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Editor-in-Chief's Note

I am indeed delighted to bring to you the sixth issue of the Journal of Wealth Management & Financial Planning (JWMFP). As you may know, JWMFP now proudly has an international editorial board as well as an expanded diversity of members as blind reviewers.

We have been experiencing an increase in the number of manuscripts received and in view of this have commenced using a Journal management system. As we improvise our processes further, with the focal goal of having a SCOPUS indexed journal before the 10th year of this publication, we are optimistic that the quality of content will see remarkable improvement.

Our issue this time continues to have a good blend of articles. The papers include those with Shariah content and articles regarding current issues in our News and Views column.

My sincere appreciation to members of the editorial board, the MFPC Secretariat team, the blind reviewers and the MFPC National Council for supporting the publication of the Journal of Wealth Management & Financial Planning. Together we will take this publication to greater heights.

I am sure you will derive value from this publication and as ever I welcome your feedback.

Till the next issue, enjoy this issue!

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

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The Impact of Funds and Fund Family Characteristics on Fund Performance: Evidence from Malaysia

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ABSTRACT

Islamic mutual funds (IMFs) have been growing as an alternative investment vehicle for investors who want to combine value and financial objectives in their investment. A group of funds is managed by an investment company called a family of funds, and different fund families follow different strategies that distinguish them from each other. In addition to this, characteristics of fund families influence the performance of fund families. This study investigates the extent to which fund families and fund characteristics contribute to explaining fund returns differentiated by managers' stock selection and market timing abilities in Malaysia for the period 2009 to 2016.

In the first step, the study used Jensen's (1968) model to calculate the fund performance, and the Henriksson and Merton model (1981) and Treynor and Mazuy (1966) to separate the performance into a market timing and fund selection. In the second step, using the coefficient estimates of fund selection and timing measures as dependent variables, the study tested the extent to which fund family and fund characteristics are associated with selectivity and timing performance measures. The results show the managers of IMFs have poor selectivity skills and good market timing ability. The results also show that fund family characteristics have a significant impact on the performance of Islamic funds' in Malaysia whether using the Treynor and Mazuy (T&M) or the Henrikson and Merton (H&M) model.

Keywords: Fund Performance, Fund Family Size, Fund Family Age, Islamic Mutual Fund

INTRODUCTION

Islamic finance has rapidly developed throughout the past decade and is continuing to expand. The Islamic

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Finance Development Report (2018) reported that the total value of global Islamic financial services reached US$2.4 trillion in 2018, compared to US$2.2 trillion in 2016. Moreover, the size of the industry has grown by at least 11 per cent annually. The report also forecast that by 2023, the industry would grow to US$3.8 trillion. In addition, today, Islamic finance comprises many types of financial services such as fund management (mutual funds), Islamic banking, Islamic insurance (takaful), and Islamic bonds (sukuk) (Kammer et al., 2015).

The mutual fund is an investment company that collects money from shareholders and invests it in assorted securities, including money market instruments, stocks, and bonds. Moreover, mutual funds offer attractive advantages such as the ability to invest in an equity fund without incurring transaction costs or cost of collecting information; thus, mutual funds allow diversification and provide administration in dealing with investments to reduce the workload of individual investors (Ahmad et al., 2017). Mutual funds can influence the real economy via two channels, that is, the primary and secondary markets. Where the fund flows are positively correlated with subsequent economic growth, this leads to the fact that these flows incorporate additional information related to real economic activities that are not perceived by forecasters (Hoepner et al., 2013). Islamic funds are one of the most important types of mutual funds at the moment.

The purpose of Islamic mutual funds (IMFs) is to achieve religious and ethical objectives without infringing on the traditional needs of diversification, liquidity and performance (Abdelsalam et al., 2014; Azmi et al., 2018). Moreover, as Shariah law prevents many high-risk activities, Islamic financial services have been much less affected by financial crises relative to their respective benchmarks (Hoepner et al., 2013; Makni et al., 2015; Boo et al., 2016). Shariah law prohibits mutual funds from *riba al nasiah*, *maysir*, *gharar* and *haram* products or services and it requires *haram* purification, and prohibits *riba al nasiah* which represents the receipt of interest on capital. Hence, IMFs cannot invest in conventional bonds, warrants, preferred stock, certificates of deposit and some derivatives. The IMF industry has recently seen a dramatic increase in the amount of wealth held by mutual fund managers. The Malaysia International Islamic Financial Centre (2017) reports that the total Islamic Assets Under Management (AUM) in 2017 were USD70.8 billion, and the number of Islamic funds was 1,535. This is a significant increase compared to 2008, when there were only 802 funds with a total of USD47 billion. AUM The largest type of IMFs are equity funds, representing 40 per cent of total Islamic funds. They are followed by fixed income at 17 per cent, and real estate and private equity at 12 per cent.

Abdullah et al., (2007); Abderrezak, (2018); Alam and Rajjaque, (2010); Rubio et al., (2012); Agussalim et al., (2017) examined the performance of IMFs at the fund and index level. This study takes into consideration fund family variables, because the different fund families follow different strategies that distinguish them from each other. Fund families may utilize strategies that depend on the heterogeneity of the investors in terms of investment horizon, such as showing the possibility for investors to switch to different funds from the same family at no cost and increasing the number of funds in the family, adding more options for the investors to select from Brown & Wu, (2012); Clare, O'Sullivan, & Sherman; (2014). Characteristics of fund families including size, age, and the number of funds in the family therefore influence the performance of the funds in these families.

Family size is calculated as all the equity funds under management by a company. The larger fund families can share expenses among a large number of funds, and can also use the same economic data and experts to explain data across funds. In addition, large fund families can benefit from economies of scale from trading commissions and lending fees (Chen et al., 2004). These options act as externalities for all funds belonging to the same family, affecting the purpose level of performance the family needs to achieve and the number of funds it wants. In addition, the number of funds within the same family can increase the investors' selection options, and thus increase the diversity that leads to increased returns.

Some studies indicate IMFs have the ability to achieve profit and preserve positive returns through the bear market (Abdullah et al., 2007; Abderrezak, 2008). Therefore, IMFs considered an alternative in portfolio selection for investors especially during bear markets, can then consider IMFs a good hedging investment, especially against market downturns (Elfakhani et al., 2005). The researchers provide evidence of strong performance between IMFs and Islamic and conventional benchmarks (i.e. FTSE Islamic Indices and S&P 500 Index) during the stagnancy. Different Islamic indexes have emerged in different countries around the world, to provide noteworthy comparisons between the performance of funds and the performance of their benchmarks.

The growth of IMFs in Malaysia is forecast to increase due to higher demand from other different markets, and from a raised degree of investor awareness and confidence. Malaysia is one of the key domiciles contributing to the largest market share of the global Islamic funds industry. The IMF industry in Malaysia started in the 1990s with 2 funds in 1993. In 2009 the number of funds was 150 funds managing total AUM of USD 12.0 billion. In the first quarter of 2017, the number of funds in Malaysia was 388 funds managing total AUM of USD 22.6 billion. The steadily increasing importance of IMFs as an investment choice in portfolio management and their role in the development of the Islamic financial system motivated us to focus our study on the performance of IMFs (Agussalim et al., 2017). This growth can be attributed to the managers' skills in fund selection and market timing. (Abdelsalam et al., 2014).

The objective of this study is to investigate the extent to which the characteristics of fund families and fund characteristics contribute to explaining fund returns differentiated by managers' stock selection and market timing abilities in Malaysia for the period 2009 to 2016. As a high percentage of IMFs belong to Malaysia, investigating the IMF industry in Malaysia will transfer the orientations and movement of IMFs globally. Due to the dramatic growth of IMFs, the expected return performance of IMFs is higher than that of their benchmarks, especially in a country like Malaysia. Previous studies in Malaysia concluded the IMF industry has the possibility to grow even faster (Nathie, 2008; Abdullah, 2009). Previous studies focused on fund characteristics; this study seeks to provide new evidence about fund family characteristics in addition to fund characteristics. This study also contributes by using three models to separate the performance into a market timing and fund selection.

The importance of this study is that it provides adequate information on the performance of IMFs in the Malaysian market for both regulators and investors. In particular, it provides new evidence about the characteristics of Islamic fund families in Malaysia. Further, the results will provide assistance to investors, fund managers, and market players, who want to invest their money in the market. The study period is from 2009 to 2016, which represents a longer and more recent period, and is comprehensive relative to previous studies. The rest of the paper is organized as follows: Section 2 reviews previous literature; Section 3 describes the data and models used to evaluate performance and test the fund and family characteristics; Section 4 provides the empirical results and discussion; and Section 5 provides the conclusions.

LITERATURE REVIEW

IMFs in Malaysia benefited from the growth in technology and high oil prices, which led to excellent growth during the late 1990s. Most IMFs achieved higher returns compared to their benchmarks. This growth attracted the researchers to test the behaviour of IMF managers and investors. This section reviews, previous studies on the performance of IMFs. Previous studies were divided into three. First, fund performance including fund selection and market timing. Second, fund performance and fund characteristics. Finally, fund performance and family characteristics.

Fund Performance including Fund Selection and Market Timing.

IMFs are analogous to ethical funds in that investors of both share certain values such as beliefs, attitude, and perception. Fund managers also allocate assets according to investors' expectations instead of wealth maximization. Forte and Miglietta (2007), examined whether IMFs can be considered as socially responsible funds. They concluded that both funds differ in terms of asset allocation, but the broad principles are largely similar, as both restrict themselves from investing in socially - and religiously - unacceptable investments.

Abdullah et al., (2007) assessed the performance of Malaysian conventional and IMFs for the period 1992-2001 . Using adjusted Sharpe Index, adjusted Jensen's Alpha to evaluate selectivity ability, and Treynor and Mazuy (1966) Model to evaluate market timing ability, they revealed that market trends correlated with the performance of each fund. The results also suggest that fund managers are unable to correctly identify good bargain stocks and to forecast the price movements of the general market. Analogous implications were found in the Saudi Arabian market by Merdad et al., (2010).

Alam and Rajjaque (2010) investigated the performance of Islamic equities in specific markets as opposed to the general market. Islamic and conventional portfolios were created from the constituents of S&P Europe 350 for the 2007-2009 period. Three markets were created from this index, that is, the general market, market with no financial firms, and market with only Shariah-compliant equities. Their results showed that the first two markets were bested by the final portfolio, although Shariah-compliant equities portfolio experience a slight downturn in performance during an economic uptrend. Hayat and Kraeussl (2011) examined the risk and return characteristics of 145 IEFs over the 2000-2009 period. Performance analysis was done using CAPM and the Treynor and Mazuy model. The results show that Islamic Equity Funds (IEFs) underperformed as compared to Islamic and conventional benchmarks, and their managers had low timing capability.

Hoepner et al., (2013) studied the financial performance and investment styles of 265 Islamic equity funds from 20 countries using the Carhart Four-Factor Model. They concluded that Islamic funds from the six largest Islamic financial centres (the GCC countries and Malaysia) perform competitively or even outperform international equity market benchmarks. On the contrary, Islamic fund portfolios operating in less developed Islamic financial markets underperform the aforementioned benchmarks.

In case of IMF performance persistence, El et al., (2014) investigated the Dow Jones Islamic Index 100

Titans (DJI100). Their analysis was limited by their focus on the recession and booming cycles of the stocks' companies. The results stated persistence was not detected. Agussalim et al., (2017) evaluated the performance of conventional funds and IMFs and found that based on the level of return and Sharpe Index, conventional funds outperform Islamic ones, but the contrary occurs when the level of risk is made as the basis. Arifin (2018) found sufficient evidence for the presence of performance persistence in Indonesian Shariah mutual funds, but the persistence only surfaced in the initial period of study, while in the later stages, it appeared to fade away.

Fund Performance and Fund Characteristics.

Fund characteristics are the most important determinants of fund performance. For example, the performance of large-sized funds differs from that of small-sized funds, which can be attributed to the fact that the fund manager can manage small funds more easily. On the contrary, the size of the large fund could provide more investment alternatives, which would improve the performance of the fund. In addition to the age of the fund, the performance of the young fund may be less than the old fund, because young funds usually incur a significant amount of costs in the form of marketing, floatation, and printing in the early stage.

Bialkowski and Otten (2011), studied the performance of mutual funds in Poland. The results found a positive correlation between fund size and fund performance. Similar implications were found in Otten and Bams, (2002); Fortin and Michelson, (2005); and Ferreira et al., (2006). The findings also revealed no significant relation between expense ratio and the performance.

With regard to fund age, Otten and Bams (2002) investigated the influence of fund characteristics on risk-adjusted performance in European mutual funds. The findings reveal that fund age is negatively related to fund performance, but Low (2010) and Bialkowski and Otten (2011) found no evidence of significant relationships. As for fund risk, Low (2010) examined the relationship between fund performance and fund characteristics in Malaysia. The results indicate that riskier funds are able to generate higher returns.

Ahmad et al., (2017) investigated the fund-specific determinant of the performance of Islamic and conventional mutual funds for the period from 2011 to 2016 in Pakistan. They divided the sample into three subsamples that included overall, Islamic and conventional funds. The findings reveal that turnover and new money have a significant positive impact on the Sharpe Ratio for all three samples of funds. Liquidity is positively and significantly related with the Sharpe Ratio in the case of Islamic funds while for conventional funds, age has a significant positive effect on fund performance. The expense ratio is negatively associated with the Sharpe Ratio in the case of conventional funds. Fund family and liquidity have been found to be significantly positively related with Jensen's Alpha of conventional funds while new money has a significant negative effect on Jensen's Alpha.

Fund Performance and Family Characteristics.

The strategies of fund families are different to attract investors and improve their performance. Moreover, this difference leads to the different performance of the different funds in these families. As for family characteristics, the study on their impact on fund performance is fairly limited.

Guedj and Papastaikoudi (2004) examined whether mutual fund families affect the performance of the funds they manage, for the period 1990 to 2002 in the USA. The results show that persistence of performance of funds existed inside their respective families. This persistent excess performance was related to the number of funds in the family, which we interpret as a measure of the latitude the family has in allocating resources unevenly between its funds. This is consistent with the view that fund families allocate resources in proportion to fund performance and not fund needs.

Bhojraj et al., (2011) examined whether the previously documented positive association between fund family size and fund performance was affected by significant regulatory changes, for the period from 1992 to 2008 in the USA. The results indicate that while fund family size was positively associated with fund performance in the period prior to the regulatory changes, this advantage was significantly weaker in the period subsequent to the regulatory changes, and that the greater stock-picking skill of larger fund families also weakened subsequent to the regulatory changes. Brown and Wu, (2012) evaluated mutual fund skills based on a fund's own performance and the performance of its family, for the period January 1999 to December 2009 in the USA. The results show family performance had a stronger impact on money flow to a member fund in larger families and families with a larger fraction of team-managed funds, while the sensitivity of flow to a fund's own performance decreased with family size and increased with the correlation of idiosyncratic returns within families.

Clare, O'Sullivan & Sherman (2014) used a large and long sample of US and European mutual funds, to examine the strategic and competitive behaviours among family funds and whether this affected performance persistence and risk-taking. The results do not find evidence of stronger performance persistence among family funds versus non-family funds. The results also show strong evidence that a fund's mid-year ranking within its family and within its sector affected its risk-taking over the remainder of the year.

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From the previous discussion, we conclude there is a difference in opinions about the performance of Islamic funds. Some evidence suggests that they are less performing than the market benchmark and conventional funds, and other evidence indicates that they excel in performance especially during the riskiest periods. Moreover, the evidence indicates IMF managers have poor timing ability and poor selectivity ability. This study seeks to contribute by using three selectivity and timing ability models at the same time, to see how adding the timing ability can affect manager selectivity, and to see whether there is any trade-off between the manager's selectivity and timing ability. Moreover, previous studies did not consider family characteristics, although the family allocates resources unevenly between its funds, and as such, family characteristics could affect fund performance. So this study seeks to bridge this gap by examining the impact of family characteristics on the performance of Islamic funds in Malaysia.

DATA AND METHODOLOGY

The sample in this study comprised 50 IMFs, distributed to 20 families. The study used data including the rate of return, total asset, inception date for each fund, and market index prices collected from the Bloomberg database, which provides information on mutual funds. It also offers data in the form of media and news in addition to an Islamic finance platform presenting comprehensive data on IMFs and other Islamic instruments; and provides an Islamic window that provides data on a range of Islamic financial institutions in addition to the rate of return on 3-months' Malaysian Treasury Bills collected from Bank Negara Malaysia. The fund families' characteristics variables, such as family age and the number of the fund in each family were gathered from the annual reports of the fund families. This study used the monthly fund return data to estimate the beta of each fund. The monthly market return was calculated based on the Kuala Lumpur Composite Index (KLCI). Since the family and fund age is annualized, the researcher converted this to a monthly equivalent, to be consistent with the monthly returns of fund and market return.

The analysis employed regression in two stages. In the first stage, the analysis employed Jensen's (1968) model to calculate the overall fund performance and after that the model of Henriksson and Merton (1981), and Treynor and Mazuy (1966) to divide the performance into market timing and fund selection. In the first step, the regression aimed to be a point estimation, to get coefficient estimates of fund selection and timing measures. That means the Jensen's (1968), Henriksson and Merton's (1981) and Treynor and Mazuy (1966) models were used to get fund selection and timing coefficient estimates for each of the 50 funds. Following Low (2012), these coefficient estimates were then used as (dependent variables) in the second stage, regression analyses sought to test the extent to which fund and families characteristics are associated with selectivity and timing performance measures.

As stated previously, at the first stage, the study used regression analysis in the Jensen (1968) model, Henriksson and Merton (1981) model, and Treynor and Mazuy (1966). Then, it used the Jensen (1968) model, and Henriksson and Merton (1981), and Treynor and Mazuy (1966) model regression to get selectivity and timing estimates to be used in the second-step analyses.

The Jensen's (1968) model is shown by the following regression:

$$R_{i,t} - R_{f,t} = \alpha_i + \beta_i (R_{m,t} - R_{f,t}) + \epsilon_{i,t} \qquad (1)$$

Where, $R_{i,t}$ is the rate of return of the fund at time t, $R_{f,t}$ is the risk-free rate calculated from the 3-months' Malaysian Treasury Bills; $R_{m,t}$ is the rate of return of the market at time t; β_i is the estimated coefficient for the systematic risk of the fund; α_i is the Jensen's performance of the fund; and $\epsilon_{i,t}$ is the random error term. The above equation supposes that the systematic risk of a fund is fixed over time and thus has disregarded the presence of the timing activities of fund managers. So, Jensen's performance model refers to a fund's overall performance fully to the fund manager's stock selection ability. Since it is possible that fund managers participate in market timing activities, Henriksson and Merton (1981) developed a model that allows market timing and selectivity to be estimated at the same time. Henriksson and Merton's (1981) model takes into consideration market timing and stock selection abilities to eliminate the biases in Jensen's performance estimate that disregard market timing activities of fund managers.

The market timing model of Henriksson and Merton (1981) is following the regression equation:

$$HM = R_{i,t} - R_{f,t} = \alpha_i + \beta_i (R_{m,t} - R_{f,t}) + \delta_i (R_m - R_f) D_t + \varepsilon_i \qquad (2)$$

Where, α_i measures stock-selection ability; δ_i is the market timing coefficient; D_t is a dummy variable that takes the value of one if the market return is positive and zero otherwise, and other variables are defined in equation (1). In this equation, δ_i measures a manager's market timing ability and a significant positive (negative) estimate of δ_i is indicative of good (poor) market timing ability.

