria (a) and (b) would rule out investments in share stocks, bonds and unit trusts which have no monthly cash flow and these assets are volatile.

With these three criteria, one can consider plantation estate which would produce monthly incomes, and generally the estate would appreciate in value over time, and the land value would not be volatile. However it is advisable to consult a commodity expert or do some research to understand the stability of the commodity prices and the maturity of its market in Malaysia so that you can decide the type of plantation you

may want to invest in, such as oil palm plantation, rubber plantation, castor oil plantation or other types of fruit plantation. Another investment one can consider is commercial property which would also meet all the three criteria. For commercial property investment, a property expert should be consulted or some research should be done to understand the dos and don'ts of property investment. For instance, there are many commercial properties in the property market that are not producing monthly cash flow, and neither can the property appreciate in value. We must learn to avoid these properties.

After some research into the maturity of the industry for various commodities and the stability of their market prices, I then decided to use my savings after the Education fund, Medical Fund and Travel Fund to buy some acres of palm oil plantation because both the upstream and downstream industries for oil palm seeds are mature. Oil palm prices are also less volatile than that of other commodities, like rubber. I was only interested in buying plantations that had oil palm trees that were at least five years old and capable of producing one tonne of oil palm seeds per month in a high yield season.

Instead of putting the entire fund into the palm oil plantation, I also kept aside some cash for the purpose of investing in commercial properties. The cash enables me to have the

holding power in case of a general drop in property prices due to the financial environment as described above. I only searched for commercial properties in matured markets with high human traffic and rental income, because only these market could ensure my meeting the three criteria mentioned above. A review of the existing rental agreement is important because the return (ROI) on property is a factor that buyers would consider before purchase. Hence I regularly searched on the internet, in newspapers and among property agents for undervalued properties in the market around the Klang Valley. If you are lucky, one buy and sale transaction can earn you a million ringgit gross.

(4) Household Expenses Liability

The pattern and the amount of household expenses are predictable. The maintenance cost of cars is also predictable except that mechanical breakdown can be costly and unpredictable. However, I believe that this expense could be met by the passive income produced by the oil palm plantation and rental incomes. I always keep some cash in the saving account of the bank to meet any sudden need for cash.

(5) Long Term Liability with Call Option for Travel Fund

The size of this fund is relatively small and the need for cash is ad hoc, whenever travel is planned and/or emergency for cash arises. I decided to put this amount into FD with monthly



maturity and also into blue chips on KLSE because these investment vehicles are liquid and conservative.

The planning and research was done in 2006, the execution of the plan was done over five to six years by looking at some plantations in Bestari Jaya (formerly known as Batang Berjuntai)

and Sungai Tengi in Bukit Tagal. Eventually I tendered my resignation at the end of 2010 even though I was ready to retire in 2009. Finally, my financial planning has been executed and meets all requirements as I planned. I am a full-time farmer and a free man now. ■

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(3) Floating Term Liability: Monthly Cash Need for Committed Expenses

The liability of these committed expenses (housing loan and life insurance policies) is called floating because it can be long or it can be short depending on the stability of the financial environment (it can be any reason causing the financial environment to be volatile, such as

economic or political situation or the situation of family emergency) I would be facing. In a stable environment, the liability would be long term in nature and monthly cash would be needed to pay the monthly instalments of housing loans and annual premium of life insurance policies. If my financial situation was desperate, the liability could be shortened by paying off the housing loans by withdrawing EPF money and/or surrendering life insurance policies. Therefore the fund backing this liability had to be invested into long-term assets that had to meet the following three criteria: (a) Assets must have the ability of producing passive incomes to meet the monthly cash need. (b) Assets must not be volatile in value because risk taking is not ideal for retirees. (c) Assets must have the characteristic of being able to appreciate in value over time. Criteria (c) would rule out FDs which would not appreciate in value over time; Criteria (a) and (b) would rule out investments in share stocks, bonds and unit trusts which have no monthly cash flow and these assets are volatile.

With these three criteria, one can consider plantation estate which would produce monthly incomes, and generally the estate would appreciate in value over time, and the land value would not be volatile. However it is advisable to consult a commodity expert or do some research to understand the stability of the commodity prices and the maturity of its market in Malaysia so that you can decide the type of plantation you

may want to invest in, such as oil palm plantation, rubber plantation, castor oil plantation or other types of fruit plantation. Another investment one can consider is commercial property which would also meet all the three criteria. For commercial property investment, a property expert should be consulted or some research should be done to understand the dos and don'ts of property investment. For instance, there are many commercial properties in the property market that are not producing monthly cash flow, and neither can the property appreciate in value. We must learn to avoid these properties.

After some research into the maturity of the industry for various commodities and the stability of their market prices, I then decided to use my savings after the Education fund, Medical Fund and Travel Fund to buy some acres of palm oil plantation because both the upstream and downstream industries for oil palm seeds are mature. Oil palm prices are also less volatile than that of other commodities, like rubber. I was only interested in buying plantations that had oil palm trees that were at least five years old and capable of producing one tonne of oil palm seeds per month in a high yield season.

Instead of putting the entire fund into the palm oil plantation, I also kept aside some cash for the purpose of investing in commercial properties. The cash enables me to have the

holding power in case of a general drop in property prices due to the financial environment as described above. I only searched for commercial properties in matured markets with high human traffic and rental income, because only these market could ensure my meeting the three criteria mentioned above. A review of the existing rental agreement is important because the return (ROI) on property is a factor that buyers would consider before purchase. Hence I regularly searched on the internet, in newspapers and among property agents for undervalued properties in the market around the Klang Valley. If you are lucky, one buy and sale transaction can earn you a million ringgit gross.