TM (1966) built a model that recognizes good market timing funds. The market timing is cached by the square of market returns. The model is as follows:

$$T.M = R_i - R_f = \alpha_i + \beta_i R_m - R_f + \gamma_i (R_m - R_f)^2 + \varepsilon_i \qquad (3)$$

Where, α_i measures stock-selection ability, $R_{m,t}^2$ is the squared market returns, $\gamma_{i,t}$ indicates market timing, if positive and significant then the funds are successful and exposure to the market is increased when markets are doing well.

In the second-step analysis, to estimate the importance and the impact of fund and families' characteristics on managerial selectivity and market timing returns, the α_i, t, δ_i, t calculated from equation (2), and $\varphi_{i,t}$, $\gamma_{i,t}$ calculated from equation (3), in addition to some fund and family characteristics variables as shown in Equations (3), (4) and (5), (6) respectively.

$$\alpha_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i \quad (4)$$

$$\delta_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}\ \beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i \quad (5)$$

$$\varphi_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i \quad (6)$$

$$\gamma_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i \quad (7)$$

Where $\alpha_{i,t}$ and δ_i are the selectivity and market-timing measures of fund i at time t calculated from equation (2), $\varphi_{i,t}$ and $\gamma_{i,t}$ are the selectivity and market-timing measures of fund i at time t calculated from equation (3), $FR_{i,t}$ is the fund i risk at time t calculated from fund beta, $FS_{i,t}$ is the fund i size at time t calculated from log of fund total assets, $FA_{i,t}$ is the fund i age at time t calculated from fund inception date, $FMA_{i,t}$ is the fund family i age at time t calculated from family inception date, $FMS_{i,t}$ is the fund family i size at time t calculated from log family total asset, $FMN_{i,t}$ is the number of funds in the family i at time t, and $\epsilon_{i,t}$ is the error term.

EMPIRICAL RESULTS AND DISCUSSION

In the selectivity and market timing models as shown in Tables 3 and 4 for HM model and Tables 5 and 6 for TM model, the Breusch / Cook Weisberg test for heteroscedasticity shows H0: constant variance, meaning there is no heteroscedasticity, and prob>chi2 are 0.1780, 0.1820 respectively for HM model and 0.1630, 0.1580 respectively for TM model, more than 0.05 suggesting that the null hypothesis cannot be rejected. Given the potential problems of multicollinearity among the fund attributes variables, a diagnostic check was performed using variance inflation factors (VIFs). As a rule of thumb, a VIF >10 is taken as an indicator of the presence of multicollinearity and the diagnostic results in Tables 3 and 4 for HM model and Tables 5 and 6 for TM model show that none of the family and fund characteristics variables has a value greater than 10.

Summary of Descriptive Analysis

Table 1 shows the summary statistics for Islamic mutual fund performance measures estimated from the models of Jensen (1968), Henriksson and Merton (1981), and Treynor and Mazuy (1966). In Jensen's (1968) model, **α1** has a mean value of -0.0030 and it measures selectivity performance when market timing ability is not taken into consideration. That means IMF

Table 1
Summary Statistics for IMF Performance and Independent Variables

Variable	Mean	Standard Deviation	Minimum	Maximum
α_i Jensen	-0.0030	0.1743	-0.5551	0.3961
α_i HM	-0.0050	0.2365	-0.4721	0.7451
δ_i HM	0.0964	0.4482	-2.1631	0.7277
α_i TM	-0.0083	0.2792	-1.6101	0.3526
γ_i TM	0.0828	0.1624	-0.5452	0.3273
Fund Size	1.9658	0.8079	-0.2145	3.7485
Fund Risk	-0.0033	0.0426	-0.2101	0.1651
Fund Age	0.9135	0.7975	0.0833	3.7500
Family Size	2.1407	0.7348	-0.6324	3.1517
Family Age	1.8941	0.8681	0.2500	3.4167
Family Number	0.9792	0.5481	0.0833	2

Table 2
Pairwise Correlation Coefficients

	Selectivity HM	Timing HM	Fund Size	Fund Risk	Fund Age	Family Size	Family Age	Family Number	Selectivity TM	Timing TM
Selectivity HM	1.000									
Timing HM	0.1503	1.000								
Fund Size	-0.0615	0.1004	1.000							
Fund Risk	0.0281	-0.0698	-0.0312	1.000						
Fund Age	0.0764	-0.0176	-0.2835	0.0538	1.000					
Family Z	0.0462	0.0976	0.8251	-0.0451	-.02739	1.000				
Family A	0.1306	0.1145	0.5276	-0.0607	-0.1127	0.6160	1.000			
Family N	0.0381	0.0966	0.6704	0.0301	-0.1117	0.8457	0.7326	1.000		
Selectivity TM	0.0054	0.0065	0.0422	-0.0282	-0.0471	0.0747	0.1471	0.0807	1.000	
Timing TM	-0.0080	-0.0034	0.0254	-0.0208	-0.0283	0.0387	-0.029	0.0024	0.0398	1.00

managers have poor selectivity skills according to Jensen (1968) model.

In Henriksson and Merton (1981) model, when separate selectivity and market timing **α**H has a mean value of -0.00502 and δ_i which represents market timing has a mean value of 0.09636. In Treynor and Mazuy (1966) that recognizes good market timing funds by cached the square of market returns, **α**T has a mean value of -0.00831 and γi which represents market timing has a mean value of 0.08279.

Table 1 also shows the summary statistics for independent variables. The mean of individual fund size is 1.966 with standard deviation 0.808, and the mean of individual risk is negative -0.00325 with standard deviation .042565; the mean of individual fund age is 0.9135 with standard deviation 0.7975; the mean of fund family size is 2.141 with standard deviation 0.7348; the mean of fund family age is 1.894 with standard deviation .868; and the mean of the fund number in fund family is 0.9791 with standard deviation 0.548.

The Correlation between Performance Measures and Family, Fund Characteristics

Table 2 presents pairwise correlations for performance measures and independent variables. Selectivity and market timing measures in both HM and TM models have a low significant correlation coefficient of 0.1503 and 0.0398 respectively, suggesting that there is no trade-off between IMF managers' stock selection and market timing abilities, meaning that IMF managers can excel in both activities. Selectivity performance in the HM model is related positively with the fund family age with a correlation coefficient of 0.1306; similarity, selectivity in TM models is positively related with fund family age with correlation coefficient of 0.1471. This suggests that funds with old family managers have good selectivity returns. It is shown that selectivity performance ability has a humble correlation of -0.0615 with fund size and that means the managers of funds with small size have good selectivity returns. On the contrary, selectivity performance in the TM model has positive relation with fund size with correlation coefficient of 0.0422, but has negative relation with fund risk with correlation coefficient of -0.0282, meaning that managers of funds with high risk have poor selectivity skills. Market timing performance in the HM model is shown to be positively correlated with fund family age, also with a correlation coefficient of 0.1145.

This suggests that funds with an old family are better managed by managers with market timing abilities also. However, market timing in the TM model is negatively related to fund family age with correlation coefficient of -0.029, suggesting that funds with a young family are better managed by managers. It is shown that the timing performance in HM and TM model is found to be correlated with the fund risk, with a correlation coefficient of -0.0698 and -0.0203 respectively. This suggests that risky funds characterized by high exposures to broad market movements have poor market timing ability.

Fund family size is negatively and significantly correlated with fund risk, and fund age. The correlation coefficients are -0.0451 and -0.284 for fund risk and fund age respectively, suggesting that larger funds have less risk that are characterized by low exposures to broad market movements and these funds are smaller in size. The high positive correlation of 0.851 between fund family size and fund size and due to that, the fund family size included the average of all individual funds' size.

Islamic Mutual Fund Selectivity and Market Timing According Jensen, HM, and TM Models.

As stated earlier, IMF managers have poor selectivity skills according to the Jensen (1968) model. This result is similar to the results of Abdullah et al., (2007) in Malaysia and Merdad et al., (2010) in Saudi Arabia. While this result conflicts with the results of

Hoepner et al., (2013) which showed that the Islamic funds from the six largest Islamic financial centres (the GCC countries and Malaysia) perform competitively or even outperform international equity market benchmarks, the same study shows a result similar to that of this study in other less developed Islamic financial markets. Since the Jensen model doesn't account for market timing in the model, the Jensen's model would over-estimate the selectivity performance and cause a bias in the estimate of α_i. The Henriksson and Merton HM (1981) model and the Treynor and Mazuy TM (1966) model provide the separate selectivity and market timing components as shown by the estimates of α_H, δ_i, and α_T, γ_i respectively. In Table 1, on average, the manager's market timing activity contributes positively to the fund's return δ_i= 0.09636 for the HM model and γ_i =0.08279 for the TM model, and that means IMF managers have good timing ability according the HM and the TM models.

The return attributed to a manager's stock selection ability after filtering out his market timing activity is captured by α_H = -0.0050 for the HM model and α_T= -0.0083. By taking both market timing and stock selection abilities into consideration, the HM and TM models remove the biases in Jensen's estimate which ignores market timing activities of fund managers. The negative mean values of α_i, α_H and α_T indicate that on average, fund managers' stock selection ability is not adding value to fund returns. Comparison of the three selectivity measures indicates that α_i= -0.0030 is less negative than α_H= -0.0050 and α_T= -0.0083. Thus, the presence of positive timing returns to the Jensen's model has in fact over-estimated the selection ability of managers as shown by a lower negative value of α_H, α_T. Given that the Jensen's model does not filter out the effects of market timing activities, the presence of positive timing return as indicated by a positive value of δ_i and γ_i has somewhat mitigated the degree of negative return associated with selection skill.

The Relationship between Selectivity, Timing under HM Model and Family, Fund Characteristics

Table 3 reports the panel data regression results of selectivity performance as represented by Equation (4). The selectivity regression model is significant and has adjusted R-squared of 0.302, suggesting that family and fund characteristics variables explain almost 30 per cent of the regression variations in managers' selectivity performance. On fund risk, since it is measured using a beta, this fund risk variable captures a fund's exposure to market risk or broad market movement. The coefficient of fund risk is found to be positively and significantly related to selectivity performance, suggesting that risky funds characterized by high exposures to broad market movements seem to show good selectivity returns. That suggests that IMFs perform better

Table 3
Selectivity under HM Model Regression Results

Dependent Variable: Selectivity Performance

$\alpha_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i$

Variable	Coefficient	t-Statistic	Pr>[T]	VIF
Constant	-0.0089	-0.12	0.902	0.000
Fund Size	0.0432	1.17	0.243	6.59
Fund Risk	0.3638	3.42	0.001	5.18
Fund Age	0.0924	-4.13	0.000	3.24
Family Z	-0.0042	-0.07	0.942	2.22
Family A	0.3015	10.56	0.000	1.15
Family N	-0.3247	-4.71	0.000	1.04
F Value= 25.87	Prob>F= 0.000	Adjusted R^2= 0.302		N= 4800

Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity

H0: Constant variance Chi2 (1) = 1.81 Prob > chi2 = .1780

in bearish market periods which may be associated with high risk, allowing fund managers to find worthwhile investment alternatives, which eventually has the effect of increasing managerial selectivity performance. This result is similar to the result of Low (2010) in Malaysia.

The significant positive coefficient of fund age suggests that newly born or young funds usually incur a significant amount of costs in the form of marketing, floatation, and printing in the early stage of funds, and young funds exhibit a higher market risk. Thus, young funds underperform compared to old funds. Otten and Bams (2002) in European Islamic mutual funds and Ahmad et al., (2017) in Pakistan, but Low (2010) and Bialkowski and Otten (2011) found no evidence of significant relationships. Similarly, there is a significant positive coefficient to fund family age. The significant negative coefficient of number funds in the family suggests that as the number of the funds in the family becomes larger, it becomes more difficult for the fund manager to find worthwhile investment alternatives, which eventually has the effect of decreasing managerial selectivity performance. This could possibly be the reason that managers managing a family with large funds are associated with inferior security selection decisions. The findings show that fund size and family size play no significant roles in influencing the variation in selectivity performance. This can be because IMF managers are bound by limited options when choosing investments and therefore whether the size of the fund or the family is large or small does not affect making of the investment decision. This result corresponds to Bhojraj et al., (2011).

Table 4
Timing Ability under HM Model Regression Results

Dependent Variable: Market Timing Performance

$$\delta_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i$$

Variable	Coefficient	T-Statistic	Pr>[T]	VIF
Constant	-0.0459	-0.42	0.673	0.000
Fund Size	0.1091	1.96	0.050	6.59
Fund Risk	-0.4540	-0.76	0.449	5.18
Fund Age	0.1096	-3.25	0.001	3.24
Family Z	0.0551	-0.63	0.528	2.22
Family A	0.1708	4.98	0.000	1.15
Family N	0.0476	0.46	0.647	1.04
F Value= 14.36	Prob>F= 0.000	Adjusted R^2= 0.164		N= 4800

Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity
H0: Constant variance Chi2 (1) = 1.92 Prob > chi2 = .1820

Table 4 reports the panel data regression results of timing performance as represented by Equation (5). The regression model is significant with adjusted R-squared of 0.164, indicating that family and fund characteristics variables explain 16 per cent of the variations in market timing performance. The coefficients of fund age and family age are highly significant and are shown to be positively related to timing return. The directions of the relationships are the same as those found for selectivity performance as reported in Table 3. This somewhat reinforces the findings that if a manager is engaged in both stock selection and market timing activities, there is no trade-off between an Islamic mutual fund manager's stock selection and market timing abilities, which means that Islamic mutual fund managers can excel in both activities.

The findings also show the positive significant relationship between market timing and fund size, which means larger funds have better timing returns than smaller ones, implying that large funds put managers in a better position to exploit the predictability of market returns to increase fund returns. This possibly reflects the efficiencies of large funds in responding to changes in broad market movements. In other words, if a change in market trend is anticipated by a fund manager, it would cost less to make an adjustment to the portfolio holding possibly due to the existence of economies of scale among large funds. Hence, this contributes to increasing fund returns from the market timing activities of fund managers. The findings also reveal that fund risk, family size, and the number of funds in a family have no significant relation to a manager's market timing performance.

Table 5
Selectivity under TM Model Regression Results

Dependent Variable: Market Timing Performance
$\Phi_{I,T}=\beta_0+\beta_1FR_{I,T}+\beta_2FS_{I,T}+\beta_3FA_{I,T}+\beta_4FMZ_{I,T}+\beta5FMA_{I,T}+\beta_6FMN_{I,T}+\epsilon_I$

Variable	Coefficient	T-Statistic	Pr>[T]	VIF
Constant	-0.0389	-0.64	0.525	0.000
Fund Size	-0.1025	-3.28	0.001	6.21
Fund Risk	-0.2143	-0.64	0.526	1.01
Fund Age	0.0443	2.34	0.019	1.11
Family Z	-0.1021	-2.08	0.037	5.76
Family A	0.2189	9.07	0.000	1.64
Family N	-0.1301	-2.23	0.026	5.18
F Value= 21.84	Prob>F= 0.000	AdjustedR_2= 0.267		N= 4800

Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity

H0: Constant variance   Chi2 (1) = 1.28   Prob > chi2 = .1630

The Relationship Between Selectivity, Timing under TM Model and Family, Fund Characteristics

Table 5 shows the panel data regression results of selectivity performance as represented by Equation (6). The selectivity regression model is significant and has adjusted R-squared of 0.267, suggesting that family and fund characteristics variables explain almost 27 per cent of the regression variations in managers' selectivity performance.

On family age, the coefficient of a family age is found to be positively and significantly related to selectivity performance, suggesting that managers of an old family have good selectivity, due to an old family having more stability. Since a young family usually incurs a significant amount of costs in the form of marketing and floatation, the same result was recorded for fund age. The results also show that fund size, family size and number of funds in the family are negatively and significantly related to selectivity, suggesting that managers of small funds and a small number of funds in the family have good selectivity, due to the managers being able to easily manage these funds and families. The results also indicate there is no significant relation between managers' selectivity and fund risk that may be due to the IMF managers seeking to achieve the religious objective next to traditional goals.

Table 6 reports the panel data regression results of timing performance as represented by Equation (7). The regression model is significant with adjusted R-squared of 0.282, indicating that family and fund characteristics variables explain 28 per cent of the variations in market timing performance. The coefficients of fund age are highly significant and are shown to be negatively related to timing return. This means managers of old funds have poor market timing ability, which may be due to old funds needing highly experienced managers.

Table 6

Timing Ability under TM Model Regression Results

Dependent Variable: Market Timing Performance

$\gamma_{i,t}=\beta_0+\beta_1 FR_{i,t}+\beta_2 FS_{i,t}+\beta_3 FA_{i,t}+\beta_4 FMZ_{i,t}+\beta_5 FMA_{i,t}+\beta_6 FMN_{i,t}+\epsilon_i$

Variable	Coefficient	T-Statistic	Pr>[T]	VIF
Constant	0.2977	4.21	0.665	0.000
Fund Size	-0.0395	-1.09	0.273	6.59
Fund Risk	0.3048	0.78	0.021	5.12
Fund Age	-0.0103	-0.47	0.002	3.21
Family Z	0.2252	3.97	0.015	1.22
Family A	-0.0120	-0.43	0.665	1.05
Family N	-0.1982	-0.43	0.003	1.14
F Value= 22.57	Prob>F= 0.002	Adjusted R^2= 0.282		N= 4800

Breusch-Pagan / Cook-Weisberg Test for Heteroscedasticity

H0: Constant variance Chi2 (1) = 1.33 Prob > chi2 = .1580

The findings also show positive significant relationship between market timing and family size, meaning that a larger family has better timing returns than a smaller one, implying that large families put managers in a better position to exploit the predictability of market returns to increase fund returns. This possibly reflects the efficiencies of a large family in responding to changes in broad market movements. As for fund risk, the coefficient of fund risk is found to be positively and significantly related to timing ability suggesting that risky funds characterized by high exposures to broad market movements seem to show good timing ability. That suggests that IMFs perform better in bearish market periods, which may be associated with high risk, allowing fund managers to know the good time related with good performance. With regard to the number of funds in the family, a similar result was recorded, showing selectivity skills are negatively and significantly related to managers' timing ability. This suggests that the managers of funds with a small number of funds in the family have good selectivity, due to the managers being easily able to manage these funds and families. The results also indicate no significant relation between mangers' timing ability and fund size and family age.

CONCLUSION

The objective of this study is to test Islamic mutual fund managers' selectivity skills and market timing ability. The study also aims to explore which of a family's and fund's characteristics are helpful in identifying funds with superior investment decisions driven by managers' activities of selecting stocks and timing broad market movements, for the period 2009 to 2016 in Malaysia. The results show IMF managers have poor selectivity skills and good market timing ability. With regard to family characteristics, the results show that the family age and the number of funds in the family have an impact on managers' selectivity skills according to the H&M model, and family size, family age have an impact on managers' selectivity skills according to the T&M model. In addition, the results indicate that family age has an impact on managers' timing ability according to the H&M model, and family size and number of funds in the family have an impact on managers' timing ability according to the T&M model. As for fund characteristics, the results show that fund risk and fund age have an impact on managers' selectivity skills according to the H&M model, and fund size and fund age have an impact on managers' selectivity skills according to the T&M model. In addition, the results indicate that fund size and fund age have an impact on managers' market timing ability according to the H&M model, and all three variables have an impact on managers' market timing ability according to the T&M model.