(4) Household Expenses Liability

The pattern and the amount of household expenses are predictable. The maintenance cost of cars is also predictable except that mechanical breakdown can be costly and unpredictable. However, I believe that this expense could be met by the passive income produced by the oil palm plantation and rental incomes. I always keep some cash in the saving account of the bank to meet any sudden need for cash.

(5) Long Term Liability with Call Option for Travel Fund

The size of this fund is relatively small and the need for cash is ad hoc, whenever travel is planned and/or emergency for cash arises. I decided to put this amount into FD with monthly



maturity and also into blue chips on KLSE because these investment vehicles are liquid and conservative.

The planning and research was done in 2006, the execution of the plan was done over five to six years by looking at some plantations in Bestari Jaya (formerly known as Batang Berjuntai)

and Sungai Tengi in Bukit Tagal. Eventually I tendered my resignation at the end of 2010 even though I was ready to retire in 2009. Finally, my financial planning has been executed and meets all requirements as I planned. I am a full-time farmer and a free man now. ■

The Bullettrain Entrepreneur, 5 Pillars Towards SME Success

James Oh Boon Thong

I was given a copy of *The Bullettrain Entrepreneur* written by Peter Ong as I was one of the 100 people interviewed by the author in writing the book. I was recommended to him by an old friend, someone I have known since elementary school.

I have read it and feel it deserves a review. It really stimulates my mind to embrace the 5Bs: strengthening Belief, overcoming Barriers, pushing Boundaries, crossing Borders and Be destined. We live in a fast-paced, rapidly changing business world that demands we adapt to continual change from stakeholders, shareholders, customers, employees, regulators and society. This book will provide you a sane, solid and sound framework in sustaining business growth and profitability – a new competitive landscape for the new business world.

This book is well crafted with powerful proven illustrations familiar to Malaysians and others around the world, inviting us to give what the writer says serious consideration. Peter Ong does a magnificent job in raising our awareness to adopt a more holistic approach in sustaining our business growth and profitability.

This book talks in a clear and simple manner about the 11 sound principles embraced by a successful entrepreneur, the 10 myths of entrepreneurs and lays out the five master pillars for SMEs to achieve greater heights. You will find lots of practical advice and pearls of wisdom that you can't afford to miss on how to turn your labour of love into a profitable and sustainable business. The book also provides illustrations on how each principle can be applied to make a company successful and significant.

The writer tells us that one of the myths is that big ambition starts with big action. In fact, big accomplishment is not king unless you are able to perform bigger accomplishments with regularity. Consistency is. Start something that can drive you to consistently continue with it. This is because consistency forms habits which can ultimately move mountains. It has worked for me and has kept me moving forward. Bravo, Peter Ong.

I must confess that I too subscribed to the five Ps as stated by the author i.e. Purpose, People, Process, Performance and Profit in building the foundation of my business model, overcoming barriers to gain strength in every aspect.

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physical, mental and spiritual. Shaping ourselves to be adept and to accept the new environment is the surest way of obtaining success. Keep learning, unlearning and relearning to navigate our personalized path to our pre-set destiny. This is the journey every successor has to go through to grow from strength from strength that can withstand any storm, typhoon or even hurricane. This is because its roots are already deeply rooted in the ground.

What Peter did extraordinary well is to use the bullet train as a metaphor. He emphasizes that the “secret” of successful SMEs and entrepreneurs is actually the alignment, balancing, and integration of five master pillars.

Peter illustrates his points with numerous compelling success stories of prominent business entrepreneurs worldwide. By doing so, we are able to see the entire scene through appropriate lens without being side tracked by the complication of the business process.

The Bulletrain Entrepreneur is a timely business book which dares to raise issues often overlooked by the majority of entrepreneurs. This book is right for new and existing entrepreneurs who aspire to gain the broadest perspective on how to sustain long-term prosperity in today’s changing world. It is not meant to persuade or dissuade you; it’s meant to inform and to inspire you with appropriate and broad perspectives so that you are much better prepared for the times ahead.

It goes without saying. Accept and follow the new solid foundation towards the sustainability of business success as reflected in the title of this handy book. I hope I have stirred you to read this book.

To know more, do get this well-researched book and read it. Enjoy reading. ■

Money Master The Game: 7 Simple Steps To Financial Freedom

Kevin Neoh Kean Ming¹
¹VKA Wealth Planners

Anthony Robbins is a name most of us are familiar with as he is the best-selling author that championed human peak performance technology via neurolinguistic programming (NLP). *MONEY Master The Game: 7 Simple Steps To Financial Freedom* is the first book written by him after 1991. According to the writer, achieving genuine financial freedom is not complicated; only the most powerful and connected have access to the right information and the right strategies. The writer's objective is to simplify and systematise the most useful work of others, adding original material only where possible and appropriate.

This book is divided into seven sections. The first section aims to uncover the role of money and the importance of breaking away from limitations and beliefs about money and also contains a brief of the seven simple steps he advocates in this book. In the second section, the author goes through the nine myths about money

and financial services. In the third section, he talks about the price of dreams and how to make each dream a winnable one. In the fourth section he explains about making the most important investment decision in life and how to adopt an optimal strategy for each decision. After guiding the reader to find out the cost of a goal and setting the strategic direction right, the fifth section walks the reader through a path to create a lifetime income plan. In the sixth section the author shares with readers his insightful interviews with huge names in the world of finance such as Carl Icahn, Warren Buffett and Charles Schwab, and others. In the final section the author drives home the point of taking action as opposed to just acquiring knowledge.