The findings of this study are useful to investors and provide potential policy implications to the fund management industry. Since the investment actions of managers are not directly observable by investors, the findings on what family and fund characteristics affect managerial performance components provide useful insights to investors in making investment decisions. This study delivers new evidence on the determinants of performance related to fund family characteristics. The findings of this study expand the existing scarce literature that highlights the important influence of fund characteristics in general, and family characteristics in particular, on managerial selectivity and market timing returns. Finally, this study can encourage researchers in the area of mutual funds to further extend this subject. Firstly, by employing more sophisticated models of performance such as CAPM, Fama French, and Carhart models. Secondly, this study can be extended to other countries. Thirdly, more studies can be done to incorporate fund manager attributes as well in determining fund performance. ■

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Personal Financial Planning for Growth, Maturity and Wisdom: Guidance from Al-Qur'an

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ABSTRACT

The epistemological philosophy of financial planning in the life of a Muslim originates from his role as a vicegerent of Allah since the primary objective of all his activities in this world is to serve Allah and not only to fulfil his personal indulgences. The Qur'an, being the ultimate guidance, provides a model on how wealth should be used in fulfilling his role as a vicegerent from a personal point of view. The conventional approach to wealth planning is not enough to provide guidance on the personal goals beyond this world, which is a component of the obligations of a Muslim's life. In this paper, we explore guidance from al- Qur'an on personal financial planning using a thematic synthetic approach of interpreting al-Qur'an known *as tafsir al-maudhu'i* to elucidate the meanings of the Qur'an in the light of personal financial issues. Verses related to the personal financial planning in al-Qur'an provide guidance on the important aspects that include planning, spending, moderation in financial dealings, ethics of personal financing, growth and maturity, and the responsibility of men towards planning. Although al-Qur'an recognizes the need for planning, it posits that Muslims should work until they finally retire to Allah and at no certain point in time should they stop working and earning for a living. The financial goals of a Muslim must extend to the Hereafter and also put his period of stay in this world into optimum utilization since his obligations are not only for this world but also for the Hereafter.

Keywords: Financial Planning, Growth, Islamic Finance, Maturity, Qur'an

INTRODUCTION

Every routine of a Muslim is expected to be performed in accordance to *Shari'ah*

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principles, in the economic, political and social aspects. Also, his main objective in all his activities is based on achieving *al-falah*, which is generally defined as attaining success in this world and the Hereafter (Amalina & Junaina, 2013). Another meaning of the word *al-falah* is obtaining 'a good life' (*hayatan tayyiban*), which may be seen as a worldly goal that will lead to getting the a place in paradise after death (Sulaiman, 2011). The Muslim's world view towards life is that life is very short compared to that in the the Hereafter. This is exactly why true believers understand that it is important for Muslims to balance both worldly and spiritual needs. Some of the worldly needs that need proper attention include housing, feeding and clothing. Other spiritual aspects like payment of *zakah, waqf, haj,* etc. that need payment will as well need proper attention.

For the above reasons, financial planning becomes a very important tool in achieving not only worldly goals, but also spiritual goals. But financial planning is an art that requires knowledge of how to set goals and also how to implement them and not everyone has this knowledge. Studies have emphasised the importance of financial planning knowledge, such as knowledge about investment (Millar & Devonish, 2009), financial knowledge (Jacobs-Lawson & Hershey, 2005), and literacy in retirement contribution plan (Dvorak & Hanley, 2010). These variables, however, are not adequate in measuring knowledge of planning for financial planning from the Islamic perspective. This drawback is due to the fact that their definition of financial planning is mainly based on worldly aspects.

Accordingly, the meaning of financial planning from the Islamic perspective is not only restricted to meeting *Shari'ah* requirements in financial transactions but also adhering to all the Islamic values and principles governing economic transactions (Ahmed & Md Salleh, 2016).

Additionally, if one considers the components of financial planning from the conventional perspective, namely cash flow, insurance, investment planning, tax planning retirement planning and estate planning, one will observe that there is no consideration of the faith or belief of the individual in managing the wealth. The goals of financial planning, namely wealth protection, accumulation and distribution are also not faith-driven. This is clearly paradoxical to the Islamic perspective of financial planning and wealth management. Personal financial planning in Islam is not only for high net worth individuals but for all because everyone both the rich and the poor have a spiritual duty in the Hereafter regarding their wealth.

The sources of knowledge in Islam comprises *Naqli* (revelation) and *Aqli* (reasoning). Sound reasoning must be based on the guidance of revelation. This is why Muslims need to revisit the original sources of the *Shari'ah* to understand the rules of planning their wealth from the primary sources. This paper seeks to explore some guidance from the Qur'an on personal financial planning. The paper uses a synthetic approach of interpreting the Qur'an known as *Tafsir al-Maudhu'i* to elucidate the meanings of the Qur'an that are relevant to personal financial issues. The next section is an explanation on the importance of the Holy Qur'an as a guidance. This is followed by the methodology, then some verses relevant to growth, wisdom and maturity that may be applicable to retirement planning. Therefore, the subsequent section discusses the lessons on retirement derived from the Qur'an. The final section gives a summary and conclusion of the paper.

The Holy Qur'an: A Guidance (including a review of papers that have discussed the role of the Qur'an in financial planning)

The Qur'an is the primary source of the *Shari'ah* that was revealed by Allah, the Most High, to serve as a complete guide and way of life for Muslims. The Qur'an guides mankind in knowing how to relate with Allah, deal with people and also how to deal with his own self. It provides divine guidance on all spheres of life, whether worship, trade, politics, social activities or ethics. A Muslim is expected not to only read and understand the Qur'an, but also practise its teachings in every every aspect of his life to succeed in this world and in the Hereafter.

Personal goals of life such as education, marriage, finance are all considered by Allah as *ibadah* (worship), if they fulfil two important criteria. First, they are done with the good intention of obedience to Allah and secondly, practised in the manner that complies with *Shari'ah* principles. The two main sources of obtaining the principles in Islam are the Qur'an and the Hadith. The Qur'an is the foundation and the Hadith explains and clarifies the teachings in the Qur'an. Allah says:

> *This is the Book about which there is no doubt, a guidance for those conscious of Allah.*
>
> **Al- Baqarah, 2**

> *And We revealed to you the message [i.e., the Qur'an] that you may make clear to the people what was sent down to them and that they might give thought.*
>
> **An-Nahl, 44**

However, there are only few studies that discuss Qur'anic guidance on aspects of financial planning. In fact, the few studies that exist focus on investments from the Qur'anic verses. Razaly et al., (2018) studied Qur'anic texts to establish the objectives to the *Shari'ah* with regard to investments. The study highlighted that there is a relationship between *maqasid asl-Shari'ah* from the Qur'an since Allah has entrusted men to manage the world by making it a safe place to live. Man is charged to create wealth in order to fulfil his obligation as a vicegerent of this world. In another similar study, Razaly et al., (2015), found that Islam is not a religion that is restricted to worship but rather, it encompasses all spheres of life. Muslims are also encouraged to seek the bounties of Allah by engaging in all activities that may lead to this objective. Indeed, it is imperative to look at other aspects of financial planning from the Qur'anic text.

related to personal financial planning. We then arranged the verses based on themes, also considered their period of revelation where necessary. This was followed by a study of the verses from books of *tafsir*. We then made an attempt from our understanding of the verses to connect their meanings with the context of personal financing. We also tried to minimize subjectivity by not considering any theme from the conventional perspective, but rather aim at expounding the intents and approach of the Qur'an towards such issues.

"بيان ما يتعلق بموضوع من موضوعات الحياة الفكرية أو الاجتماعية أو الكونية من زاوية قرآنية للخروج بنظرية قرآنية بصدده"

"Giving an explanation on a topic on issues relating to life, intellectually, socially or nature from the Qur'anic point of view with the aim of providing the position of the Qur'an on that issue" (Muslim 2000, p.16)

"هو علم يتناول القضايا حسب المقاصد القرآنية من خلال سورة أو أكثر"

"It is a branch of knowledge that addresses issues based on the objectives of the Qur'an by from one or more chapters of the Qur'an." (Muslim 2000, p.16)

THE METHODOLOGY

This study uses the approach of *Tafsir al-Maudhu'i*, which is one of the forms of exploring the meanings in the Qur'an by studying the contents of the Qur'an on a certain issue. There are many definitions of *Tafsir al-Maudhu'i* given by researchers. One of them is:

We followed several distinct steps in this study as suggested by Muslim (2000). After identifying the title, we collected all the verses we found

Guidance from the Qur'an on Personal Financial Planning

Several themes from the verses of the Holy Qur'an could be relevant in the financial planning process. The themes discussed here include planning, growth and maturity, moderation in financial dealings, ethics of personal financing and growth and maturity. The themes will be discussed together with the relevant verses of the Holy Qur'an.

And prepare against them whatever you are able of power and of steeds of war by which you may terrify the enemy of Allah and your enemy and others besides them whom you do not know [but] whom Allah knows. And whatever you spend in the cause of Allah will be fully repaid to you, and you will not be wronged.

Al-Anfal, 60

Planning:

The Qur'an encourages Muslims to plan their activities in general issues in all aspects of life whether social, economic, political or even spiritual. For instance, in the context of war, Allah reveals in Surah al-Anfal:

Allah tells us to prepare against our enemies using whatever sort of power we are able to. However, one of the powers a Muslim should possess is the power of wealth that is to be spent for the sake of Allah. This meaning could be observed towards the end of the verse, where Allah talks about the spending for the sake of Allah. Thus Muslims need to plan their incomes in order to fulfil not only personal needs but also religious obligations. The Qur'an also tells the believers to plan both for this life and for the Hereafter. The story of the Prophet Yusuf (AS) contains an important model that depicts the importance of saving during the period of opportunity to close the gap during the period of hardship. This can be seen in the following verses:

[He said], "Joseph, O man of truth, explain to us about seven fat cows eaten by seven [that were] lean, and seven green spikes [of grain] and others [that were] dry – that I may return to the people [i.e., the king and his court]; perhaps they will know [about you]." [Joseph] said, "You will plant for seven years consecutively; and what you harvest leave in its spikes, except a little from which you will eat. Then will come after that seven difficult [years] which will consume what you advanced [i.e., saved] for them, except a little from which you will store. Then will come after that a year in which the people will be given rain and in which they will press [olives and grapes]."

Yusuf, 46-49

The verses above explain three distinctive stages: the stage of opportunity, then the stage of utilizing what has been realized during the period of opportunity and lastly the period of hardship when the saved resources have been depleted. This will hence bring about the need for better strategies that will cover the third period.

Figure 1: Illustration of Prophet Yusuf's Cycle

The cycle of the Prophet Yusuf (AS) gives a complete framework for financial planning. The guidance from the verses is that the major obligation during the time of opportunity is to save for future periods. Also, during the period of threat, one will be protected by consuming from his savings. The last stage is the gap that may arise due to one of two reasons: either due to lack of proper savings or lack of moderation in consumption. But when these two are improved, then the gap in the third stage is expected to decline.

Spending

The word 'spending' has been repeated many times in the Qur'an. The Qur'an encourages spending wealth for the sake of Allah. The Qur'an describes saving for the sake of Allah as a means to saving one from the wrath of Allah.

> *And spend in the way of Allah and do not throw [yourselves] with your [own] hands into destruction [by refraining]. And do good; indeed, Allah loves the doers of good.*
>
> **Al-Baqarah, 195**

Planning to spend for the sake of Allah is hence an important means to achieve this objective. Also, failure to spend in the way of Allah is what will lead a person into destruction in his religion and his wealth. Whatever a person spends in this world to seek Allah's pleasure will be rewarded right in this world even before he retires back to Allah. Allah promises to compensate whatever a Muslim spends in this world. Allah tells us:

> *Say, "Indeed, my Lord extends provision for whom He wills of His servants and restricts [it] for him. But whatever thing you spend [in His cause] – He will compensate it; and He is the best of providers."*
>
> **Saba', 39**

Ethics of Personal Financing

It is quite necessary to consider ethics in making decisions on financial dealings. One of these ethics is to be humble before Allah and submissive to him. This is why Allah in Al-Qur'an condemns two persons who showed arrogance and fame in the wealth Allah bestowed to them. These are Qarun and the garden owner mentioned in *Surah Al-Kahf*. Qarun believed that his earnings were from his own knowledge and this made him egotistical to the extent that he failed to take the advice given to him to fear Allah in his wealth. Allah says:

> *Indeed, Qarun was from the people of Moses, but he tyrannized them. And We gave him of treasures whose keys would burden a band of strong men; thereupon his people said to him, "Do not exult. Indeed, Allah does not like the exultant. But seek, through that which Allah has given you, the home of the Hereafter; and [yet], do not forget your share of the world. And do good as Allah has done good to you. And desire not corruption in the land. Indeed, Allah does not like corrupters."*
>
> **Qasas, 76-77**

The second was a person who thought that he was so clever that his wealth would never perish. He was so doubtful to the extent that he felt that there was no resurrection. Allah says:

> *And he had fruit, so he said to his companion while he was conversing with him, "I am greater than you in wealth and mightier in [numbers of] men." And he entered his garden while he was unjust to himself. He said, "I do not think that this will perish – ever. And I do not think the Hour will occur. And even if I should be brought back to my Lord, I will surely find better than this as a return."*
>
> **Kahf, 34-36**

Allah punished both of them as repercussion for their actions. Allah made the earth swallow Qarun together with his wealth and the garden owner in *Surah al-Kahf* was made to lose his wealth, and he befell in regret at the end of the day.

> *And We caused the earth to swallow him and his home. And there was for him no company to aid him other than Allah, nor was he of those who [could] defend themselves.*
>
> **Qasas, 81**

> *And his fruits were encompassed [by ruin], so he began to turn his hands about [in dismay] over what he had spent on it, while it had collapsed upon its trellises, and said, "Oh, I wish I had not associated with my Lord anyone."*
>
> **Kahf, 42**

Another important issue under this theme is the issue of moderation in financial dealings. A Muslim should not spend all his wealth for the sake of Allah and neglect all other responsibilities of life. He has to be moderate. Allah says:

> *And [they are] those who, when they spend, do so not excessively or sparingly but are ever, between that, [justly] moderate.*
>
> **Al-Furqan, 67**

Moderation in spending means to spend without being extravagant and without being stingy. Both qualities have been condemned in the Qur'an:

> *And give the relative his right, and [also] the poor and the traveller, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful.*
>
> **Al-Isra, 26-27**

> *And whoever is protected from the stinginess of his soul – it is those who will be the successful.*
>
> **Al-Hashr, 9**

From the above verses, Allah commands Muslims to avoid wastefulness and considers those who violate this as the brothers of Satan. Similarly, in another verse, Allah tells Muslims to eat, drink and enjoy the adornment of this world, with the condition of not being wasteful:

> *O children of Adam, take your adornment [i.e., wear your clothing] at every masjid, and eat and drink, but be not excessive. Indeed, He likes not those who commit excess.*
>
> **Al-Araf, 31**

The following verse in fact emphasises that the beauty and embellishments in this world are provided for the Muslim to enjoy in this world and he shall enjoy it alone in the Hereafter:

> *Say, "Who has forbidden the adornment of [i.e., from] Allah which He has produced for His servants and the good [lawful] things of provision?" Say, "They are for those who believe during worldly life [but] exclusively for them on the Day of Resurrection." Thus do We detail the verses for a people who know.*
>
> **Al-Araf, 32**

This means that the Muslim is expected to use his income for his personal goals because it is a provision from Allah. A Muslim should not fold his arms and deny the gifts Allah has provided for him.

Growth and Maturity

Muslims have been commanded to be proactive, strong and smart in all affairs and not to be lazy until they befall into difficulty and havoc. In this regard, they should understand the need to plan for their future because of the threats and weaknesses that they may encounter towards the end of their life especially when they become old and weak. This is the kind of stage that Allah tells us in *Surah Al-Ghafir* and *Surah Al-Hajj*:

> *It is He who created you from dust, then from a sperm-drop, then from a clinging clot; then He brings you out as a child; then [He develops you] that you reach your [time of] maturity, then [further] that you become elders. And among you is he who is taken in death before [that], so that you reach a specified term; and perhaps you will use reason.*
>
> **Ghafir, 67**

> *We created you from dust, then from a sperm-drop, then from a clinging clot, and then from a lump of flesh, formed and unformed- that We may show you. And We settle in the wombs whom We will for a specified term, then We bring you out as a child, and then [We develop you] that you may reach your [time of] maturity. And among you is he who is taken in [early] death, and among you is he who is returned to the most decrepit [old] age so that he knows, after [once having] knowledge, nothing.*
>
> **Al-Hajj, 5**

This final stage before death is old age, which is a period of weakness as Allah describes it in *Surah Al-Rum*. Some may live to witness this period but some others may die earlier.

> *Allah is the one who created you from weakness, then made after weakness strength, then made after strength weakness and white hair. He creates what He wills, and He is the Knowing, the Competent.*
>
> **Rum, 54**

Also, at this stage, man is expected to be more obedient to Allah and getting closer to Allah so that he meets Him at the best of character and behaviour. Living longer, according to the Qur'an, is a privilege and an opportunity to become more conscious of Allah. The Qur'an expresses in clear terms the benefits of living longer is to be conscious of Allah:

> *And they will cry out therein, "Our Lord, remove us; we will do righteousness – other than what we were doing!" But did We not grant you life enough for whoever would remember therein to remember, and the warner had come to you?*
>
> **Fatir, 37**

Allah will reply to the wrongdoers that He has granted them life enough for them to repent and obey Allah and that a "warner" has come. The 'warner' here refers to the Prophet (SAW) but according to some scholars of *Tafsir*, such as Ibn Abbas, Ikrimah, Abu Jafar, Qatada and Sufyan Ibn Uyaynah (Ibn Kathir 2006), it means the grey hair which is the signals that life is almost ending and hence an indication for one to be more steadfast. It is in the same context that Allah cautions us to be more vigilant, be obedient to Allah by spending in His course before it becomes too late. Allah gives us a parable of a person who lived a prosperous life but unfortunately, he lost the opportunity at the end of his life when he was very old:

> *Would one of you like to have a garden of palm trees and grapevines underneath which rivers flow in which he has from every fruit? But he is afflicted with old age and has weak [i.e., immature] offspring, and it is hit by a whirlwind containing fire and is burned. Thus does Allah make clear to you [His] verses that you might give thought.*
>
> **Al-Baqara, 66**

The verse above describes the ideal conduct of a Muslim with regard to his life. He should not waste his time in this world, getting nothing at the end because all his deeds are not accepted and destroyed because of *riya* (showing off) and disobedience to Allah. From another perspective, the literal meaning of the verse is that it is guidance on the importance of leaving dependants rich so that they do not suffer in this life. Surely, as Allah raises a question that needs an answer, no one as a farmer would like to have a garden which he uses to take care of his basic needs and his little kids but ends up with everything halting and he becomes old and can no more get the ability to take care of his family. According to this verse, old age is a factor that results in the decline of one's income especially when calamity erupts and erodes all previous investment and savings. The verse also guides us that this is a miserable condition that needs to be avoided as much as possible especially so that one can continue to discharge the responsibilities under him. Indeed, the verses make it very clear that every single soul will face the stages but with the consciousness that at any given time one can pass forward. This further buttresses the fact that there is the dire need for proper planning to protect oneself and one's family during the productive time of working and during the period of after work, which is when one retires from public work. It is important for a Muslim to manage his wealth properly including both his assets and liabilities regardless of their economic conditions.