From my experience reading the previous best-selling title of the author, I see that he has been emphasising that success will leave its clues and therefore we can model after other peoples' success, repeat the 'formula' and 'recipe'



and we will be able to create the same outcome. This is known as “Modelling”. This book is crucial for people who care about their own financial well-being and are on the look-out for the right track in their pursuit towards financial freedom, because it contains insightful interviews and the blueprints offered by successful investors and players such as Carl Icahn, Warren Buffett, etc.

I strongly agree with the author in the opening chapter when he says that the financial world is very complicated, just like a jungle. If we do not know our way inside a jungle, chances are we will lose our way inside it because we may easily get confused and misled even by our instincts. He says, “Today there are more than 10,000 mutual funds, 1,400 different Exchange Traded Fund (ETF), and hundreds of global stock exchanges. There are also Collateralized Debt Obligations (CDO), Real Estate Investment Trusts (REIT), Mortgage-Backed Securities, (MBSs), Master Limited Partners (MLP), Credit Default Swaps (CDS), Currency Exchange Traded Funds (CETFs), etc.” So can you not see how easy it is for the average person to get lost in the “financial jungle”? He then makes the point that it is not safe to wander around in a jungle without knowing the way. So he advises that in looking for a guide, i.e. a Financial Advisor, one should make sure the guide is one who has a fiduciary duty, one who will act in the client’s best interest.

One critical point as stated is that

many people do not really know the rules of the game but yet plunge into the pool without making the effort to learn. The author urges readers to find out the rules, learn them, and understand how we can play within the rules to achieve competitive advantage. For instance, understanding the burden of cost to our investment, avoiding high-cost products and leveraging the cost efficient alternative such as an index fund as opposed to a heavy front-load fund.

This book also provides a very strong case that most of us easily neglect, which is the need to save money. Throughout this book, we are given more reasons for building up the habit of saving. The book also offers a good and easy approach to make this habit natural as it is easy to model and adopt. The author uses the analogy of a “money machine” to illustrate the benefits and rewards of saving regularly as this “machine” will ultimately provide future income to the savers, especially during retirement. Every dollar saved is every dollar earned; we do not get to keep what is not saved. How he drives this point home simply using the analogy is amazing. According to the writer, it is utterly important for us to have our very own money machine during good times or bad times. Without a good machine, we will not be in the position to capitalize on future opportunities, and will also compromise on our financial security. I personally feel that this habit is THE critical success factor

should we want the seven simple steps to work in our favour.

I would like to summarise the Seven Simple Steps:

- Step 1: Make the Most Important Financial Decision of Your Life
- Step 2: Know the Rules before You Get in the Game
- Step 3: Make the Game Winnable
- Step 4: Make the Most Important Investment Decision of Your Life
- Step 5: Create a Lifetime Income Plan
- Step 6: Invest Like the 0.001% aka Learn from The Legends
- Step 7: Just Do It, Enjoy It, and Share It!

Further, I find it important to emphasise that this is not just a book! It is also a programme. This book is linked up with and integrated with a series of three videos and a mobile app that can help you draw up your own personal financial blueprint. The good thing is

the app will be able to show you the different outcomes for each strategy you embark on, hence helping you to find the optimal set of Seven Simple Steps for yourself. I find this a refreshing and an innovative learning experience.

Pick up a copy of this book, seize the insights offered by the big names who have been interviewed by the writer, leverage on the seven simple steps towards financial freedom, and integrate the knowledge to your own financial future. Besides, I strongly think that we should not stop after reading it. We need to take massive action, learn from our experience, and make adjustments until we reach the ideal outcome we desire to have.

The secret of getting ahead is getting started.

Have a good time reading this breakthrough book! ■

About JWMFP

Journal of Wealth Management & Financial Planning is a peer-reviewed research and practitioner journal, which will be published once a year by Malaysian Financial Planning Council (MFPC). JWMFP – the official publication of MFPC is aimed at establishing an academic and practice guide for the fast growing Financial Services industry.

All articles will be blind-reviewed and publication decisions are the responsibility of the editor-in-chief and editorial board members.

The Journal provides research based benchmarks and studies for public, corporate and academic reference. The Journal covers the entire spectrum of the Financial Services industry i.e. Insurance, Unit Trusts, Stock Markets, Wealth Management, Banking, Macro Economy, Infrastructure and IT, Practice Management, etc. JWMFP will also published book reviews, news and views. JWMFP features original research and concepts of effective approaches to education and practice concerning all aspects of financial planning and management. Readers can expect to find detailed recommendations for education and practice. JWMFP will also feature book reviews, news and views.

Objective

JWMFP is a unique publication that captures the pulse of the emerging and promising Financial Planning Profession in Malaysia.

It provides a vibrant forum for discussion of issues of concern to various interest groups, a platform for cross-pollination of ideas and perspectives. The Journal also endeavours to

bring together aspiring and practising Financial Planners on a common platform.

Editorial Criteria

JWMFP encourages submission of both normative and empirical research on topics including:

- Household Portfolio Choice
- Retirement Planning and Income Distribution
- Saving and Investment
- Wealth Creation and Distribution
- Individual Financial Decision Making
- Household Risk Management
- Life Cycle Consumption and Asset Allocation
- Investment Research Relevant To Individual Portfolios
- Household Credit Use and Debt Management
- Takaful, Zakat And Islamic Banking
- Tax and Estate Planning
- Professional Financial Advice and Its Regulation
- Behavioural Factors Related to Financial Decisions
- Financial Education, Literacy and Capability
- Other topics are of Interest to Scholars and Practitioners in the field of Personal and Family Finance
- Book reviews

Key Journal Audiences

- Academics
- Practicing Financial Planners

About JWMFP

MFPC is an independent body set up with the noble objective of promoting nationwide development and enhancement of the financial planning profession. MFPC provides an evolving set of Best Practice Standards and Code of Ethics that must be adhered to by Registered Financial Planner (RFP) and Shariah RFP designees. This requirement is aimed at ensuring that the public will be served with the highest quality of financial planning services. MFPC was registered on 10th of March, 2004 under the Societies Act, 1996.