The stages of life as interpreted from the Qur'an is shown in Figure 2. The life of an individual begins at the childhood stage. At this point of time, he possesses little strength and is incapable of living independently as he cannot work in the labour market nor actively make income. As he grows older, he will mature and become strong and productive economically, earning some income and be able to live independently. This is his golden opportunity, and he should spend this period wisely and do his best in this life. The last stage is when strength begins to decline due to old age and he may even return to the weakness he had in the beginning when he was a child. At this point of time, he cannot continue with the work he had been doing during the previous stage either due to voluntary or involuntary reasons yet his expenditure continues even at this stage. In the figure, the slope with a broken line shows that with a plan, his condition will fall at a lower rate as affected by age than if there was no plan. This demonstrates the relevance of an effective financial plan in the life of a Muslim.

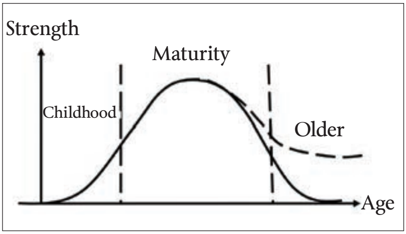

Figure 2: The life-cycle stages

Responsibility of Men towards Planning

Husbands and fathers are the heads of households who shoulder the responsibility of their families. This has been emphasized in several verses of the Qur'an. Hence, a responsible father will have a well-defined plan for such obligations. Allah commands in several verses:

> *Men are in charge of women by [right of] what Allah has given one over the other and what they spend [for maintenance] from their wealth.*
>
> **An-Nisa, 4**

> *Upon the father is their [i.e., the mothers'] provision and their clothing according to what is acceptable. No person is charged with more than his capacity.*
>
> **Al-Baqara, 233**

Such responsibilities include feeding and providing for other basic necessities of life. The head of the family will assume this duty according to his capacity and the family should as well recognize his capacity in taking care of their needs. In the same vein, the Qur'an discourages dependence on others; as such, the head of the family must be responsible for all the activities of the household. This, according to the Hadith, is also an act of *ibadah* and a Muslim will be rewarded for it. The Prophet (pbuh) says: "If a man spends on his family with the intention of getting reward from Allah, this will be counted as a act of charity." (Reported by Bukhari, No. 55).

Personal Financial Planning and Accountability in the Hereafter

As much as possible, one must utilize the opportunity one is given in this life before one meets Allah on the Day of Judgement by doing good in this world and ultimately for the Hereafter. Allah commands in several verses:

> *O you who have believed, fear Allah. And let every soul look to what it has put forth for tomorrow – and fear Allah. Indeed, Allah is Acquainted with what you do.*
>
> **Al-Hashr, 18**

This means that everyone should look and strive to see that he has done his best before meeting Allah tomorrow when there is no Dinar and Dirham. This is the right time for him to take all the decisions so that all the resources given to him by Allah are utilized optimally in pleasing Allah (SWT).

APPLICATION OF QUR'ANIC GUIDANCE IN CONTEMPORARY FINANCIAL PLANNING

The philosophy of financial planning in the life of a Muslim begins from his role as a vicegerent of Allah. He works in this world with the primary objective of serving Allah and not only earning to fulfil his personal sentiments. Ultimate retirement occurs only when he dies, but as long as he is alive, he should be mindful of his stay in this world. His earnings are very important in fulfilling all his obligations and hence he will need to make a smart plan that will yield the best results for him.

The previous section presented some of the guidance that could be derived from the Holy Qur'an in issues related to planning for old age, savings, taking responsibility, utilizing resources for the Hereafter obligations, etc. Personal financial planning in Islam should be fundamentally conceived as a faith-based obligation. In this regard, one will expect to be rewarded for all the financial decisions regarding his wealth. Good intentions change the status of an action from non-*ibadah* to *ibadah*. This is very possible when one aims to obey Allah in one's personal financial planning. Some of the good intentions here include:

1. To use one's money to earn the pleasure of Allah.
2. To be independent of others because

Islam values a person who eats as a result of his hard work and sweat.

3. To take care of one's family as an obligation placed upon heads of the family.
4. To use one's financial resources in getting reward through supererogatory forms of charity.
5. To be able to help the needy in the society.
6. To live happily and comfortably in this world.

Similarly, the Qur'an enjoins moderation in spending. This implies that the wealth in the hands on a Muslim must be used wisely and reasonably. This further implies the need for planning, controlling and monitoring of spending over time. Planning here will require setting goals, identifying priorities, objectives and costs. Moreover, there is the need to consider the time frame of goals, both short-term, medium-term and long-term. The plan should also be a balanced plan, comprising not only worldly plans but also plans for the Hereafter.

Interestingly, the Qur'an, however, classifies the stages of life as three: two stages (childhood and old age stages) are weak stages, and the third is the middle stage, which is the period of strength. In the first stage, the individual under the custody of his parents while in the second stage he is fully in charge of himself. In the third stage, it is one of two things. He either take care of himself or his children takes care of him. It is perhaps better for him to plan for himself and not depend on his children. He may not have any children or the children may not be able to take care of all his needs. Everyone needs to assume his duty as Islam assigns. The father must take the responsibility to take care of the entire family. The role of the wife is to manage the home and take care of the children. Where the wife is earning, then her spending on the family will be considered voluntary. This makes the need for a personal financial plan with regard to a woman less crucial since during the three stages of her life, she is under the care of someone. The life cycle theory also emphasises the concept that people tend to maintain their lifestyles even at periods when saving is not feasible.

In conventional financial planning, retirement planning is one of the main components, which is also considered one of the components of Islamic financial planning. Based on the exploration into the verses of the Holy Qur'an, there is no place where the Qur'an mentions retirement. In fact, the opposite is found to be the standpoint of the Qur'an, because it encourages Muslims to work until they finally retire to Allah. A Muslim is expected to work hard, spend wisely and be conscious of his religious duties at all times.

CONCLUSION

This study deliberated on the lessons of personal financial planning from the Qur'anic point of view. It reviewed of some verses from the Qur'an that are found to be related to the context of planning and growth. This process revealed interesting themes such as maturity, growth, taking responsibility, etc. Some of the themes that have been found in this study are similar to what has been investigated by earlier prior researchers in financial planning. The Qur'an states the life-cycle stages, explaining the various stages of life from weakness to strength and then back to the weakness stage. This situation points to the necessity of financial planning.

The Qur'anic perspective of planning is a broader perspective because it extends to the goals of the Hereafter. In fact, it stresses the need for a balance between the goals of this world and the Hereafter. Several verses are found blaming those who forget the Hereafter in worldly transactions. This is also why financial planning is considered as a form of *ibadah*.

This study acknowledges some limitations. First, limited studies are available on financial planning focussing the discussion based on the Qur'anic point of view. Further studies should go into the Hadith of the Prophet (pbuh) to understand the Islamic perspectives of financial planning. The issues raised in this study could also be extended by coming up with a financial planning model derived from the Qur'anic perspective. Finally, future discussions should embark on financial planning from the other sources of the Shari'ah and also in the context of the *Maqasid al-Shari'ah*. ■

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Participation in Islamic Insurance: Why am I not in Yet?

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ABSTRACT

This study aims to describe the characteristics of Bumiputera participants and non-participants in takaful and examine the reasons for non-participation in any form of family takaful plans. To achieve the study objectives, a total of 390 survey questionnaires were analysed using convenience sampling and three focus group discussions were conducted. The findings show that demographic variables, that is, gender, marital status, income level, and education level determine participation in family takaful. Also, people were put off participating in any forms of family takaful for financial and non-financial reasons. This paper makes contributions by briefly discussing several recommendations to increase takaful participation among the Bumiputera community. The findings of this research paper related to Islamic insurance can be used to formulate appropriate marketing strategies to attract non-participants of family takaful.

Keywords: Family Takaful, Takaful Non-Participation, Takaful Participants

INTRODUCTION

Takaful is the Islamic form of financial protection, similar to insurance, that complies with Shariah principles. Malaysia has achieved significant milestones in the development of its takaful industry. The first takaful company was established in 1985 with the enactment of the Takaful Act 1984. Since then, Malaysia's takaful industry has been gaining momentum and increasingly recognised as a significant contributor to Malaysia's overall Islamic financial system. From an initial asset base of just MYR 1.4 million (USD 360,000) in 1986, the asset base of Malaysia's takaful industry has grown to a staggering estimate of MYR 23 billion (USD 5.9 billion) in 2014 (Ernst & Young, 2015).

Takaful insurance products command a niche market estimated at MYR 6.3 billion (USD 1.6 billion). From 2009 to 2014, the takaful segment saw encouraging growth of net contributions of 12.4 per cent Compound Annual

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Growth Rate (CAGR), much higher than that of conventional insurance at 7.81 per cent (Ernst & Young, 2015). The overall insurance penetration rate is 55.7 per cent and the industry aspires to target life/family takaful insurance penetration rate to be 75 per cent by 2020. Specifically, the market penetration rate of Malaysia's family takaful sector is just 14.5 per cent in comparison to conventional life insurance's market penetration rate of 41.2 per cent.

Malaysia's population is over 30 million and comprises various ethnic groups: Bumiputera (68.8 per cent), Chinese (23.2 per cent), Indians (7.0 per cent), and others (1.0 per cent) (Department of Statistics Malaysia, 2017). According to Bernama (2016), while only a little more than half of Malaysians (55.7 per cent) have any form of insurance coverage, up to 90 per cent of life-insured Malaysians are under-insured. More worrying, the gap is worse within the Bumiputera community with only 15 per cent of the community having any form of insurance (Heong, 2015). This situation is disturbing, given the fact that Bumiputeras earned an average of MYR 5,548 (USD 1,420) monthly in comparison to the Chinese (MYR 7,666 or USD 1,960 per month) and the Indians (MYR 6,246 or USD 1,595 per month). Being under-insured means that if something untoward happens to the policy holder who is most likely the breadwinner of a household, the available money they can spend on their family will probably last for a year or two. The sudden loss of a main wage earner results in potentially damaging 'domino effects' with dire financial consequences. It may result in the inability to pay off mortgage, debts or children's education (Life Insurance Association of Malaysia, 2014). The consequences for those who do not have any form of insurance will be worse.

While previous studies have examined factors that contribute towards participation in takaful (Ayinde, 2012; Kamil & Mat Nor, 2014; Md Husin & Ab Rahman, 2013; Amin, 2012), this study takes the approach from the perspective of non-participants and attempts to achieve the following objectives: 1) to describe non-participants' and participants' characteristics and 2) to examine the reasons for non-participation in any form of family takaful plans by the Bumiputera community in Malaysia. The remainder of the paper is organised as follows: The next section discusses the factors influencing participation in takaful. This is then followed by a methodology section, followed by a presentation of the results. The final section discusses the findings and assesses the implications for scholars and practitioners.

Factors Influencing Participation in Takaful

In takaful, participants contribute a sum of money to the takaful fund in the form of participative contribution (*tabarru'*). The takaful protection plan is based on Shariah principles and offers many unique features to policy owners. There are two types of takaful businesses: family takaful and general takaful. Products under family takaful are family takaful, investment-linked takaful, child education takaful, and medical and health takaful. On the other hand, products under general takaful are home takaful, motor takaful, and personal accident takaful (Info Insurance, 2013).

In the context of academic research, previous studies show a number of factors contribute to participation in takaful. For instance, Ayinde and Echchabi (2012) reported that individual awareness and knowledge of takaful are crucial in determining Malaysians' willingness to adopt Islamic insurance services including takaful. A qualitative study by Kamil and Mat Nor (2014) shows that understanding of takaful and the requirement of Shariah compliance have influenced the choice of takaful over conventional insurance. In another study, Arifin et al., (2013) mentioned four important factors that could possibly influence family takaful demand: the agency system (Al-wakalah), reputation and recommendation, product and services, marketing and advertising. Others have considered factors such as demographic variables, consumer knowledge, situational factors, and consumer level of religiosity other than attitude, subjective norms and perceived behavioural control that drive consumers to participate in family takaful schemes (Md Husin & Ab Rahman, 2013).

Md Husin and Ab Rahman (2016) proposed that individual factors such as awareness, knowledge and exposure have impacts on takaful participation while results found in Amin's (2012) study suggest that attitude, subjective norms and amount of information provide the indispensable factors in determining participation in Islamic insurance. Results of the study conducted by Souiden and Jabeur (2015) showed that Islamic beliefs of individuals play important roles in determining individuals' attitude toward conventional and Islamic insurance. The authors found that the higher (lower) the Islamic beliefs of individuals, the less (more) favourable their attitude will be toward conventional life insurance and the more (less) favourable their attitude will be toward Islamic life insurance; the higher (lower) the Islamic beliefs of individuals, the weaker (stronger) their purchase intentions for conventional life insurance will be and the stronger (weaker) their purchase intentions for Islamic life insurance will be; and Islamic beliefs moderate the relationships between attitudes and purchase intentions of life insurance. Using quantitative data, the Yazis, Arifin, Hussin, and Wan Daud (2012) study found that there are positive relationships between variables such as income, interest rate, financial development, pensions, stocks, price of insurance, life expectancy, dependency ratio, education, age, urbanization, household size and employment status with family Takaful demand.

METHODOLOGY

This study involved two stages of data collection over a period of three months. In the first stage of data collection, a total of 400 survey questionnaires were distributed randomly to individuals in Selangor, Malaysia. Selangor is the most developed state and has the largest population in Malaysia (Invest Selangor, 2018). Enumerators were appointed to distribute the survey questionnaires and were briefed on the research objectives and procedures in the distribution of the survey questionnaires. Respondents were chosen using convenience sampling. 390 completed survey questionnaires were received, yielding a 97.5 per cent response rate. The survey questionnaire contained general questions on respondents' participation in takaful. Specifically, respondents were asked to provide their demographic information and whether they had previously purchased takaful plans. This question acted as a filter question to differentiate between individuals who had and those who had not participated in takaful.

Then, in the second stage of this study, a qualitative approach using focus groups was conducted to examine reasons for non-participation in any form of family takaful plans among the Bumiputera community. A qualitative approach was employed because it allows tapping the participants' own perspective (Denzin & Lincoln, 1994). Three focus groups involving a total of seven male and nine female participants were conducted. Participants were volunteers aged between 21 and 60 years, and had not participated in any existing family takaful policies (such as investment-linked takaful, child education takaful, or medical and health takaful). Participants were briefed on the aims and objectives of the study. The discussion topics contained awareness of takaful and the objectives of participating in takaful, reasons for non-participation in takaful, and suggestions to encourage individuals to participate in takaful. The focus groups were conducted in Bangi, Selangor, Malaysia. All sessions were tape-recorded and each session took about 45 minutes to an hour.

To analyse the focus group discussion, the method suggested by Casey (1998) was used. All of the focus group discussions were audio taped and transcribed. After the focus group discussions had been carefully typed, the transcripts were reviewed so that the researcher could become familiar with the flow of the dialogue. All transcripts were merged and then all of the answers to question one from all the groups were moved to the same master document. This was done for each topic and question. From this master document (which contained all of the relevant responses), the patterns, trends or themes across all of the responses were examined.

RESULTS AND FINDINGS

Stage 1 Results

Correlation between demographic profiles and participation in takaful

A Kendall's tau-b correlation coefficient was run to determine the relationship between respondent demographic variables: gender, age, marital status, education, and income, and participation in family takaful plans amongst 390 participants. As shown in Table 1, there was a strong correlation between family takaful participation and gender, age, marital status, education level and income, which was statistically significant (τ_b = -.190, .200, .321, .191, .437 with p = .000). The results showed that as the age and income of the individuals increased, they were more likely to participate in family takaful plans. The results also showed that the likelihood was higher among women, those who were married and those that had a higher education level.

Results of Logistic Regression Models

A logistic regression analysis was conducted to predict an individual's likelihood of participating in takaful, using demographic profile as predictors. Two participation behaviours, participants and non-participants, were selected as the dependent variables. As shown in Table 2, the proposed model was more effective than the null model, indicating that the set of predictors distinguished between takaful participants and non-participants (Chi square = 96.562, p < 0.001 with df = 5). Nagelkerke's R^2 and indicated that the 29.5 per cent of variation in dependent variables could be explained by the predictors in the model. The overall prediction success was 73.1 per cent. The Wald criterion demonstrated income as the most significant predictor for takaful participation (*B* = 0.817, Wald's statistics = 19.649, p= .000). Income level was classified into four main groups: 1=MYR 2,000 (USD 500) and below; 2=MYR 2,001 (USD 501) to MYR 5,000 (USD 1,250); 3=MYR 5,001 (USD 1,251) to MYR 8,000 (USD 2,000); 4=MYR 8,001 (USD 2,001) and above. This means that

Table 1
Correlation between Demographic Variables and Participation in Takaful

Demographic Variables	Correlation Coefficient	Sig. (2-tailed)
Gender	-.190**	.000
Age	.200**	.000
Marital status	.321**	.000
Education	.191**	.000
Income	.437**	.000

***Correlation is significant at the .01 level (2-tailed).*

higher-income earners were found to participate in takaful as compared with those who earned less income. Gender, marital status and education level were also found to be significant for takaful participation behaviour (*B* = -.606, 0.991, 0.428; Wald's statistics = 6.344, 11.572, 8.534; p= .012, .001, .003). However, age was not a significant predictor.

Table 2
Results of Logistic Regression Models on Participation in Takaful

Predictor	*B*	S.E.	Wald	Sig.
Gender	-.606	.241	6.344	.012
Age	-.106	.142	.552	.457
Marital	.991	.291	11.572	.001
Education	.428	.146	8.534	.003
Income	.817	.184	19.649	.000
Constant	-2.804	.640	19.196	.000
Model Summary				
Chi-Square	96.562	P < .001		
Nagelkerke's R^2	.295			
n	390			

Note: The dependent variable in this analysis is takaful participation coded as 0 = non-participants and 1 = participants

Stage 2 Results

For the purpose of reporting the results of the focus groups, findings were organised by topics that arose during the discussion and those that are relevant and pertinent to this study. The aim of the study is to examine reasons for non-participation in family takaful. The findings were grouped according to the answers given to a specific question, yielding majority opinions and views. A discussion of the findings, with the details that support each finding is presented next.

AWARENESS OF TAKAFUL

Respondents were asked regarding their awareness of takaful products. Previous studies have shown that individual awareness of takaful products is important in determining Malaysians' willingness to adopt Islamic insurance services including takaful (Ayinde & Echchabi, 2012). Others have identified the insurance awareness of Malays as very low (Bernama, 2012). Nevertheless, in this study, most respondents who had not participated in any form of family takaful plans were aware of the takaful concept and managed to differentiate between takaful and insurance. Also, respondents understood the importance of takaful as being able to provide a financial safety net for themselves and their family when it is needed most. The following are some of the responses from the respondents:

I always hear about takaful. It is about protection coverage for car, life, and others. Among the providers are Prudential, Etiqa, Zurich, AIA and all banks have insurance. (Male, 34 years old).