- Financial Service Providers
- Insurance Advisors
- Other Securities Industry Professionals
- Financial Planning Consultants
- Regulators
- Educators

Review Process

Manuscripts are subject to double-blind peer review at the discretion of the Editor. Papers submitted to JWMFP must not have been published or submitted for publication elsewhere until an editorial decision is rendered on the submission. Successful authors will be required to submit final versions of their papers in MS word, and to assign copyright to the journal's publisher.

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Registered Financial Planner (RFP)

The Registered Financial Planner (RFP) programme was introduced and launched by the Governor of Bank Negara Malaysia, Y.Bhg. Tan Sri Dato' Sri Dr Zeti Akhtar Aziz in November 2002.

The RFP designation has been approved by Bank Negara Malaysia (BNM) in March 2005 as the prerequisite qualification for licensing applications.

The RFP designation has also been duly approved by Securities Commission for the application of the Capital Markets Services Licence (CMSL) in view of the introduction of the Capital Markets and Services Act 2007.

The RFP serves as a mechanism for the MFPC to help fulfil the national objectives of making Malaysia a Centre of Educational Excellence. The RFP signifies the twin pillars of professionalism in financial planning – Professional Education and Practice Excellence. Most importantly, the concept of the RFP is defined by Malaysians who understand our values and needs.

As of September 2012 RFP designees are also licensed Private Retirement Scheme (PRS) distributors/consultants. The Federation



of Investment Managers Malaysia (FIMM) which regulates PRS consultants grants RFP designees automatic recognition as PRS consultants.

Affiliate RFP

The Affiliate RFP designation was launched by Y.B. Dato' Mustapa bin Mohamed, Minister of International Trade and Industry on 6 December 2007. It was introduced in recognition of the commitment and diligent work of students undertaking the RFP programme.

Affiliate RFP designation is conferred to Members who have passed Module 1: Fundamentals of Financial Planning and one other module of RFP Programme. The Affiliate RFP serves as a measure to inject a new force of human capital into the industry.

RFP Programme (7 Modules)

- Module 1 : Fundamentals of Financial Planning
- Module 2 : Risk Management & Insurance Planning
- Module 3 : Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Financial Planning

Shariah Registered Financial Planner (Shariah RFP)

In line with the national agenda to make Malaysia an Islamic Financial Centre and to

promote advancement in Islamic transactions and businesses, MFPC developed the Shariah RFP Programme as a practical professional programme for practitioners to equip themselves with Takaful and Islamic financial planning principles and knowledge. Y.B. Dato' Seri Mohamed Khaled Bin Nordin, Minister of Higher Education launched the Shariah RFP Programme on 21 August 2008.

Affiliate Shariah RFP

In response to the market demand and environment changes locally and internationally, MFPC introduced the Affiliate Shariah RFP designation to members who have passed Module 1: Fundamental of Shariah Financial Planning and one other module of the Shariah RFP Programme. Affiliate Shariah RFP aims to provide a pool of qualified practitioners to venture into the Shariah financial planning profession in Malaysia.

Shariah RFP Programme (7 Modules)

- Module 1 : Fundamentals of Shariah Financial Planning
- Module 2 : Risk & Takaful Planning
- Module 3 : Shariah Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Shariah Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Shariah Financial Planning

Paper Submission

Guidelines for Authors:

General

The manuscript sent to this journal must be original work that has not been published or accepted for publication in other journals. The paper should be written in English.

Manuscripts

Prepare the entire manuscript, including the text headings, references, tables, figures, and appendixes according to the most recent edition of the Publication Manual of the American Psychological Association (APA Style).

Order

- The order of the manuscript should be similar to:
 - Title page with title and three to five key words
 - Abstract (start on a separate page, numbered page 2)
 - Text (start on a separate page, numbered page 3)
 - References (start on separate page)
 - Appendixes (start each on separate page)
 - Endnotes (list together starting on a separate page)
 - Acknowledgements (start on a separate page)
 - Tables (start each on a separate page)

- Figures (start each on a separate page)

Manuscript

- 3000 to 8000 words or between 5 to 15 pages including an abstract, texts, tables, footnotes, and references.
- Title should not exceed 20 words, and abstracts should not exceed 250 words

Font

- The manuscript should be in MS Word format,
- Times New Roman
- 12 point font, and
- One and a half spacing.

Supportive Illustrative

- Authors are encouraged to provide supportive illustrative material with manuscript.
- Tables, graphs, maps and drawings should not be separate from the body of the text.
- For the presentation of quantitative data, graphs are preferred to tables because they contain more information and are easier to edit and reproduce.

References

The Journal of Wealth Management & Financial Planning (JWMFP) follows *The Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the



APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources. The following guidelines may be helpful for those who have used this formatting style.

Reference citations within the manuscript should read as:

"Smith (1999) reported that . . . and Blarney and Jones (2001) concluded that . . ." Should Smith be cited again in this same paragraph, it would not be necessary to again to cite the 1999 date. "This problem has been studied previously (e.g., Black et al., 1998; Smith & James, 1999; Jones, Smith, & White, 2001)." The use the Black et al. reference would indicate that the complete list of authors has appeared previously in the manuscript.