I understand the concept of takaful as 'mutual help' among the group. Each member will contribute a certain amount into the common fund to help those who need it most in times of financial difficulties. (Male, 25 years old).

Takaful is a shariah-compliant alternative to insurance. Female, 34 years old).

Financial Reasons for Non-Participation in Family Takaful

The reasons for respondents' non-participation in family takaful were explored in the focus group discussions. The majority of the respondents acknowledged the importance of participating in family takaful; nevertheless, the financial factor was identified as the main reason for non-participation. Respondents expressed their difficulties in making contributions every month as they had many other commitments such as paying for car loan, study loan, and personal loan, which needed to be prioritised. Other respondents also prioritised their monthly takaful contribution for their children as they had no salary increment.

The following is feedback from participants showing the reasons for non-participation in family takaful:

> *I participated in takaful before I got married but now, I have to give attention to my kids' needs. I am not able to give my commitment to make payment for takaful. (Male, 34 years old).*
>
> *I plan to participate in takaful but no salary increment has been announced. So, I will continue paying takaful for my kids only and it is not my priority now. (Male, 34 years old).*
>
> *Yes, I know the importance of having takaful for myself. However, I have so many other monthly commitments such as study loan, car loan, and others. (Female, 27 years old).*

Non-Financial Reasons for Non-Participation in Family Takaful

While most respondents related their non-participation in family takaful as due to financial reasons, a number of them had not participated in any family takaful plans because they had heard about bad experiences with takaful agents experienced by friends and families. The following is the participants' feedback:

> *I am aware of the importance of having takaful; however, I have heard of so many bad experiences experienced by my family and friends. (Female, 25 years old).*
>
> *I am a bit sceptical of takaful agents. My friend told me that the agents are very nice at the beginning but when we want to make a claim, they will avoid us. (Female, 34 years old).*

Other respondents had not participated in family takaful because their employer provided insurance coverage for them. As such, these respondents did not see any reason to participate in family takaful on their own. Here is some of the respondents' feedback:

> *My company has provided insurance and that is the reason why I am comfortable with not having one. There is no reason for me to buy one if my company has provided one. (Female, 25 years old).*
>
> *I am working at a government agency and I do not think takaful is necessary. If I need to get medical treatment, I will go to a public hospital. (Female, 34 years old).*

SUGGESTIONS TO INCREASE TAKAFUL PARTICIPATION AMONG BUMIPUTERA

Respondents were encouraged to provide suggestions to increase Bumiputera participation in family takaful. In this study, several suggestions were captured from the focus group discussion. They include 1) compulsory deduction from monthly salary; 2) more reasonable plans for lower income contributors; 3) awareness programmes on the importance of participating in family takaful; and 4) public education on financial planning.

CONCLUSION AND RECOMMENDATION

This study aims to describe non-participants' and participants' characteristics and examine reasons for Bumiputera non-participation in any form of family takaful plans. Findings from the quantitative data collection show that an individual's income level, gender, marital status, and education level is related to participation in any family takaful plan. Individuals that earn a higher income, have higher education levels, women, and those who are married are found to have participated in family takaful.

Focus group discussion results reveal several reasons for non-participation. The most common reason for non-participation is that the respondents are not financially stable and have many other commitments. This is consistent with the quantitative findings in this study and with Sherif and Shaairi (2013) that show individual income level determines participation in family takaful. The majority of the respondents also revealed that they were afraid to participate in any form of takaful plans due to the bad experiences of their family members and friends.

In this study, several suggestions were captured from the focus group discussions. They include 1) compulsory deduction from monthly salary; 2) more reasonable plans for lower income contributors; 3) awareness programmes on the importance of participating in family takaful; and 4) public education on financial planning.

This study focuses solely on reasons for non-participation in family takaful among the Bumiputera community. Future studies may incorporate other ethnic groups in Malaysia omitted in this study as they may have other reasons for non-participation. Research should also be conducted on the impact of government policies on the demand for family takaful in the country. ■

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The Impact of Government Spending on Gross Domestic Product of the Private Sector in Jordan (1990 – 2018)

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This study aimed to investigate the impact of government spending on the real total local output of the private sector in Jordan by focusing on time series analysis of selected variables during the period 1990 to 2018. The objective was achieved using the appropriate statistical tests such as data stability and co-integration tests. The variables analysed included the real governmental spending (RGP), the real total output of the Private Sector (RPSP), Remittances of Workers (RRE), Energy Prices (RPP) and Inflation Rate (RINR). This study found a long-term statistically significant correlation between government spending and GDP of the private sector. It also found that long-term complementary relationships exist between the real total local output of the private sector and the variables used in the study. The study recommends the Jordanian government implement a targeted fiscal policy to support the economic activities in the Kingdom, provide customs and tax exemptions and provide appropriate infrastructure to encourage the private sector to invest. This is in addition to providing an appropriate environment for investment and removing the obstacles to investment in general in order to attract the capital of Jordanians working abroad for domestic investment, and foreign investments.

Keywords: Government Spending, Jordan, OLS Model, Private Sector

INTRODUCTION

The private sector is defined as institutions and corporations that are not owned by the state or institutions and as being subject to the capital of individuals or companies (Lienert, 2009). The private sector is considered one of the most important sectors as it is of great interest to the state and is considered one of the means of development. Many economists agree on the great role played by the private sector in developing productive capacities through the high level of technology used in production, the creation of employment opportunities, and the increase of exports. In order to increase the size of the private sector, the state must work to provide the

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MFPC Malaysian Financial Planning Council Competence.Ethics.Standards RFP Your Pathway to Professionalism Shariah RFP A Premier Financial Planning Designation of MFPC

business environment and support system suitable for reducing taxes and customs duties, provide the appropriate infrastructure and overcome the various administrative difficulties.

In order to guide the role of the private sector, countries generally seek to pursue economic policies that stimulate the role of the sector, given its importance as a partner and complement to the public sector. In the early part of the 20th century, government spending was the main driver of economic activity, and this spending was financed by taxes or indebtedness (Shatanaoui, 2011). Economic performance in many industrialized countries was characterized by a phenomenon noted and accompanied by government spending with an increase in the level of unemployment. The government seeks to reduce unemployment, generate growth and employment opportunities.

The impact of government spending and its role in the economy varies depending on the political and economic systems prevailing in a society for example, the difference between government spending in Arab countries and the extent of its impact on the private sector. The structure of government spending is characterized by its impact on economic activities. Therefore, the state uses government spending as a tool to achieve stability in the economy (Zaedat, 2000). The Jordanian government has undertaken a number of measures to encourage the private sector to invest in Jordan. This has been done through a series of amendments to the investment promotion laws within Jordan and the provision of necessary infrastructure needed for these projects and choosing the appropriate place for the development of industrial regions to encourage more investment. Examples of these measures include exempting companies for ten years from income tax and social services, exempting the fixed assets imported by enterprises for the establishment of projects from taxes, import duties and customs duties; and exempting taxes on spare parts for these assets, in addition to other exemptions (Investment Encouragement Act 2014). The government signed a number of international agreements and collaborated with international organizations to encourage investment.

The researcher noted the scarcity of studies on the impact of government spending on the real total local output of the private sector in Jordan. Most of the research deals with related areas, such as that by Ziyoud, (2011) which aims to know the impact of financial and monetary policy on private investment in Jordan. Zaedat, (2000) aimed at knowing the impact of government spending on the production of the private sector and the impact on private investment in Jordan.

The main objective of this study is to analyse and test the empirical relationship between government spending and private sector production in Jordan by using macroeconomic indicators such as inflation rate, real expatriate remittances, and real energy prices in Jordan. To achieve this objective, the study first reviewed the theoretical and empirical literature on the impact of government spending on private sector production. The empirical analysis used annual data for the period 1990-2014.

LITERATURE REVIEW

Barro (1990) examined the increase in taxes to support the financing of government spending on investment. This study was conducted in 98 countries from 1970 to 1985. The study found high tax led to a reduction in the net returns on private investment and reflected negatively on the level of economic growth due to the decline in investment. The researcher also divided government spending into non-productive consumption expenditure (such as government subsidies in the form of food) and spending on infrastructure. The result shows that non-productive expenditures negatively affect growth and vice versa. As for expenditure per capita income, Devarajan et al., (1996) investigated the effect of all types of government spending on real per capita income growth. This study was conducted on a group of developing countries between 1970 and 1990. The study found government spending, excluding current expenditure, does not affect the per capita growth rate of real income and that current expenditure has a positive impact on the per capita growth rate of real income. Gupta et al., (2005) studied to find out the effect of government spending on growth rates. The sample of 39 countries from 1990 to 2000 comprised low-income countries. The study concluded that countries with the largest expenditure on salaries and wages tend to have low growth rates, and the countries that allocate the largest share of government spending on capital spending have high growth rates.

Qaqish (2005) identified the effect of government investment expenditure on macroeconomic indicators before and after the economic programmes in Jordan for the period 1976 to 2001. This study shows the important role played by public investments especially after Jordan's entry into economic programmes, which provide the means required to achieve continuous economic growth in order to improve living standards and the economy in general. Shukkani, (2005) examined the effect of fiscal and monetary policies on economic growth in Jordan firstly, for the time period from 1976 to 2004, which was divided into two sub-periods, from 1976 to 1990 and from 1991 to 2004. The results of the study on the first period showed that fiscal policy requires a relatively shorter period of monetary policy to influence the economy. The study for the second period showed that the monetary policy exceeded the success of the fiscal policy in the economic growth. It also found that changes in monetary policy led to increased economic activity response during the economic reform period, and that changes in fiscal policy made almost no change during the two periods of study.

Massoud (2005) aimed to reveal the impact of spending to balance economic growth. The economic objective was to obtain the largest increase in income and a high growth level of the national economy in Algeria for the period 1990 to 2004. One of the main findings emphasized the inefficiency of fiscal policy in increasing income and economic activity. Alissa (2006) examined the effect of government spending on economic growth in Saudi Arabia and Kuwait for the period from 1970 to 2002, and in the United Arab Emirates from 1972 to 2002 . The most prominent findings of this study of these countries are the dependence on oil and the lack of diversity in the production of these countries; the dependence on expatriate labour by a large proportion; and that the general budget of these countries has evolved. The decline in the price of oil has a direct impact on capital expenditure, while its impact is limited to current expenditure. The results also indicate that long-term elasticity values are higher than those of short-term elasticity that is consistent with economic development.

Podkhdakh (2009) aimed to find out the impact of public expenditure on economic growth for the period 2001 to 2009 in Algeria. The study emphasized that the government should rationalize public expenditure on selected long-term projects, encourage foreign investment in the local economy and support small and medium enterprises as this provides opportunity for business expansion. Chinedu, Daniel, and Ezekwe (2018) found that the public sector does not compete with the private sector for each of the local financial resources available for the short term. There is competition with private consumption, both in the short and long terms, while the public and private sectors compete for financial resources through the real interest rate in the short term. The study concluded that there was a positive impact of sectoral spreads of government expenditure on economic performance in Nigeria. Three variables on sectoral government expenditure out of five sectoral government expenditure variables have a long-run relationship with real GDP. This study confirmed Wagner's law that increases in economic growth is achieved as a result of an increase in government expenditure. The study also verified that government expenditure on agriculture and defence had a statistically significant effect on economic performance in Nigeria while Government expenditure on transportation and communication, health and education were not statistically significant.

The study by Keho (2019) examined the impact of government spending on household consumption for the Economic Community of West African States (ECOWAS). The study used annual time series data for 12 member countries of the Economic Community of West African States (ECOWAS) for the period from 1970 to 2016. The countries under study included Benin, Burkina Faso, Cote d'Ivoire, Gambia, Ghana, Guinea-Bissau, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togo, and used the Common Correlated Effect Mean Group (CCEMG) estimator that accounts for both parameter heterogeneity and cross-sectional dependence. The study provides various pieces of evidence through whole-panel and country-level analyses. The panel estimates indicate that government consumption has, on average, a negative effect on private consumption, implying that government and private consumption are substitutes. Country-level results reveal, however, considerable heterogeneity in the degree of substitutability across countries. They show crowding out effects in six countries, crowding in effects in one country and no significant effect in five countries. Therefore, government consumption is not a good instrument to stimulate aggregate demand and economic growth in ECOWAS countries.

STUDY QUESTION AND STUDY HYPOTHESIS

In order to achieve the objective of this study the following question was raised:

1- What is the impact of government spending on private sector production?

This study is based on a specific hypothesis, through which we reach to know the impact of government spending on private sector production in Jordan through:

H_0: There is no relationship between government spending and private-sector production in Jordan.

Methodology

The unit analysis of this study includes all private sector production in every sector in Jordan covering 1990 to 2018. A typical OLS analysis using the unit root test, Co-integration Test, Granger Causality test, Error Correction Model was used to analyse the input of the variables for the measurement of the impacts of government spending on private sector production over the period from 1990 to 2018. The period of observation that was subject to analysis was 28 years. The source of data was collected from the World Bank and the Central Bank of Jordan website. Real GDP of private sector (RPSP) was considered the dependent variable while Real Government Spending (RGP), Inflation Rate (INR), Real Energy Prices (PP), Workers' Remittances (RRE) were considered the independent variables affecting the productivity of the Jordanian economy. The model developed in this study was used to analyse the impact of government spending on private sector production over the period from 1990 to 2018. The data used in this study was from the Central Bank of Jordan and the World Bank.

Table 1
Unit Root Test Results for Standard Model Variables

Variable	Stability level	T Tabulate	T Calculated	Probability
RPSP	Stable at the first level	-2.2010	-3.757320	0.0009
RGP	Stable at the first level	-2.2010	-7.040581	0.0002
RINR	Stable at the first level	-2.2010	-6.078910	0.0080
RRE	Stable at the first level	-2.2010	-4.048542	0.0084
RPP	Stable at the first level	-2.2010	-6.421036	0.0003

Table 2
Co-Integration Test of Productivity

Hypothesized No. of CE(s)	Eigen Value	Trace Statistic	0.05 Critical Value	Prob.**
None *	0.698076	74.38731	69.81889	0.0206
At most 1	0.599979	46.84299	47.85613	0.0621
At most 2	0.536817	25.76952	29.79707	0.1358
At most 3	0.256866	8.067950	15.49471	0.4582
At most 4	0.052474	1.239725	3.841466	0.2655

EMPIRICAL RESULT

The empirical result measured the impact of government spending on GDP for the private sector in Jordan using OLS model to analyse through a unit root test.

The Unit Root Test

The Augmented Dickey-Fuller (ADF) test indicated that all variables were stabilized, depending on the appropriate deceleration period determined at the minimum value of criterion AIC where the deceleration period was equal to one for all the variables as shown in Table 1.

The unit root test results revealed that the absolute value for t calculated is more than t tabulate, meaning that all variables of the study are stable at the first level.

Co-integration Test

Table 2 shows the tests applied to the co-integration test. All variables must have the same degree of dormancy. To make sure that all the variables of the study are not stable at their level and that they are stable at the first level, it is necessary to carry out the Johansson Co-integration Test where there can be a common integration and long-term stable relationship between the variables of the study. This means that the appropriate model for this type of data is a Correction Model Error (ECM) Error Correction Model. The common integration equation was as in Table 2 after reversing the signals and adopting one deceleration period according to the minimum value of the AIC test.

Table 3
Granger Causality Test

Null Hypothesis:	Observation	F-Statistic	Prob.
RRE does not Granger Cause RPSP RPSP does not Granger Cause RRE	23	0.59131 3.88133	0.5640 0.0397
RGP does not Granger Cause RPSP RPSP does not Granger Cause RGP	23	1.39768 6.39047	0.2727 0.0080
RPP does not Granger Cause RPSP RPSP does not Granger Cause RPP	23	0.74331 7.92850	0.4896 0.0034
RINR does not Granger Cause RPSP RPSP does not Granger Cause RINR	23	0.65979 1.79902	0.5290 0.1940
RGP does not Granger Cause RRE RRE does not Granger Cause RGP	23	3.26142 2.56277	0.0618 0.1049
RPP does not Granger Cause RRE RRE does not Granger Cause RPP	23	0.72128 1.14475	0.4997 0.3404
RINR does not Granger Cause RRE RRE does not Granger Cause RINR	23	2.20483 0.48202	0.1392 0.6253
RPP does not Granger Cause RGP RGP does not Granger Cause RPP	23	3.51383 2.45178	0.0515 0.1144
RINR does not Granger Cause RGP RGP does not Granger Cause RINR	23	0.53328 2.37849	0.5957 0.1212
RINR does not Granger Cause RPP RPP does not Granger Cause RINR	23	0.28431 3.77868	0.7559 0.0426

Reject at a significant level of 10%**Reject at a significant level of 5%*

The results of the co-integration test of productivity show the existence of a vector for the combined integration of the variables. The value of Co-integration Rank Test (Trace) is greater than the critical value at the level of 5%. The common integration equation was as stated in Equation (1) below after reversing the signals and adopting one deceleration period according to the minimum value of the AIC test.

$$RPSP = 1.688\ RGP + 0.77\ RRE - 115.23\ RINR - 13.42\ RPP \quad (1)$$

(0.44) (0.450) (33.35) (20.1415)

Granger Causality Test

The Granger Causality Test was used in order to determine the causal relationship direction between the government spending and GDP of the private sector, as well as the causal relationship between the other variables of the model and whether this relationship is one-way, or reciprocal direction. Table 3 shows the results.

The Granger Causality Test showed that there is a one-way causal relationship of private sector output to government spending, employee turnover and energy prices. On other hand, there is a causal relationship with one direction of energy prices to government spending; there is a one-way causal relationship with government spending and worker's remittances; and there is a causal relationship with the direction of energy prices to the rate of inflation.

Error Correction Model

The objective of this study is to investigate the effect of the relationship between government spending and the real GDP of the private sector. Once the data were not at their level and stable at the first difference, and there was a long-term mutual integration relationship between them, the error correction model was used. Therefore, the study used some tests from the error correction model (Variance Decomposition, and Impulse Response Function) because any random shock in any variable can affect other variables of the model.

Variance Decomposition

The objective of this test is to identify the amount of the variance error for each variable that predicts the volume return to the error expectation in other variables. The test to the variables (Real GDP of the private sector, government expenditure, workers' remittances, inflation rate and energy prices) was applied in the following order:RPSP, RGP, RRE, RINR, and Table 4 shows the results.

The results of the analysis in Table 4 show that the real GDP of the private sector is affected by government expenditure. This is evident in the second period. The change in government expenditure explains 2.12% of the error forecast in the real GDP of the sector which is due to random errors in government spending. The increase in the ratio in subsequent periods can be seen to reach 16.53% in the tenth period, indicating the effect of the change in government spending on the real GDP of the private sector not for one period but for future periods. The real GDP of the private sector is slowing down, with a time lag.

Table 4
Analysis of variance components

Period	RPSP	RGP	RRE	RINR	RPP
1	100.0000	0.000000	0.000000	0.000000	0.000000
2	94.08509	2.120178	0.118822	2.672945	1.002968
3	58.17848	6.492792	32.04469	1.195451	2.088586
4	56.15605	4.119077	36.40627	0.767635	2.550967
5	4.565588	24.60007	70.54910	0.071286	0.213953
6	4.078645	17.64220	76.67808	0.094172	1.506905
7	0.434170	24.00890	74.84314	0.093544	0.620245
8	3.047184	15.85648	80.56082	0.035971	0.499541
9	0.300800	24.89937	74.20744	0.064164	0.528228
10	2.540276	16.53009	80.57487	0.019048	0.335715

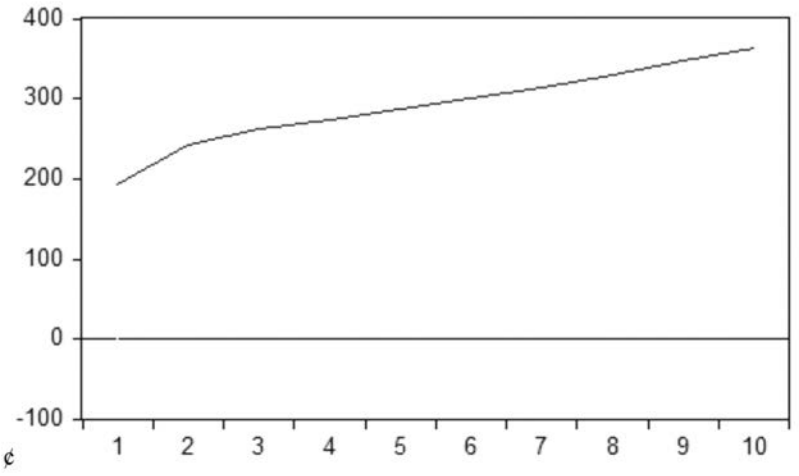

Figure 1: The response of RPSP to Cholesky on S.D RGP Innovation

The results of the analysis in Table 4 show that the real GDP of the private sector is affected by workers' remittances, inflation rate, and energy prices with the existence of the government expenditure in the model. It is clear that during the second period, the change in workers' remittances was explained by about 11.8% of the forecast error in the real GDP of the private sector. That is, it refers to the percentage of discrepancies in the prediction of the real GDP error of the private sector, which is due to random errors in workers' remittances.

It is also noted that the rates increase in subsequent periods reached 80.57% in the tenth period. This indicates the impact of remittances on the real GDP of the private sector not for one period but for periods to come, and this indicates that the impact of the change in remittances of workers on GDP the real total of the private sector is at a time lag.

The results in Table 4 indicate that changes in both inflation and energy prices are 2.67% and 1.002% respectively of the real GDP of the private sector in the second period. Decreases in subsequent periods reached 0.019% and 0.33% in the tenth period.

Impulse Response Function

This test aims to identify the impact of the sudden rise of the independent variables on the dependent variable in the short term, and ten periods were selected to see this effect. This test is also affected by the order of the data in the model because of the nested relationships between variables. Figure 1 shows the response of the real GDP of the private sector to the random shock in government spending. There is a positive effect of government spending on real GDP of the private sector in the end of the second period which then slowly increased until the tenth period.

CONCLUSION

This study aimed to demonstrate the impact of government spending and the real GDP of the private sector in Jordan for the period 1990 to 2018, using OLS model for annual data. The main results of this study are summarized as firstly, there is a long-term statistically significant correlation between government spending and GDP of the private sector. The results of the Granger Causality Test show that there is a one-way causal relationship of private sector output to government spending, employee turnover and energy prices. On the other hand, there is a causal relationship with one direction of energy prices to government spending; there is a one-way causal relationship from government spending to worker's remittances; and there is a causal relationship with the direction of energy prices to the rate of inflation. The main recommendations of this study are firstly, the Jordanian government must implement a targeted fiscal policy to support the economic activities in the Kingdom, providing customs and tax exemptions and providing appropriate infrastructure to encourage the private sector to invest. Secondly, it must provide an appropriate environment for investment and remove the obstacles to investment in general, in order to attract the capital of Jordanians working abroad for domestic investment, as well as foreign investments. Finally, it must facilitate policies and measures aimed at activating the private sector as this sector is an important factor in increasing the flow of workers' remittances, increasing government spending and revitalizing the economy in general. ■

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Insurance and Insurance Purchase Decision

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Insurance is a business of uncertainty. On the one hand, insurance works in the presence of uncertainty. On the other hand, insurance is supplied by organisations seeking to make profits out of the uncertainty. The business of an insurer is to manage the collective risks passed to it by its policyholders. Insurance is not the only tool to cope with risk or uncertainty. There are other tools to cope with risk and uncertainty, which fall under the area of risk management. However, insurance is useful for risks with negative consequences i.e. risks defined as the danger of incurring losses such as loss of an asset, loss of limbs and loss of life.

Insurance is a formal contract between two parties. One of the parties (the policyholder) purchases an insurance policy from another party (the insurance company). The policy can be redeemed for money if certain risk events stated or covered in the policy occur. The cost of the insurance policy is the insurance premium. The insurance contract is made prior to specific risk events occurring. The insurance company pays the policyholder in the event of losses suffered from risk events stated or covered by the policy. Insurance is always considered to be sold rather than bought. This is because we tend to treat risks and their consequences for example death and its financial impact as taboo subjects. We avoid the issue of insurance until it is too late to do anything about it. Therefore, in order to sell insurance, insurance companies (or their intermediaries) have to go out to us and remind us of our real insurance needs.

THREE TYPES OF PERSONAL RISK

We are exposed to three types of personal risk:

- **Mortality.** Death is certain. The timing is not. Mortality risk refers to early or premature death, particularly for breadwinners or main income earners. For example, the death of the main

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income earner will leave the survivors in the family with less income on which to survive thereafter. The event (death) constitutes a risk which, without insurance, is fully borne by the dependants of the person who dies. The dependants may be unable to meet their regular expenditures such as mortgage payment, rent, basic necessities such as food and clothing, or the cost of looking after the children while the surviving partner goes out to work. Even if the loss of income due to death is not financially crippling, it could cause a significant deterioration in the standard of living of the dependants. Insurance is a means of protecting the standard of living of those who are dependent upon a person's continuing income (or wealth). On the other hand, living too long is also a mortality risk, so the case for insuring or guarding against outliving our assets. We may have accumulated a significant amount of wealth by the time we retire. However, if we live too long, we could run out of money before we die. Annuities or similar arrangements can be used to provide replacement income that will be paid for as long as we survive.

- **Health**. Health risk is health conditions requiring medical treatments that are expensive. Health risks can be divided into two categories: short-term and long-term. Short-term health risks are variable medical expenses in a year that are generally covered by health insurance. Long-term health risks are expenses incurred to sustain daily living activities, such as nursing home care. Generally, long-term health care risk is covered by long-term health care insurance. The purpose of long-term health care insurance is to pay for nursing home care expenses that we could incur in the future.

- **Property and liability**. We own houses, cars, and valuable items that may burn, collide, break or get stolen. Property and liability insurance provides coverage for personal physical assets against various damages. Home-owners or mortgage insurance is required by mortgage lenders, and auto insurance is mandatory.

INSURANCE BENEFITS

As a tool to reduce risk and uncertainty, insurance provides the following benefits to individuals and society:

- **Insurance reduces or eliminates losses hidden in life's uncertainty**. Insurance provides financial means to make up the incurred losses such as when we fall ill, part of our income is lost to pay medical expenses. Insurance provides a financial means for making up the lost income. It covers the cost of medical expenses.

- **Insurance provides stability for wealth planning**. It levels out our income stream by shifting income from the productive to the retirement phase of life.

- **Insurance serves as capital or wealth accumulation**. Certain life insurance contain a savings component and are viewed as a combination of insurance and precautionary savings. For example, an insurance paying a capital benefit to an insured surviving up to a given age, such as 60 years. The savings mark-up and investment income are used to build up the insured capital during the life of the contract.

- **Insurance provides financial relief to society**. By purchasing insurance, we protect ourselves against the risks of daily life. Without insurance, the consequences of the risks will often be borne by the community. By the principle of solidarity, the community cannot refuse to help its members in adversity. People could be suffering a loss such as ill health, accident or death of a breadwinner. They could be victims because of negligence such as failure to operate an effective public fire department. They could also be victims of natural disasters such as flood. Insurance provides an efficient way for us to cope with risks rather than having society make up for the losses.

INSURANCE PURCHASE DECISION MISTAKES

There are three types of mistakes when making insurance purchase decisions:

- **Viewing insurance as an investment**. Therefore, when the insured event does not occur, we stop our insurance policy. We feel that the insurance is not paying off. We regret paying premiums for the insurance policy and feel that insurance wastes our money.

- **Suffering a loss and regret not having insurance**. In this situation, a loss event occurs and we regret not having an insurance policy to compensate the loss.

- **Choosing an insurance coverage that does not fully protect us to keep the premium low**. When we suffer losses, we are unhappy that not all losses are covered by our policy. We regret choosing a cheap insurance policy.

Making mistakes mentioned above because insurance is a complex and complicated financial product. The insurance purchase decision is among the most difficult tasks we have to do. Issues such as evaluating personal financial needs and choosing an insurance package are confusing. To make purchase decisions, we have to be able to predict the likelihood and magnitude of highly unlikely and largely unfamiliar future events such as predicting the likelihood of dying and the magnitude of the financial impact of death. Most of the time, people fail in properly evaluating the extent, frequency and probabilities of the future events, and in interpreting them correctly. People also face difficulties in choosing and evaluating insurance price, quality, and benefits, and in comparing different insurance products in the market. Time, effort, and costs associated with obtaining information on a particular insurance product aggravate the purchase decision problem. People may be reluctant, unable to collect, or unable to process the information necessary to make insurance purchasing decisions.

MENTAL SHORTCUTS TO AVOID IN INSURANCE PURCHASE DECISION

Facing the difficult and complicated purchase decision, people rely on their mental shortcuts to decide whether to purchase insurance. According to Nobel Memorial Prize in Economic Sciences winner, Professor Daniel Kahneman, people use mental shortcuts or simple procedures when making decisions on difficult, complex, and complicated problems. According Professor Gerd Gigerenzer, Director Emeritus at the Max Planck Institute for Human Development in Berlin, the mental shortcut or simple procedure is a conscious or unconscious strategy that ignores part of an information of a problem to make fast decisions. However, fast judgements in an uncertain environment such as in insurance purchasing expose us to bias, and interfere with rational judgements.

The following discusses the mental shortcuts or simple processes discovered by Professor Daniel Kahnemann that we normally use to make decisions on difficult, complex, and complicated problems:

- **What You See Is All There Is (WYSIATI)**

The WYSIATI mental shortcut is failure to consider missing critical evidence of a problem. It occurs when information regarding a problem is scarce. In consequence, we make decisions based on limited information. Instead of asking what we need to know before forming an opinion, we make a decision based on incomplete critical information. The decision to buy insurance is influenced by available information. One way people hear about a particular product is through informal conversations with family members and friends. The information is considered to be more reliable and has a greater impact than that promoted by the media or insurance agents. However, insurance products are complex and they may not fully understand how a product benefits them. WYSIATI makes us base our decision on information of poor quantity and quality, and on evidence at hand. Instead of jumping to conclusions or a fast decision, we need to ask what we need to know and consider all ranges of plausibility before we accept or reject an insurance product.

- **CHERRY PICKING**

This refers to showcasing the most attractive features and hiding the unattractive ones. People cherry-picking in all areas from philosophy, economics, medicine to politics, even in academia. We say what we do instead of what we do not do. If we achieve our goals or objectives, we talk them up. If we fail in achieving our goals and objectives, they are not even mentioned. To control cherry-picking, ask about the leftover cherries i.e. the omitted information. Dig deeper into the situation. The omitted information may be one piece of information that completes the whole story or situation. Knowing the whole story gives us a complete understanding and helps in making better insurance purchase decisions.

• REPRESENTATIVENESS

This refers to seeing a pattern that is not there. Examples are faces in the clouds, outlines of animals in rocks or words on trees. It is normal for the human brain to seek patterns and make associations between events. If the brain finds no familiar patterns, it invents a pattern. For example, simultaneously seeing the words 'banana' and 'vomit' causes the brain to make a connection between the banana and vomit. In this scenario, the banana is causing the sickness. The representativeness mental short-cut causes us to perceive certain risks as existing or not existing based on our experiences or patterns even though experiences are not accurate predictions of future events. Yet, our brain makes the connection or creates a pattern between past and future risk events when in reality an associative connection or a pattern does not exist. Representativeness results in a less rigorous or rational assessment of risks in the current situation. We rely on perceived similarity or pattern with a situation previously experienced.

• AVAILABILITY

This refers to assessing the frequency or probability of an event by the ease of recall of a similar event. For example, the effect of witnessing a house burning causes us to judge fire as being a high frequency risk, compared to reading about a fire in a newspaper. Vivid and easily recalled causes of death (e.g. tornadoes) often receive a high estimate of probability compared to less vivid causes (e.g. asthma attacks) even though more deaths are caused by asthma attacks than tornadoes. Death associated with terrorism is considered more serious and dangerous compared to death associated with sun bathing. The risk of a terrorist attack is given a higher probability compared to the risk of skin cancer. The availability mental shortcut causes us to overestimate the likelihood of spectacular or loud events. Silent or invisible events are downgraded in the brain. We think dramatically instead of quantitatively. This is the reason why in the aftermath of an earthquake, the purchase of earthquake insurance increases sharply. However, purchases decline steadily as vivid memories recede. If we live in flood prone areas, we are less likely to purchase flood insurance if floods have not occurred in the immediate past. On the other hand, if we know someone who has experienced a flood, we are more likely to buy flood insurance for ourselves regardless of the flood risk we actually face.

• AFFECT

This refers to letting our like and dislike determine our beliefs or preferences. We refer to affective feeling in judging the benefits of an activity. If we like an activity, we judge it as having high benefits. If an activity is disliked, the benefits are perceived as low. The affect mental shortcut causes us to avoid, reject, or distort any information or opinion that conflicts with our beliefs or preferences. If we favour a certain product or company, the product is judged as having high benefits. The affect mental shortcut creates a world much tidier and simpler than in reality, and rejects any information that conflicts with our beliefs.

• HALO EFFECT

Favourable first impressions influence our judgements. For example, if we think a football player is good-looking and athletic, the player is likely to be rated better at playing football (positive halo). If we think a player is not good-looking, the player's athletic ability is underrated (negative halo). Psychologist Edward Lee Thorndike discovered the halo effect nearly 100 years ago. The halo mental shortcut causes us to look at a single quality such as beauty, social status, or age to produce a positive or negative impression. It obstructs our view of the true characteristics of a person, product, or company.

• SUBSTITUTION

The substitution mental shortcut means replacing a difficult question with an easier question. For example, a difficult question such as 'What do I think about an insurance product?' is replaced with an easy question, 'How do I feel about the product?' 'How should insurance agents who prey on the elderly be punished?' is replaced with 'How much anger do I feel when I think of unscrupulous insurance agents?' 'How happy are you with your current life these days?' is replaced with 'What is my mood right now?' We use our emotional reactions to answer difficult questions.

• ENDOWMENT EFFECT

We hate losing. Losing make us twice as miserable as gaining the same things that make us happy. Losing $10,000 feels much worse compared to the good feelings of winning $10,000. If we have a great affection for an object, we are willing to pay more for an insurance policy compared to if we have less affection for the object. The more affection we have for the object, the more pain we will experience in the event of a loss. Therefore, the more our need is for consolation. Insurance provides the consolation. The more we need consolation, the more valuable the insurance appears, and the more we are willing to pay for it. Buying insurance is an investment for future consolation.

• CONFORMITY

The tendency of an individual is to follow group judgement. The conformity mental shortcut causes us to conform to or follow group decisions even though we know the decision is incorrect. We are more likely to conform if we are required to express our decisions verbally in front of others. Conformity is also called social proof or herd instinct. We feel we are making correct decisions by following the decisions of the majority. We choose to believe the majority cannot be wrong. The advertising industry benefits from our weaknesses to social proof. This is particularly so in unclear situations having ambiguous advantages and disadvantages such as deciding between various car makers, and cleaning, beauty and insurance products. Hence, there is a tendency for us to buy products from a company claiming its product is better because it is the most popular.

• **MENTAL ACCOUNTING**

Mental accounting is a process to record, summarize, and analyse our expenses and consumption. Mental accounting was discovered by Nobel Memorial Prize in Economic Sciences winner, Professor Richard Thaler. According to Professor Thaler, a decision whether or not to make a particular purchase such as the purchase of an insurance product is not made in isolation. The decision depends on one's budget, the nature of the expenses and the amount of similar expenses incurred, the prices and mental categorization of expenses. Expenses can be divided into different spending categories such as food, entertainment, utilities and transport. Spending in each category is constrained by the availability of a budget. One reason we may not buy insurance is we allocate our planned expenditures of income or salary into different mental accounts. The mental accounts set constraints or limits on how much we are willing to spend on certain activities. For example, we have an account labelled "expenditures on insurance" and are already committed to spending considerable funds on required insurance such as mortgage, automobile, life and medical insurance. The mental accounting shortcut makes us feel that we have reached the limit of our budget for insurance. Therefore, we do not want to buy additional insurance coverage for risk events such as health care or retirement. Or we may limit the amount we spend on the required coverage by taking the cheapest policy or not taking the highest limits of insurance coverage, or both.

CONCLUSION

Insurance purchasing is a complex process and among the most difficult decisions faced by consumers. The complexity of insurance purchasing is caused by issues and problems such as evaluating the likelihood and magnitude of uncertain future events, assessing personal financial needs, evaluating insurance price, quality and benefits, comparing different insurance products provided in the market, and choosing an insurance package. We also face difficulties in understanding our risks. We fail in properly evaluating the extent, frequency and probabilities of risks, and in interpreting them correctly. Facing difficult, complex and complicated problems, we use a mental shortcut or simple process to decide whether to purchase insurance. The simple process interferes with rational judgements and is influenced by feelings and emotions. Therefore, to make an optimum insurance purchasing decision, we need to have a deep understanding of the mental shortcuts that we consciously or unconsciously use. The in-depth understanding benefits both insurers and consumers.It contributes to better understanding of each party's motivation to sell and purchase. Insurers can understand why their products are difficult to sell. Consumers can understand why they find it difficult to decide whether to purchase insurance products.

We cannot know the future with certainty. Insurance is a product designed to help us cope with uncertainty in our life. We give up a certain amount of our money (the premium). In return, we are protected financially against a potential or future loss. It is inevitable that we will not get anything back from our insurance policy in any given year or nearly as much as we pay in premiums over time. That is the nature of insurance. When purchasing insurance, our mantra should be *the best return is no return at all.* ■

Licensed Moneylending Industry as an Alternative Financial Service in Malaysia

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Alternative financial services are commonly accessed by low income borrowers who are excluded from mainstream lenders. The borrowers are declined due to low or irregular income, need of urgent funds or failure to fulfil formal banking credit worthiness ratings (Infosys BPO, 2008). Alternative financial service in Malaysia constitutes part of the shadow banking system (Borneo Post, 2016). Also recognized as licensed moneylending, it provides a new breath of credit links to borrowers who otherwise have no option of formal credit. Notably, the lower income group comprised forty per cent of the total Malaysian population of 12.4 million in 2016. The total Malaysian population composition is at a median age of 28 years, which indicates that there is a pool of young potential borrowers (Department of Statistics, 2016). More attention needs to be paid to the licensing of moneylending. This is important as this industry has grown over the years as presented in Table 2.