References should appear at the end of the article as follows:

The list of references should appear at the end of the main text (after any appendices, but before tables and legends for figures). References should be one and a single space and listed in alphabetical order by author's name. Articles by the same author should be listed in descending order ranked by least current date and where applicable, alphabetized by the second author. Hanging indents should be used in the reference list. Selected examples follow, although the manual offers many examples of different print and media publications.

Book

Silva, F. (1993). *Psychometric foundations and behavioural assessment*. Thousands Oaks, CA: Sage.

Chapter in a Book

Roszkowski, M.J., Snelbecker, G.E., & Leimberg, S.R. (1993). Risk tolerance and risk aversion. In S.R. Leimberg, M.J. Satinsky, R.T. Leclair, & R.J. Doyle, Jr. (Eds.), *The tools and techniques of financial planning* (4th ed., pp. 213-226). Cincinnati, OH: National Underwriter.

Journals Paginated by Issue

Archuletta, K.L., Grable, J.E., & Britt, S.L. (2013) Financial and relationship satisfaction as a function of harsh start-up and shared goals and values. *Journal of Financial Counselling and Planning*, 24 (1), 3-14.

Print Article Retrieved from an Internet Source

Garmaise, E. Long-run planning, short-term decisions: Taking the measure of the investor's evaluation period. *Journal of Financial Planning*, 19(7), 68-75. Retrieved August 23, 2007, from http://www.fpanet.org/journal/articles/2006_Issues/jfp0706-art8.cfm

Equation / Mathematical Sentences

All symbols or mathematical should follow the correct format. Mathematical equations have to be prepared using MathType. A single mathematical symbol can be done by inserting symbol in Ms-Word. Each mathematical sentence should begin at the first tab

after skipping one line. If it is referred in the texts, the equation should be numbered in the bracket and right aligned.

Use of (. . .) Symbol

For indication “and so forth, particularly in mathematical sentences, use the conventional standard three dots (. . .) only. For example: The equation is true for $x = 1, 2, 3, \dots$. The fourth dot in this example which is of one space distance from the other three dots is the full stop.

Diagram / Illustration

The diagram or illustration should preferably be prepared in black and white only. If the diagram is reduced in size for publication purpose, it has to be clear and sharp so that it can be easily noticed.

Proofreading

Articles accepted for publication will be edited by the editorial board. Authors will only be required to ascertain the validity of facts in the proof. Two copies of the proof will be sent to the author.

The author is required to sign his/her name on one of the proofs and return it to the editor after making sure that there is no factual error. JWMFP is the rightful owner of any article published.

Submission of Manuscript

Three copies of the complete manuscript (one original and two copies) should be sent to:

Editor-In-Chief (Journal of Wealth Management & Financial Planning)
Malaysian Financial Planning Council

Unit 22.7, Level 22, Menara One Mon't Kiara (1MK),

No. 1, Jalan Kiara, Mon't Kiara,
50480 Kuala Lumpur.

Email: mfpc@mfpc.org.my

Tel: +(603) 6203 5899

Fax: +(603) 6201 2669

Manuscript should preferably be sent electronically via email. Manuscript should be sent in both Ms-Word and pdf format. Manuscript that contains complex equations and / or diagrams is advised to be submitted in printed as well as electronic versions.

News & Views

Guidelines for Authors

All persons writing and/or submitting articles or any other materials in any form (texts, illustrations, diagrams, statistics, etc) for publication in the *Journal of Wealth Management & Financial Planning (JWMFP)* and for storage in the MFPC publication database are required to adhere strictly to the following guidelines:

What Constitutes under the News and Views Column?

Topic Areas

The news and views column is a practitioner focused section covering Malaysian economy/ Asian economy and international business topics. This could include local financial news and issues that is timely to be shared with individuals in the financial landscape.

"News" could include any financial related news which comprises of any aspect of financial planning, wealth management, investment banking, and regulatory changes. "News" submitted should be something of general interest or an issue that is currently new in the marketplace. Eg: Clawing back of Commission from agents is a new issue in Malaysia.

Objectivity

"Views" could be an opinion piece detailing the practitioner's outlook to a particular issue. Any finance related issue which deals with Financial Planning would be accepted. The inclusion of the section News and Views is to deliver essential market information and views that is of good faith for Financial Planners. The focus of this article should help a financial planners better serve their clients and

contribute to the common good of the Financial Planning industry.

Style

JWMFP places strong emphasis on the literary quality of submission under the News and Views column. All submission will be vetted through a committee made up of local and international academic practitioners. This column will have a more readable style compared to an academic article. Write the way you talk and Keep it Short and Simple (KISS)

Length

Articles for the news and views column should not exceed 3,000 words. Succinct introduction as a summary would help readers digest the content of the article.

Review

The review process normally takes 1-2 weeks and the MFPC will inform you if the submission will be printed. Authors are not allowed to submit their work elsewhere until an editorial decision is made. To ease the reviewing and editing of submission please follow the guidelines. The Editorial Board will make necessary changes to ensure the readability and clarity of articles.

Referencing

If necessary when a source is cited, all referencing should be attached to the write up. The general accepted referencing style should follows The *Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources.

Book Reviews

Author Guidelines

1. A book review for this journal should run one to three pages (font Times New Roman, size 12, single space; or roughly 500 to 1500 words) at most. Please contact the editor with any other questions.
2. The review should be submitted in typewritten copy and submit your review via e-mail attachment to mfpc@mfpc.org.my.
3. The heading for this review should include bibliographic information about the book, such as:
 - Author
 - Date of publication
 - Title
 - Edition (if any)
 - Place of publication
 - Publisher
 - Number of pages
 - Price (if applicable)

Example: Robert T. Kiyosaki (2012). *Retire Young Retire Rich: How to get Rich Quickly and Stay Rich Forever!* NY, USA, Warner Books, 376 pages. \$973.