EVOLUTION OF MONEYLENDING IN MALAYSIA

Moneylending in Malaysia began informally before independence with the Nattukottai Chettiars pillared by their temple institution, and the Punjabi Sikh community supported by their motherland Punjab (Lal, 2003; Manjit, 1991). It was spearheaded by mutual trust between lenders and borrowers using hand written or verbal IOUs. Borrowers were primarily adult males seeking funds to conduct businesses, resulting in prompt repayments. It is unfortunate that due to the Japanese occupation of Malaya in 1942 to 1945, and the implementation of the requirement of having Malaysian citizenship to practise licensed moneylending with the passing of Moneylenders Act 1951, the Chettiars perished in what started as a noble trade (Ummadevi, 2013). However, moneylenders continue to survive due to the shortage of access for certain groups such as ad-hoc labourers who

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are unable to provide proof of fixed income as required by formal financial services (Bernama, 2016).

LICENSED MONEYLENDING OBJECTIVE

In 1951, the primary purpose of establishing a licensing system for moneylending was to protect the interest of borrowers (Arif, 2009). The Malaysian Moneylenders Act 1951 (Act 400) and regulations underwent two major amendments in 2003 and in 2011 to curb illegal moneylending. To participate in legitimate moneylending, application for a licence is required by the Ministry of Housing and Local Government (MHLG). Under the ministry, a specific section is tasked to monitor the licensing together with the enforcement of moneylending activities according to the said Act.

Table 1 provides a brief overview of the role of the three key players in the moneylending industry in Malaysia, comprising MHLG, licensed moneylenders and borrowers.

The issuance of moneylending licences has been on the increase as presented in Table 2, indicating a steady demand from Malaysian borrowers. As of 30 June 2017, there were 3,642 licensed moneylenders throughout Malaysia, highlighting the paramount role of licensed moneylenders in the Malaysian economy, a role which is left unfulfilled by the formal financial services. Notably, limited research has been conducted on the issues in the moneylending industry.

Table 1
The Three Key Players in Moneylending in Malaysia

Ministry of Housing and Local Government (MHLG)	Enacted the Moneylenders Act 1951 (Act 400), which was amended in 2003 and 2011. Has included Sabah and Sarawak since 2008.
Licensed moneylenders	Governed by the Moneylenders Act 1951 (MLA) and conduct moneylending business in compliance with MLA and MHLG guidelines. Business advertisement of services are restricted as per MHLG rules and regulations. Offer loans with or without collateral. Interest rates at 12% with collateral per annum. Moneylending contract as per Schedule K and First Schedule of the MLA. Interest rates at 18% without collateral per annum. Moneylending contract as per Schedule J and First Schedule of the MLA. Repayment method and duration is to be discussed between the borrower and the lender, which is stated in the moneylending contract. Transaction is conducted in a physical office.
Borrowers	Any eligible Malaysian above 18 years.

Source: Moneylenders Act 1951

The Moneylenders Act 1951 in Malaysia is comprehensive in listing out the responsibility of borrowers to be vigilant in taking out personal loans

Table 2
Active Moneylender Licences by State in Malaysia from 2012 to 2017

State	2012	2013	2014	2015	2016	2017*
Johor	306	283	289	293	296	293
Kedah	154	138	137	137	139	138
Kelantan	16	13	14	12	11	12
Melaka	102	95	98	105	104	107
Negeri Sembilan	129	119	116	121	116	117
Pahang	105	94	96	102	103	100
Perak	280	269	260	259	257	258
Perlis	13	8	9	9	10	11
Pulau Pinang	374	326	322	312	310	298
Sabah	-	417	442	515	627	765
Sarawak	-	381	441	490	513	395
Selangor	601	615	624	634	666	672
Terengganu	26	25	25	26	28	30
Kuala Lumpur	458	433	443	437	445	439
Labuan	-	5	5	5	5	5
Putrajaya	2	2	2	2	2	2
TOTAL	2566	3223	3323	3459	3632	3642

Source: Ministry of Housing and Local Government* as at June 2017

with or without collateral. The interest rate for personal loans with collateral is 12% per annum and for those without collateral, it is 18% per annum. There is a gap in the law as to how borrowers are to ensure that they are charged the stipulated interest rates in the actual moneylending transactions. In addition, licensed moneylending businesses must abide by three important requirements in the MLA, that is, have a valid operating licence, permanent account books and updated borrowers' statements (Legal Aid Department, n.d.).

LICENCE

Section 15 of MLA clearly states that only those with a moneylending licence can lend money for the purpose of moneylending. The duration of the licence is two years and application for renewal must be submitted to MHLG sixty days prior to the expiration date. A valid licence should be displayed in a prominent location in the moneylender's office for ease of borrowers' viewing.

PERMANENT ACCOUNT BOOKS

According to Section 18 of MLA, moneylenders are obligated to keep an original copy of moneylending contracts and accounts in permanent books. The contracts must be stamped and attested by MHLG approved attesters. A copy is to be given to the borrowers.

STATEMENTS

Section 19 of MLA states the obligation to supply information as to the state of the loan and copies of the First Schedule to the borrower. Monthly repayment receipts should be provided by the moneylender to the borrower upon each repayment.

Table 3, based on the Moneylenders Act 1951, Arif & Parry (2008) illustrates the execution of borrowers' rights to information, rights to receive a copy of the moneylending agreement, duty to make repayment regularly and duty to discharge expenses and charges. In addition, the borrower has the obligations to furnish valid information on his or her identity, contact number, latest pay slips and correct address to the moneylender.

MONEY LENDING CONTRACT

The money lending contract is an agreement made in writing between a moneylender and a borrower for the repayment, in lump sum or instalments, of money borrowed by the borrower from the moneylender (Moneylenders Act 1951). In successful execution of the contract, both parties comprising

Table 3
Borrower's and Moneylender's Obligations as in Moneylenders Act 1951

No.	Borrower's Rights	No.	Moneylender's Rights
1.	Right to information.	1.	Right to charge simple interest in cases of default.
2.	Right to receive a copy of the moneylending agreement.	2.	Right of action
No.	**Borrower's Duties**	**No.**	**Moneylender's Duties**
1.	Duty to make repayments regularly.	1.	Duty to have a valid moneylender's licence.
2.	Duty to discharge expenses and charges.	2.	Duty to provide a moneylending agreement in a prescribed form.
		3.	Duty to display licence at all times.
		4.	Duty to keep accounts accurately.
		5.	Duty to supply information.
		6.	Duty to charge authorised expenses only.
		7.	Duty to provide receipt.
		8.	Duty to regard to security.
		9.	Duty to serve documents.
		10.	Duty not to fraudulently induce any person to borrow.
		11.	Duty to comply with relevant written law.

Source: (Arif & Parry, 2008)

the moneylender and the borrower have rights and duties to accomplish. Table 3 illustrates a heavier obligation on the moneylender than on the borrower in complying with the Moneylenders Act 1951. The borrower has the essential responsibility to perform the two rights and two duties. The requisite for the moneylender is to comply with two rights and eleven duties. However, the rise in complaints in the Malaysian media of non-compliance during the execution of contracts indicates a gap in the implementation of the said Act.

MONEYLENDERS' DUTY TO BORROWERS

In ensuring a satisfied loan contract outcome, a licensed moneylender is expected to be honest and the same is applied to a good borrower. Moneylenders are required to comply with the duties as indicated in the Moneylenders Act 1951. In addition, the perception of a reliable moneylender also depends on from whom the viewpoint is derived. From the perception of the moneylender himself, it is having met the minimum requirements in conducting business as per the authoritative guidelines. From the borrower's point of view, it is the ability of obtaining funds at the soonest, lowest interest rates, securing a minimum and longer re-payment period.

During the lending process, the licensed moneylender must provide the documents as per section 16 of MLA. The moneylender is required to provide the exact amount of payment to the borrower as per agreement stipulated in section 17A. In the case of borrowers repayment default, the moneylenders are to appoint legal means and not harass borrowers in reclaiming the given money. Muhammad (2015) deliberated the point that formal financial institutions in Malaysia need to apply empathy and fair treatment on their defaulters who are ill. Similar empathy could be proposed on the licensed moneylending industry. The challenge is when the licensed moneylender has to deal with borrowers who intentionally disappear or deny taking the loan in the press.

BORROWERS' DUTY TO MONEYLENDERS

Consumer money borrowings from licensed moneylenders are divided into planned and unplanned. According to licensed moneylenders, there is a higher tendency of planned borrowing during festivities (The Star Online, 2018). The findings of a study in Malaysia show that there is two times more tendency for expenditure during Hari Raya Aidilfitri especially among the women folk (Mohamad, 2016). It highlights the spur of last-minute purchasing as the main cause of over-spending that may lead to an increase in money borrowing.

Unplanned borrowing occurs due to unexpected death, loss of income, mishaps or increase in exchange rates for supporting children's overseas education fees. Whatever the situation that triggers the money borrowing, it is the duty of the borrower to ensure repayment ability and pay the contract stamp duty charges.

BORROWERS' LIFE CYCLE OF MONEY BORROWING

A "borrower" in this context is a person to whom money is lent by a moneylender (Moneylenders Act 1951). The process of borrowing starts with the intention or a cause that leads to an act of wanting to borrow. "Peer pressure" in this context refers to wanting to own gadgets such as the latest smartphones and designer bags. The push factor comes from the pressure of having a lack of money and the pull factor is from the perceived easy access to funds. As a responsible borrower, financial knowledge on disposable income and planning is vital in ensuring the ability to fulfil repayments. However, many people tend to borrow way above their means and get entangled in repeated borrowing. Malaysians are said to be borrowing too much and not saving enough, according to Khazanah Research Institute (The Star Online, 2016a).

An emerging trend among consumers in Malaysia is that the high dependence on credit to purchase what they desire (Muhammad, 2015), is causing formal banks to scrutinize their lending. As an alternative, borrowers source other avenues for funds in order to make payments for services, purchase consumer goods as well as buy a low-cost home. According to Malaysian Punjabi Licensed Moneylenders Association or MPLMA, borrowers choose a licensed moneylender based on referrals from family members, colleagues and friends who have experience dealing with the licensed moneylender (MPLMA, 2016). Furthermore, borrowers are the ones who willingly seek the licensed moneylender and not the other way around as perceived by many people. Based on MPLMA, their borrowers can be categorized to be from the government sector, the private sector and businesses.

PRUDENT BORROWERS

Borrowing money has changed since the early days from responsible needs-infused borrowing to the present impulsive wants borrowing. A prudent borrower is careful to scrutinize the available options, to take time in making the decision to borrow from a licensed moneylender and is likely to consider ability to make on time repayment. A borrower must be able to distinguish between a legitimate and an illegal moneylender. A licensed moneylender usually has a fixed phone line (MHLG, 2018). One challenge faced by the borrower is the inability to understand the terms of the agreement and repayment obligation, leading to unwise decisions (Xiao, 2015). The borrower has the right to read thoroughly the terms and conditions of the contract and seek clarifications from the licensed moneylender to avoid dissatisfaction in the future.

BAD DEBTS BORROWERS

Poor financial planning is cited as the main reason for a borrower's difficulty in repayment of debts. The number of people participating in the Debt Management Programme shot up by 1,819 per cent to 156,892 as at end July 2016 from 2007, (The Star Online, 2016b). There is a concern that moneylenders' bad debts borrowers are neglected from receiving financial advice through the Credit Counseling and Debt Management Agency.

UNETHICAL BORROWERS

Normally, a borrower without a collateral repays a loan in a timely manner with the intention of gaining future financial access (Bond, 2009). Nevertheless, there are borrowers who default, where the borrower seeks money with the intention of non-repayment to the licensed moneylender. In some cases, the borrower complains to non-governmental organizations to avoid paying their personal loans. It is imperative that before taking up such cases, non-governmental organizations screen each complainant's credit history thoroughly with the assistance of the Central Credit Reference Information System (CCRIS) and Credit Tip-Off Service (CTOS).

BORROWERS' RIGHT TO ACCESS KNOWLEDGE

Knowledge is the depth and understanding of an individual's rights as a borrower in selecting the right moneylender and being responsible in knowing how to make timely repayments. MHLG has introduced the Electronic Money and Pawn Broker System (eMAPS) which is an online information portal for borrowers to view information regarding licensed moneylenders and decide their best option (MHLG, 2018).

PROPOSED SUGGESTIONS

Borrowers should reflect on the need, urgency, resources and whether that is the best available option to commit to. The accessibility of the printed pamphlets by MHLG can be broadened to include the general public and they should be advertised on buses, in public spaces and broadcast by the media. It is proposed that the said printed pamphlets be placed at strategic counters at the licensed moneylenders' offices, for prospective borrowers to be made aware that they are protected by the law. Another option is to seek the assistance of financial institutions in directing unsuccessful loan applicants to legitimate moneylenders. Similarly, licensed moneylenders should have an avenue in MHLG to complain and seek redress on cases of bad debts or unethical borrowers that provide incorrect personal information. This initiative will rid habitual borrowing among

Malaysians and highlight the plight of licensed moneylenders in managing non-collateral personal loans loans. ■

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Islamic Wealth Management Theory and Practice

Anuar Shuib
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Title	: Islamic Wealth Management Theory and Practice
Editors:	Mohamed Ariff, Chair of Economics and Finance, Sunway University, Malaysia and Shamsher Mohamad, Professor of Finance, International Centre for Education in Islamic Finance, Malaysia
Publisher	: Edward Elgar Publishing Limited, Cheltenham. UK - Northampton, MA. USA in 2017
No. pages	: 416
Price	: RM 104.99
ISBN Publication:	978-1-78643-938-3

Islamic wealth management is a fast-growing sector in the Malaysian financial services industry. One challenge for practitioners and academicians is the availability of reference books in the area. One book that fills this gap is *Islamic Wealth Management Theory and Practice*. This book is the first to lay out a coherent framework on how wealth management should be conducted in compliance with Shariah principles.

19 writers, all prominent names in the area of Islamic finance, contributed to the contents of the book. They are Syed O. Alhabshi, Mohamed Ariff, Gülsüm Ç. Dolgun, Muhammed H. Dolgun, John Farrar, Mohamed A. Gadhoum, Farrukh Habib, Mazen El Khatib, Ahcene Lahsasna, Ziyaad Mahomed, Abbas Mirakhor, Shamsher Mohamad, Magda I.A. Mohsin, M. Eskandar Shah Rasid, Shaikh.A. Razak, Saiful A. Rosly, Zukkarnain M. Sori, Jamaliah Abdul Tahir and Adelina Zuleikha.

The book is arranged in five critical parts, which make it easy for even a newcomer to the Islamic wealth management industry as it provides a comprehensive picture of Islamic wealth management. It presents most of the critical issues pertaining to the practice and theory of Islamic wealth management. The different sections of the book contain relevant chapters discussing the theory, the application and the challenges in Islamic wealth management in real and financial markets. It may come as a surprise to some that the principles of Islamic wealth management bear similarities to Christian and Hindu principles.

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Part I

Part one of this book provides the definition of wealth both from the Islamic and secular perspectives. and concepts of Islamic wealth management. Readers will be able to relate the economics and finance with the right understanding of wealth itself. The book explains how wealth needs to be earned in Islamically lawful ways, and that it needs to be preserved and used to benefit and to ensure the well-being of the community. A small part of the wealth must be given away to charity, and the remainder managed in compliance with Shariah laws and common practices, as established by a majority consensus of Shariah scholars. The use of wealth for the benefit of the community is totally different as compared to the conventional perspective but this is not in contradiction with Christian and Hindu perspectives.

The definition and purpose of Islamic wealth management, which is to benefit the community and not just oneself as clearly stated in this part of the book will help Islamic wealth management practitioners to make their clients understand the step undertaken to manage their wealth accordingly.

This part also shares with the readers as to what the proper structure of Islamic wealth should be and provides some suggestions for improvement. This part also provides a discussion on the development of the wealth management industry, enabling readers to understand the issues currently faced by the sector, particularly in relation to the Shariah compliance of virtual assets and transactions.

Some Islamic wealth management practitioners shy away from exploring into the appropriate structure as they themselves are not clear about how to bring the theory into practice. The structure is explained using diagrams and suggesting improvements, making understanding much easier.

Part II

The second part of this book gives the reader an understanding of the governance framework, as without proper governance, the Islamic wealth management theory may not be able to be put into practice. AAOIFI standards have played a big role in making the theory of Islamic wealth management practical and doable. This part of the book also talks about the importance of the laws enacted by governments to help spur Islamic Wealth Management practice and at the same time help the country to grow.

Even though the opportunities are aplenty in the Islamic Wealth Management industry, the challenges are also many. This part of the book talks about the movers of the industry, among whom are Tun Dr Mahathir Mohamad and Professor Ahmad Mohamed Ibrahim. Without their contributions, Malaysia may not be the leader it is today in the Islamic Wealth

Management fraternity. With their contributions, Malaysia is today the leader in Islamic Wealth Management, and is the biggest sukuk issuer in the world with more the half of global sukuk to date.

Part III

In the third part, readers will most likely learn the most as this part will help them understand how they can help their clients and themselves create wealth. Since wealth creation and the financial market are interrelated, readers will be able to understand more of the functions and roles of the various institutions in the financial market and readers can make use of that knowledge to create more wealth for their client or themselves.

As stated, the functions and roles of sovereign wealth fund institutions are discussed thoroughly in this part. Readers will be able to appreciate the roles played by Khazanah in Malaysia and several other sovereign wealth fund institutions all over the world. Some readers may be surprised to learn that according to the data shared in this book, the size of sovereign wealth funds owned by Islamic countries dwarf the sovereign wealth funds of Western countries in comparison.

Benchmarking is another challenge practitioners need to look at as Islamic financial institutions should not use the conventional interest-bearing system such as LIBOR as a benchmark. The writers do suggest using real performance recorded in Islamic economies as the real benchmark but when this can happen still depends on the take of the players globally.

Understanding the strategy of sovereign wealth funds may help readers plan their own strategy much better to grow their clients' and their own wealth.

Part IV

Wealth preservation and protection are very critical in Islamic wealth management. If one cannot protect their wealth, the future generation may be in a dire state. Thus wealth protection is discussed in this part, which also highlights the function of takaful and the challenges faced by takaful. Certain customers require wealth managers to provide big sum cover and some takaful companies may not be able to provide the amount of coverage needed. Understanding takaful industry practice will help wealth managers seek other ways to serve their clients.

Conventional wealth managers may not require the wealth be cleansed or purified but this is a very critical function in Islamic wealth management. The suitable methodologies for this are also the subject of Part IV. This part of the book covers a very important area as Muslims cannot keep impure wealth and later pass it on to the next generation.

Part V

For conventional wealth management, wealth distribution is the final part of the wealth management process whereas in Islamic wealth management it is part of future planning for the Hereafter. Using the available tools in Islamic wealth management such as Zakat, Faraid, Waqf and other related tools will enable one to plan to even receive benefits after death as the ultimate goal is to achieve success in the Hereafter.

This part elaborates on the waqf framework available in Labuan jurisdiction, which enables a waqf to be established to fulfil the intentions of those making the endowment, such as to continue doing charity even after death. Part V also discusses the strength of the waqf framework in Labuan to withstand any challenges that may arise upon the death of the the one who made the endowment.

Also discussed here is the importance of proper planning to avoid the probate process which may hinder the good deeds done by the deceased during his or her lifetime.

CONCLUSION

In my opinion, this book provides very useful knowledge to all wealth management practitioners such as financial advisers, financial planners, remisers or broker dealers, fund managers, investment advisors, takaful agents and brokers, bank managers and executives, treasurers in any institution or organization, human resources managers and officers, estate planners, and all other parties dealing in wealth management and who want to practise Islamic wealth management.

I would recommend Islamic wealth management practitioners, all those who want to know more about Islamic wealth management and anyone who would like to know how to manage their wealth according to Islamic principles to read this book as it covers most areas relevant to Islamic wealth management in a coherent way. ■

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Roadmap to Financial Freedom

Alan Lim Wai Loong
QAS The Talent House

Title	: Roadmap to Financial Freedom
Author	: Yap Ming Hui
Publisher	: Whitman Independent Advisors Sdn. Bhd. in 2010
No. pages	: 226
Price	: RM 39.90
ISBN Publication	: 978-983-41724-6-6

Roadmap to Financial Freedom (RTFF) provides many good examples to guide those with different financial goals due to different levels of financial resources and different needs. The book shows that financial planning is vital no mater what one's level of income as it provides personalized planning applying the know-how to create, preserve and grow one's capital values pre-, during, and post-retirement.

This book uses 12 real case studies to explain the 'Impacts of Additional Resources Vs Impacts of Additional Expenses' in the roadmap. It is also interesting to observe that many in the mid-income group in the 12 case studies generally ended up in a financial liquidation state at between 60 – 70 years of age. 'Financial liquidation' occurs when one's total available resources are fully exhausted or fall to zero level after a certain number of years post-retirement when active incomes cease.

Some of the top concerns identified are over spending (under-saving), over saving (under-treating), estimating wrong retirement age/ cost, underestimating the value of insurance (risks transfer medically and financially), and not preparing for hefty educational expenses, etc. In short, the writer discusses optimizing financial wealth to pay for ongoing expenses/ bills in a safe and sustainable way.

The writer explains the need to focus on Defining, Identifying and Testing (or conducting a Stress Test) before establishing a sound financial plan. We need healthy contribution along our journey towards the realization of our roadmap which will make us happy. The writer stresses that Unavoidable Expenses (or KPI) are the key to complete our journey early or to sustain later post retirement. Some of the very important KPI (Key Performance Indicators) mentioned are:

- Current Available/Accumulated Resources Pre-Retirement: *Investment Property, EPF, FD, Stock, Unit Trust, Cash/Cash Equivalent*

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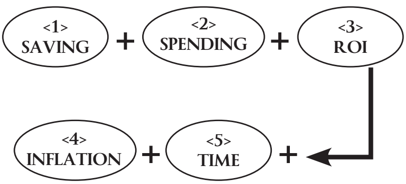
- Current Living Expenses Pre-Retirement: *Monthly Basic Living Expenses to Run the Family*
- Future Available/Accumulated Resources Post-Retirement: *Total Appreciated (Including Losses) Capital Values from Earlier Resources*
- Future Living Expenses Post-Retirement: *Affordable Basic Living Expenses Post-retirement till 70/75/80 years of age assuming assuming adequate preparation for medical and education expenses.*

RTFF discusses the top five financial planning elements, namely saving, spending, ROI, inflation and time. Inflation will be the most important element in our road to financial freedom as it will eventually make or break the plan if we are not careful.



1. SAVING:

Other than relying on EPF as golden retirement funds, additional forced saving of about 20% has been proposed to fight capital liquidation more effectively. Savings grow and compound very well when the compounding time is sufficient. Below is a good example to demonstrate this and we may

Starting Age	Monthly Saving (RM)	Interest P.A.	Compunding at 60 Y.o	Compunding Period (Years)
30	MYR 500	5.0%	MYR 416,000	30
35	MYR 500	6.0%	MYR 346,000	25
40	MYR 500	7.0%	MYR 260,000	20
45	MYR 500	8.0%	MYR 173,000	15
50	MYR 500	9.0%	MYR 96,700	10

conclude saving is only good provided we leverage the time we have. Real capitalization occurs only this way.

2. SPENDING:

The concept of save first, spend later holds true. Excessive spending will not benefit the optimization process, but it may kill it. Given the same RM1000 monthly expenses in present value could be inflated to as high as RM3,200 in future value. This is even worrying when this happens in a short time of 20 years. Imagine now how much you would actually need post retirement:

Starting Age	Cost of Living in Present Value	Inflation P.A.	Inflated Costs of Living in Future	Compunding Period (Years)
A	MYR 1,000	2.0%	MYR 1,486	20
B	MYR 1,000	3.0%	MYR 1,806	
C	MYR 1,000	4.0%	MYR 2,191	
D	MYR 1,000	5.0%	MYR 2,653	
E	MYR 1,000	6.0%	MYR 3,207	

Yr/ Factor	Capital Inflation - 0%	ROI	Compounding After 30 Yrs	Compounding Effects
1	MYR 100,000	5.0%	MYR 432,000	1.00
2	MYR 100,000	6.0%	MYR 574,300	1.33
3	MYR 100,000	7.0%	MYR 761,200	1.76
4	MYR 100,000	8.0%	MYR 1,006,200	2.33
5	MYR 100,000	9.0%	MYR 1,326,800	3.07
6	MYR 100,000	10.0%	MYR 1,745,000	4.04
7	MYR 100,000	11.0%	MYR 2,289,200	5.30

3. **ROI:**

ROI or Return on Investment is the "Power House". ROI has the power of compounding which "will offset" the effects of excessive spending or even inflation. Setting a portfolio at 6-8% p.a is always a good guide as shown below. The magnitude of compounding effect is just amazing. Using this exercise, it is very educating to know that the end financial result could range between RM430K to RM2.29 Mil. This is not about risking your money, but it is about diversifying and allocating more wisely to enjoy the true benefits your capital is offering.

4. **INFLATION:**

Inflation is a crucial factor; it will eventually deplete your accumulated capital and reduce your purchasing power. It is the most negative factor. However, inflation is unavoidable, but we can control it with ROI. The example below shows the depletion of future values. Using the same ROI table as above, and assuming the growth rate is 5%, the inflation rate is 6% and the adjusted i = G-I/(1+I) = -1/1.06 = -0.9433 for simulation #1.

Yr/ Factor	Capital Inflation - 6%	Adjusted *i*	Compounding After 30 Yrs	Compounding Effects
1	MYR 100,000	-0.9433%	MYR 75,251	1.00
2	MYR 100,000	0.0000%	MYR 100,000	1.33
3	MYR 100,000	0.9433%	MYR 132,533	1.76
4	MYR 100,000	1.8870%	MYR 175,211	2.33
5	MYR 100,000	2.8300%	MYR 230,991	3.07
6	MYR 100,000	3.7730%	MYR 303,760	4.04
7	MYR 100,000	4.7169%	MYR 398,568	5.30

5. **TIME:**

Time is the denominating factor. No matter how well we can plan, without time, it is not possible at all, simply because the portfolio can't grow, can't evolve and can't adapt to the planned changes. Using the same example as in 1. Saving, the more time we save, the more investment options we have, the more diversification we enjoy because we can plan and map more realistically without over risking due to lack of time.

To simulate this combination, the author presents a case study to evaluate the Effect When "No" Inflation if Mr. Tim were to retire at 50 years.

- We can conclude that If Tim were to retire at 50 years with RM3Mil today as his retirement capital and he prefers to deposit it with a

Starting Age	Monthly Saving (RM)	Interest P.A.	Compunding at 60 Y.O	Compunding Period (Years)
30	MYR 500	5.0%	MYR 416,000	30
35	MYR 500	6.0%	MYR 346,000	25
40	MYR 500	7.0%	MYR 260,000	20
45	MYR 500	8.0%	MYR 173,000	15
50	MYR 500	9.0% ⇑	MYR 96,700 ⇓	10 ⇓

Yr/ Factor	Captital Inflation = 0% P.A.	Fd Rate P.A.	Adjusted *i*	Passive Incomes P.A.
1	MYR 3,000,000	4.0%	0.0%	MYR 120,000
5	MYR 3,000,000	4.0%	0.0%	MYR 120,000
10	MYR 3,000,000	4.0%	0.0%	MYR 120,000
15	MYR 3,000,000	4.0%	0.0%	MYR 120,000
25	MYR 3,000,000	4.0%	0.0%	MYR 120,000
30	MYR 3,000,000	4.0%	0.0%	MYR 120,000

licensed bank paying a 4% annual interest rate, his total resources may last him (assuming no inflation):

A. Forever if he were to spend 10K per month.

B. 25 Years if he were to spend 16K per month.

C. 20 Years if he were to spend 18K per month.

- However, the problem is inflation is always there. If inflation is at 6% p.a, we need to model the *adjusted i*:

G: Growth rate, 4% p.a from FD.

I: Inflation rate, 6% p.a as industry inflation.

i: Adjusted rate = i = G – I/(1+I) = 4-6/(1+0.06) = -1.887

PV= -RM3,000,000,

PMT= RM120,000

FV= RM 0, Fully Exhausted,

i= -1.887

N= 20.3 Yrs to Full Capital Liquidation.

Now we can imagine how tricky it is to handle inflation during the mapping of the roadmap. Hence, we understand we cannot control inflation, but we can always control the ROI by promoting more asset diversification and allocation. If we do not plan our post-retirement expenses carefully, this portfolio is going to end up badly. The total loss of sustainability and financial conservation will be detrimental.

In RTFF, the author also recognizes the roadmap may head for gains or losses sometimes. RTFF also discusses the price of making mistakes. Therefore, it is vital that we manage the losses wisely without losing the power to recover ultimately.

It is indeed encouraging to know that the author uses an example to explain the total needs approach if a pre-mature death occurs due to a heath crisis. Despite this not welcome assumption, RTFF applies insurance as a hedging tool to replace loss of incomes during crisis (young children and spouse not working) immediately while allowing the family to adjust and change their lifestyle accordingly. Nevertheless, if RTFF could model during death, accidental partial or full disability and diagnosis of critical illness, the case study is even more solid.

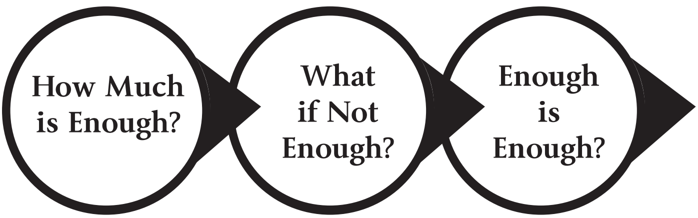
To optimize RTFF, the author developed a Networth Simulation (What You Actually Possess) to forecast various foreseeable financial outcomes. RTFF applies "Stress Test" to simulate the sustainability of networth after financial corrections in many different wise ways. Some of the useful parameters used are:

- Test 1: To "Restructure" from low performing portfolio of 3-4% to a higher 6-7% would actually "extend" the sustainability by an additional 10-15 years.
- Test 2: To "Raise" more educational funds while not depleting the sustainability of the valuable retirement resources after the optimization process.
- Test 3: To "Spend Less" on current and future living expenses to drive more capital conservation, reducing spending on luxuries such as vacations and an expensive lifestyle.
- Test 4: To "Extend" retirement age to 60 but this has been least discussed due to higher health awareness. Many would not continue to work if they are ready financially.
- Test 5: To "Increase" savings to increase the financial capacity, thanks to when we are actually spending less on luxuries and unnecessary items. Thanks to Test 3.
- Test 6: To "Sell" non-performing properties, sell for cash liquidation to boost cash savings significantly as we are switching from interests bearing to interest earning.

Technically, if each of the tests is correlated carefully with proper calculation, projection and assumption, we could actually achieve a balanced and optimized portfolio. Of course, this is backed by ongoing and regular reviews (preferably on a yearly basis) to avoid losses, to monitor potential threats and to manage any depletions, if any.

CONCLUSION

This is why RTFF promotes optimization of resources so that retirees can enjoy true and risks-free retirement. Optimization in this book promotes right and optimized combination of the 5 elements to rule out how much is enough, what if not enough, enough is enough? The key is when we harvest the benefits well, we want to create more non-financial wealth socially, physically and spending more quality time with family. ■



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RFP Your Pathway to Professionalism

Shariah RFP A Premier Financial Planning Designation of MFPC

Journal of Wealth Management & Financial Planning (JWMFP)

Journal of Wealth Management & Financial Planning (JWMFP) is a peer-reviewed research and practitioner journal, published annually by Malaysian Financial Planning Council (MFPC). The aim of JWMFP is to establish an academic and practice guide for the fast-growing Financial Services industry.

The Journal comprises research papers in the various aspects of wealth management and financial planning by academicians and practitioners in a number of fields, providing research-based benchmarks and studies for public, corporate and academic reference.

JWMFP features original research and conceptual effective approaches to education and practice concerning all aspects of financial planning and management. 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.

Readers will find detailed recommendations for education and practice in the journal articles. JWMFP also features book reviews, and news and views on relevant issues.

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

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JWMFP publishes empirical and theoretical research topics related to personal and household financial decision making. JWMFP invites submission of both normative and empirical research on topics that include:

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Papers submitted should be typed:

Font Times New Roman, size 12, single space.

Manuscripts should be sent in both Microsoft Word and pdf format, and preferably via email.

Manuscripts that contain complex equations and / or diagrams should be submitted in print as well as electronic versions.

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

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References

The Journal of Wealth Management and Financial Planning adopts The Publication Manual of the American Psychology Association (APA) (6th Ed.) in terms of style and format. The APA Manual is available in bookstores or from the APA online 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:

- **Reference citations within the manuscript should read as:**

Should Smith be cited again in this same paragraph, it would not be necessary to again cite the date (1999).

"This problem has been studied previously (e.g., Black *et al.*, 1998; Smith & James, 1999; Jones, Smith, & White, 2001)."

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- **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.

Below are selected examples although the manual offers many examples for the different print and media publications.

Books

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

Chapters 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, KL., 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 Articles 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.

Equations / Mathematical Sentences

All symbols or mathematical sentences should follow the correct format. Mathematical equations have to be prepared using Math Type. A single mathematical symbol can be done by inserting symbol in Microsoft Word. Each mathematical sentence should begin at the first tab after skipping one line. If it is referred to in the texts, the equation should be numbered in the bracket and right aligned.

Use of (. . .) Symbols

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, ...

The fourth dot in this example which is of one space distance from the other three dots is the full stop.

Diagrams / Illustrations

Diagrams or illustrations 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 seen.

Guidelines: News & Views Section

Topic Areas

The News and Views section is a practitioner-focused section covering Malaysian, Asian and international economic, business and financial issues.

This section aims to deliver relevant, essential and current market information and views relevant to our readers. The focus of the articles should be to help financial planners better serve their clients and contribute to the common good of the Financial Planning industry.

“News” includes any financial-related news comprising any aspect of financial planning, wealth management, investment banking, and regulatory changes. It should be of general interest or a current issue affecting the marketplace.

“Views” includes an opinion piece on any aspect of Financial Planning detailing the practitioner's outlook on a particular issue.

Length

Articles for the news and views column should not exceed 3,000 words. A succinct introduction as a summary would help readers better understand the information contained in the article.

Guidelines: Book Review Section

A book review for JWMFP should run one to three pages or approximately 500 to 1500 words at most (font Times New Roman, size 12, single space).

The heading should include the following bibliographic information about the book:

- 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. US$9.73.

Write the review with two goals in mind: 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 seeks to achieve the purpose or develop the theme.

Summarize your main conclusion briefly. Place the book in the perspective of related literature by comparing it with other books on a similar topic. 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.

Avoid quoting long passages from the book. Paraphrase when possible. Always give the page number of the quote in parenthesis.

Because JWMFP is an interdisciplinary publication, avoid overly technical language understandable to only a few specialists.

Avoid using references and footnotes. If a quotation from another work is absolutely necessary, 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).

We reserve the right to edit reviews for style, conciseness, and consistency.

Submit the review in typewritten copy via e-mail attachment to mfpc@mfpc.org.my.

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About MFPC

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 10 March 2004 under the Societies Act 1996.

MFPC is proud to have received numerous awards. In 2014, MFPC received Honourable Commendation in the UNESCO Wen Hui Award for Educational Innovation in recognition of its Financial Planning awareness programmes. In addition, in September 2015, MFPC was awarded the Best Islamic Finance Education Provider by the prestigious Global Islamic Financial Awards (GIFA). Subsequently, in June 2016, the World Education Congress Global Awards awarded MFPC the Best Educational Institute in Banking and Insurance. Further, our Shariah Registered Financial Planner was recognized as the Best Islamic Finance Qualification 2016 and Best Islamic Wealth Management Qualification 2018 by the GIFA Awards Committee.

Registered Financial Planner (RFP)

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

The RFP designation was approved by Bank Negara Malaysia (BNM) in March 2005 as the prerequisite qualification to apply for the Financial Adviser's Licence and Financial Adviser's Representative Licence. The Registered Financial Planner (RFP) designation was also approved by Securities Commission Malaysia (SC) in November 2005 as one of the qualifications to apply for the Investment Adviser's Licence under the Securities Industry Act 1983.The RFP designation has also been approved by the SC for the application of the Capital Markets Services Licence (CMSL) with the implementation of the Capital Markets and Services Act 2007.

The RFP serves as a mechanism for the MFPC to help fulfil the national objective 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. As of September 2012, RFP designees are 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, then Minister of International Trade and Industry on 6 December 2007. It was introduced in recognition of the commitment of the students undertaking the RFP programme.

The Affiliate RFP designation is conferred on members who have passed Module 1: Fundamentals of Financial Planning and one other module of the RFP Programme. The Affiliate RFP serves as a measure to inject a new force of professionally qualified human capital into the industry. Affiliate RFP designees are potential Financial Adviser Representatives and Capital Markets Services Licence Representatives who will be given the appropriate guidance and opportunities to practise financial planning advisory services.

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, then Minister of Higher Education, launched the Shariah RFP Programme on 21 August 2008. Shariah RFP is recognised as a professional programme by both Bank Negara Malaysia and Securities Commission Malaysia.

Affiliate Shariah RFP

In response to local and international market demand and changes in the financial planning landscape, MFPC introduced the Affiliate Shariah RFP designation for members who have passed Module 1: Fundamentals of Shariah Financial Planning and one other module of the Shariah RFP Programme.

Affiliate Shariah RFP aims to meet the need for a pool of professionally qualified practitioners in the Shariah financial planning sector 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

Financial Planning Awareness Programmes for Undergraduates, Practitioners and Public

MFPC continuously promotes awareness of the value and importance of financial planning and financial planning services, and works towards elevating the financial planning literacy of Malaysians. Towards this end, we regularly conduct financial planning awareness workshops and programmes for undergraduates, practitioners and the public nationwide. These include our Financial Planning Workshops (My Money and Me) and our Shariah Financial Planning Awareness Programmes. ■

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