4. Write your review with two goals in mind, namely to report basic information about the book and more, importantly, to evaluate the book. Do not abstract the book, but be sure to indicate the range and nature of its contents. The exact information will vary according to the kind of book, but in all cases it includes the book's purpose or main theme, and the way in which the author(s) seeks to achieve the purpose or develop the theme. Summarize

the book's main conclusion but be brief. Place the book in the perspective of related literature by comparing it with other books on similar topics. Tie together any issues raised in the review, and end with a concise comment on the book. If you like, you can offer advice for potential readers.

5. Avoid quoting long passages from the book you are reviewing Paraphrase when possible. Always give the page number of the quote in parenthesis.
6. Because Journal of Wealth & Financial Planning is an interdisciplinary publication, please avoid overly technical language understandable to only a few specialists.
7. Avoid using references and footnotes. If quotation from another work is absolutely necessary, please incorporate the reference into the text. The form of the reference should be: (Francine D. Blau, Marianne A. Ferber & Anne E. Winkler, *The Economics of Women, Men and Work*, Boston, NY: Prentice Hall, 2010)
8. We reserve the right to edit reviews for style, conciseness, and consistency.

Please send your completed review to:
Malaysian Financial Planning Council
Unit 22.7, Level 22, Menara One Mont Kiara
(1MK)

No. 1, Jalan Kiara, Mont Kiara
50480 Kuala Lumpur
Email: mfpc@mfpc.org.my
Tel: + (603) 6203 5899
Fax: + (603) 6201 2669

Please complete and sign the declaration form and sent it together with your papers. Thank you.

Declaration Form

Title of Paper

contacting other co-authors may sign and submit this form on their behalf. In this case only the main author's signature is required. All material submitted for publication is assumed to be exclusively for Journal of Wealth & Financial Planning (JWMFP) and not have been submitted for publication elsewhere.

Declaration Statement

The undersigned hereby represents and warrants that the paper is original and that he/she is the author of the work, except possibly for the material such as text passage, figure and data that are clearly identified as to the original source, with permission notices from the copyright owner where required. The undersigned also represents that he/she has the power and authority to make this statements. The main author after

Please Send this Declaration

To:

Editor-in-Chief

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Author (s) Name (s)	Signature	Date

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JWMFP is a unique publication that captures the pulse of the emerging and promising Financial Planning Profession in Malaysia.

It provides a vibrant forum for discussion of issues of concern to various interest groups, a platform for cross-pollination of ideas and perspectives. The Journal also endeavours to

bring together aspiring and practising Financial Planners on a common platform.

Editorial Criteria

JWMFP encourages submission of both normative and empirical research on topics including:

- Household Portfolio Choice
- Retirement Planning and Income Distribution
- Saving and Investment
- Wealth Creation and Distribution
- Individual Financial Decision Making
- Household Risk Management
- Life Cycle Consumption and Asset Allocation
- Investment Research Relevant To Individual Portfolios
- Household Credit Use and Debt Management
- Takaful, Zakat And Islamic Banking
- Tax and Estate Planning
- Professional Financial Advice and Its Regulation
- Behavioural Factors Related to Financial Decisions
- Financial Education, Literacy and Capability
- Other topics are of Interest to Scholars and Practitioners in the field of Personal and Family Finance
- Book reviews

Key Journal Audiences

- Academics
- Practicing Financial Planners

About JWMFP

MFPC is an independent body set up with the noble objective of promoting nationwide development and enhancement of the financial planning profession. MFPC provides an evolving set of Best Practice Standards and Code of Ethics that must be adhered to by Registered Financial Planner (RFP) and Shariah RFP designees. This requirement is aimed at ensuring that the public will be served with the highest quality of financial planning services. MFPC was registered on 10th of March, 2004 under the Societies Act, 1996.

- Financial Service Providers
- Insurance Advisors
- Other Securities Industry Professionals
- Financial Planning Consultants
- Regulators
- Educators

Review Process

Manuscripts are subject to double-blind peer review at the discretion of the Editor. Papers submitted to JWMFP must not have been published or submitted for publication elsewhere until an editorial decision is rendered on the submission. Successful authors will be required to submit final versions of their papers in MS word, and to assign copyright to the journal's publisher.

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Registered Financial Planner (RFP)

The Registered Financial Planner (RFP) programme was introduced and launched by the Governor of Bank Negara Malaysia, Y.Bhg. Tan Sri Dato' Sri Dr Zeti Akhtar Aziz in November 2002.

The RFP designation has been approved by Bank Negara Malaysia (BNM) in March 2005 as the prerequisite qualification for licensing applications.

The RFP designation has also been duly approved by Securities Commission for the application of the Capital Markets Services Licence (CMSL) in view of the introduction of the Capital Markets and Services Act 2007.

The RFP serves as a mechanism for the MFPC to help fulfil the national objectives of making Malaysia a Centre of Educational Excellence. The RFP signifies the twin pillars of professionalism in financial planning – Professional Education and Practice Excellence. Most importantly, the concept of the RFP is defined by Malaysians who understand our values and needs.

As of September 2012 RFP designees are also licensed Private Retirement Scheme (PRS) distributors/consultants. The Federation



of Investment Managers Malaysia (FIMM) which regulates PRS consultants grants RFP designees automatic recognition as PRS consultants.

Affiliate RFP

The Affiliate RFP designation was launched by Y.B. Dato' Mustapa bin Mohamed, Minister of International Trade and Industry on 6 December 2007. It was introduced in recognition of the commitment and diligent work of students undertaking the RFP programme.

Affiliate RFP designation is conferred to Members who have passed Module 1: Fundamentals of Financial Planning and one other module of RFP Programme. The Affiliate RFP serves as a measure to inject a new force of human capital into the industry.

RFP Programme (7 Modules)

- Module 1 : Fundamentals of Financial Planning
- Module 2 : Risk Management & Insurance Planning
- Module 3 : Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Financial Planning

Shariah Registered Financial Planner (Shariah RFP)

In line with the national agenda to make Malaysia an Islamic Financial Centre and to

promote advancement in Islamic transactions and businesses, MFPC developed the Shariah RFP Programme as a practical professional programme for practitioners to equip themselves with Takaful and Islamic financial planning principles and knowledge. Y.B. Dato' Seri Mohamed Khaled Bin Nordin, Minister of Higher Education launched the Shariah RFP Programme on 21 August 2008.

Affiliate Shariah RFP

In response to the market demand and environment changes locally and internationally, MFPC introduced the Affiliate Shariah RFP designation to members who have passed Module 1: Fundamental of Shariah Financial Planning and one other module of the Shariah RFP Programme. Affiliate Shariah RFP aims to provide a pool of qualified practitioners to venture into the Shariah financial planning profession in Malaysia.

Shariah RFP Programme (7 Modules)

- Module 1 : Fundamentals of Shariah Financial Planning
- Module 2 : Risk & Takaful Planning
- Module 3 : Shariah Investment Planning
- Module 4 : Zakat & Tax Planning
- Module 5 : Shariah Estate Planning
- Module 6 : Retirement Planning
- Module 7 : Applications in Shariah Financial Planning

Paper Submission

Guidelines for Authors:

General

The manuscript sent to this journal must be original work that has not been published or accepted for publication in other journals. The paper should be written in English.

Manuscripts

Prepare the entire manuscript, including the text headings, references, tables, figures, and appendixes according to the most recent edition of the Publication Manual of the American Psychological Association (APA Style).

Order

- The order of the manuscript should be similar to:
 - Title page with title and three to five key words
 - Abstract (start on a separate page, numbered page 2)
 - Text (start on a separate page, numbered page 3)
 - References (start on separate page)
 - Appendixes (start each on separate page)
 - Endnotes (list together starting on a separate page)
 - Acknowledgements (start on a separate page)
 - Tables (start each on a separate page)

- Figures (start each on a separate page)

Manuscript

- 3000 to 8000 words or between 5 to 15 pages including an abstract, texts, tables, footnotes, and references.
- Title should not exceed 20 words, and abstracts should not exceed 250 words

Font

- The manuscript should be in MS Word format,
- Times New Roman
- 12 point font, and
- One and a half spacing.

Supportive Illustrative

- Authors are encouraged to provide supportive illustrative material with manuscript.
- Tables, graphs, maps and drawings should not be separate from the body of the text.
- For the presentation of quantitative data, graphs are preferred to tables because they contain more information and are easier to edit and reproduce.

References

The Journal of Wealth Management & Financial Planning (JWMFP) follows *The Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the



APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources. The following guidelines may be helpful for those who have used this formatting style.

Reference citations within the manuscript should read as:

"Smith (1999) reported that . . . and Blarney and Jones (2001) concluded that . . ." Should Smith be cited again in this same paragraph, it would not be necessary to again to cite the 1999 date. "This problem has been studied previously (e.g., Black et al., 1998; Smith & James, 1999; Jones, Smith, & White, 2001)." The use the Black et al. reference would indicate that the complete list of authors has appeared previously in the manuscript.

References should appear at the end of the article as follows:

The list of references should appear at the end of the main text (after any appendices, but before tables and legends for figures). References should be one and a single space and listed in alphabetical order by author's name. Articles by the same author should be listed in descending order ranked by least current date and where applicable, alphabetized by the second author. Hanging indents should be used in the reference list. Selected examples follow, although the manual offers many examples of different print and media publications.

Book

Silva, F. (1993). *Psychometric foundations and behavioural assessment*. Thousands Oaks, CA: Sage.

Chapter in a Book

Roszkowski, M.J., Snelbecker, G.E., & Leimberg, S.R. (1993). Risk tolerance and risk aversion. In S.R. Leimberg, M.J. Satinsky, R.T. Leclair, & R.J. Doyle, Jr. (Eds.), *The tools and techniques of financial planning* (4th ed., pp. 213-226). Cincinnati, OH: National Underwriter.

Journals Paginated by Issue

Archuletta, K.L., Grable, J.E., & Britt, S.L. (2013) Financial and relationship satisfaction as a function of harsh start-up and shared goals and values. *Journal of Financial Counselling and Planning*, 24 (1), 3-14.

Print Article Retrieved from an Internet Source

Garmaise, E. Long-run planning, short-term decisions: Taking the measure of the investor's evaluation period. *Journal of Financial Planning*, 19(7), 68-75. Retrieved August 23, 2007, from http://www.fpanet.org/journal/articles/2006_Issues/jfp0706-art8.cfm

Equation / Mathematical Sentences

All symbols or mathematical should follow the correct format. Mathematical equations have to be prepared using MathType. A single mathematical symbol can be done by inserting symbol in Ms-Word. Each mathematical sentence should begin at the first tab

after skipping one line. If it is referred in the texts, the equation should be numbered in the bracket and right aligned.

Use of (. . .) Symbol

For indication “and so forth, particularly in mathematical sentences, use the conventional standard three dots (. . .) only. For example: The equation is true for $x = 1, 2, 3, \dots$. The fourth dot in this example which is of one space distance from the other three dots is the full stop.

Diagram / Illustration

The diagram or illustration should preferably be prepared in black and white only. If the diagram is reduced in size for publication purpose, it has to be clear and sharp so that it can be easily noticed.

Proofreading

Articles accepted for publication will be edited by the editorial board. Authors will only be required to ascertain the validity of facts in the proof. Two copies of the proof will be sent to the author.

The author is required to sign his/her name on one of the proofs and return it to the editor after making sure that there is no factual error. JWMFP is the rightful owner of any article published.

Submission of Manuscript

Three copies of the complete manuscript (one original and two copies) should be sent to:

Editor-In-Chief (Journal of Wealth Management & Financial Planning)
Malaysian Financial Planning Council

Unit 22.7, Level 22, Menara One Mon't Kiara (1MK),

No. 1, Jalan Kiara, Mon't Kiara,
50480 Kuala Lumpur.

Email: mfpc@mfpc.org.my

Tel: +(603) 6203 5899

Fax: +(603) 6201 2669

Manuscript should preferably be sent electronically via email. Manuscript should be sent in both Ms-Word and pdf format. Manuscript that contains complex equations and / or diagrams is advised to be submitted in printed as well as electronic versions.

News & Views

Guidelines for Authors

All persons writing and/or submitting articles or any other materials in any form (texts, illustrations, diagrams, statistics, etc) for publication in the *Journal of Wealth Management & Financial Planning (JWMFP)* and for storage in the MFPC publication database are required to adhere strictly to the following guidelines:

What Constitutes under the News and Views Column?

Topic Areas

The news and views column is a practitioner focused section covering Malaysian economy/ Asian economy and international business topics. This could include local financial news and issues that is timely to be shared with individuals in the financial landscape.

"News" could include any financial related news which comprises of any aspect of financial planning, wealth management, investment banking, and regulatory changes. "News" submitted should be something of general interest or an issue that is currently new in the marketplace. Eg: Clawing back of Commission from agents is a new issue in Malaysia.

Objectivity

"Views" could be an opinion piece detailing the practitioner's outlook to a particular issue. Any finance related issue which deals with Financial Planning would be accepted. The inclusion of the section News and Views is to deliver essential market information and views that is of good faith for Financial Planners. The focus of this article should help a financial planners better serve their clients and

contribute to the common good of the Financial Planning industry.

Style

JWMFP places strong emphasis on the literary quality of submission under the News and Views column. All submission will be vetted through a committee made up of local and international academic practitioners. This column will have a more readable style compared to an academic article. Write the way you talk and Keep it Short and Simple (KISS)

Length

Articles for the news and views column should not exceed 3,000 words. Succinct introduction as a summary would help readers digest the content of the article.

Review

The review process normally takes 1-2 weeks and the MFPC will inform you if the submission will be printed. Authors are not allowed to submit their work elsewhere until an editorial decision is made. To ease the reviewing and editing of submission please follow the guidelines. The Editorial Board will make necessary changes to ensure the readability and clarity of articles.

Referencing

If necessary when a source is cited, all referencing should be attached to the write up. The general accepted referencing style should follows The *Publication Manual of the American Psychology Association (APA) (6th Ed.)* for style and format. The APA Manual is available in bookstores or from the APA on-line at www.apa.org/books. Summaries of the APA style and format guidelines also are available from a variety of Internet sources.

Book Reviews

Author Guidelines

1. A book review for this journal should run one to three pages (font Times New Roman, size 12, single space; or roughly 500 to 1500 words) at most. Please contact the editor with any other questions.
2. The review should be submitted in typewritten copy and submit your review via e-mail attachment to mfpcc@mfpcc.org.my.
3. The heading for this review should include bibliographic information about the book, such as:
 - Author
 - Date of publication
 - Title
 - Edition (if any)
 - Place of publication
 - Publisher
 - Number of pages
 - Price (if applicable)

Example: Robert T. Kiyosaki (2012). *Retire Young Retire Rich: How to get Rich Quickly and Stay Rich Forever!* NY, USA, Warner Books, 376 pages. \$973.

4. Write your review with two goals in mind, namely to report basic information about the book and more, importantly, to evaluate the book. Do not abstract the book, but be sure to indicate the range and nature of its contents. The exact information will vary according to the kind of book, but in all cases it includes the book's purpose or main theme, and the way in which the author(s) seeks to achieve the purpose or develop the theme. Summarize

the book's main conclusion but be brief. Place the book in the perspective of related literature by comparing it with other books on similar topics. Tie together any issues raised in the review, and end with a concise comment on the book. If you like, you can offer advice for potential readers.

5. Avoid quoting long passages from the book you are reviewing Paraphrase when possible. Always give the page number of the quote in parenthesis.
6. Because Journal of Wealth & Financial Planning is an interdisciplinary publication, please avoid overly technical language understandable to only a few specialists.
7. Avoid using references and footnotes. If quotation from another work is absolutely necessary, please incorporate the reference into the text. The form of the reference should be: (Francine D. Blau, Marianne A. Ferber & Anne E. Winkler, *The Economics of Women, Men and Work*, Boston, NY: Prentice Hall, 2010)
8. We reserve the right to edit reviews for style, conciseness, and consistency.

Please send your completed review to:
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Declaration Form

Title of Paper

contacting other co-authors may sign and submit this form on their behalf. In this case only the main author's signature is required. All material submitted for publication is assumed to be exclusively for Journal of Wealth & Financial Planning (JWMFP) and not have been submitted for publication elsewhere.

Declaration Statement

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