

Perception of B40 Income Group Regarding Waqf, Wasiyyah and Faraid Planning in Wealth Distribution

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ABSTRACT

The planning of wealth distribution during an individual's lifetime is an aspect that must be taken seriously by all Muslims. Delays and failures in the distribution of wealth can create negative implications from the legal, economic, religious and social standpoints. In fact, the issue of wealth distribution is not an isolated issue in the Muslim community due to the fact that every year there are a growing number of frozen assets. Therefore, the purpose of this paper is to examine the perception of planning of wealth distribution among the B40 income group. A survey of 382 respondents was conducted in order to gauge the perception. The findings of this study found that in the B40 group, individuals who earned RM1,001 - RM2,999 were the majority who had wrong perceptions towards the need for planning wealth distribution, followed by individuals who earned RM1,000 and below per month. This study contributes to the understanding that the B40 income group is the one that does not plan wealth distribution through waqf, wasiyyah and faraid mechanisms.

Keywords: Faraid, Islamic Finance, Waqf, Wasiyyah

INTRODUCTION

Owning property is a basic necessity for an individual's life. In fact, Islam does not prohibit its followers from acquiring and collecting property in order to achieve the pleasure in this world and the hereafter. However, the

property owned by individuals should be managed properly so that it does not create adverse effects on the owners and the heirs in the future. In fact, the requirement to plan and manage property during one's lifetime is one of the teachings of Islam. This is in line

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with the essence of surah Al-Nisa' verse 9 that asserts the need for planning for the future of the family.

While tabling the Eleventh Malaysian Plan (EMP) in Parliament in May 2015, the Malaysian Prime Minister stated that increasing household income for the B40 group is one of the priorities (Eleventh Malaysia Plan, 2015). According to the Household Income and Expenditure Survey (2014), the term B40 households refers to households with income up to RM3,855 (Department of Statistics Malaysia, 2015). As reported by the Prime Minister, more focus will be given to increasing the average monthly household income of the B40 group by the year 2020. Thus, it is important to study the perception of this group towards planning wealth distribution; otherwise, the issue of frozen assets will become worse each year. Therefore, the B40 group is the main focus in this research in order to study their perceptions of planning wealth distribution.

Basically, wealth distribution in Islam can be defined as an act of passing on assets through Islamic will and trust and it is one of the disciplines under the scope of wealth management in the Islamic financial sector. However, in Islamic financial planning and wealth management, wealth distribution is the most controversial subject concerning the economic life of man (*Muhammad Ridhwan Ab. Aziz et. al., 2014*).

Planning of wealth distribution should take into consideration two elements of times: planning of wealth distribution before death and planning upon death. There are various types of instruments applied in managing and planning wealth distribution that follow Shariah rules as shown below:

Table 1: Summary of the Application of Estate Planning Tools During Lifetime and Upon Death

No.	Created and Effected During Lifetime	Created During Lifetime, Effected Upon Death
1.	<i>Zakat</i>	<i>Zakat</i>
2.	<i>Hibah</i>	<i>Hibāh</i>
3.	Trust	Trust
4.	Charitable donations	Charitable donations
5.	<i>Waqf</i>	<i>Waqf</i>
6.	Power of Attorney	Power of Attorney
7.	Matrimonial Property (<i>Harta Sepencarian</i>)	Matrimonial Property (<i>Harta Sepencarian</i>)
8.		<i>Faraid</i>
9.		Will, <i>Wasiyyah</i> and <i>Wisayah</i>

(Source: Amir Bahari, 2014)

The number of frozen assets is increasing yearly at an alarming rate. According to Cambridge Dictionaries Online, a frozen asset is an asset that cannot be sold because of a government or court order, or an asset that does not produce income (2/12/2015). It is estimated that RM66 billion in assets was turned into frozen assets due to the deceased as well as his or her heirs.

Basically, frozen assets occur after the death of the owner. When assets are declared as frozen assets, it will take a lot of procedures and a longer time to settle unless the deceased has planned how to distribute the assets to his or her heirs.

Therefore, based on the issue of the increasing number of frozen assets, the purpose of this study is to investigate the perception of the B40 group towards planning of *waqf*, *wasiyyah* and *faraid* in wealth distribution. This paper is divided into four sections which are introduction, literature review, research methodology and findings of this study.

LITERATURE REVIEW

The perception of Malaysian Muslims towards planning wealth distribution also has an influential role in the issue of frozen assets nowadays. Perception is a study of the pattern of recognition. Some scholars state that perception relies directly on the information present in the stimulus while some of them argue that perceptual process is not direct, but depends on the perceiver's expectations and previous knowledge as well as the information available in the stimulus itself (Saul McLeod, 2007).

According to Alma'amun (2010), who conducted the study on "Islamic Estate Planning: Analysing the Malaysian Perceptions on *Wasiyyah* (will) and Bequest practices", cultural values or behavioural norms are expected to play important roles in shaping individual

perception of estate matters. Further findings from her study found that the main problem with Malaysian Muslim culture is the belief that *wasiyyah* is mandatory and overrides *faraid*.

Pertaining to perception of wealth distribution, Malaysian Muslims have misunderstood and have a misconception regarding this matter. They have the perception that the function of Islamic estate planning only comes into play when there is the intention and planning to make a *wasiyyah* for the purpose of charity or for non-heirs (Ahmad & Peyman, 2008). It seems that only those who leave their estates to their heirs and probably those who receive the inheritance are aware of the importance of Islamic estate planning (ZAR Perunding Pusaka, 2004a; ZAR Perunding Pusaka, 2004).

The wrong perception pertaining the planning of wealth distribution goes deeper to the extent that they believe the *faraid* system is already in existence to ensure the entitlement of the shares and it is obligatory in the sense that the provision in *faraid* should be strictly followed. Therefore, most of them think estate planning is not necessary for Muslims (ZAR Perunding Pusaka, 2004a; ZAR Perunding Pusaka, 2004c; Hassan and Yusop, 2006).

Furthermore, it is because most Malaysian Muslims feel that estate planning is not too important as they feel that estate planning is only for the wealthy and the rich (Hassan,

2005; Hassan & Yusop, 2006; Fatin & Mohammad, 2011). The majority have the perception that term estate only refers to super-rich people. But the fact is an estate can comprise a house and several thousand Ringgit or a car. Horkey (2009) who conducted a study in the US found that many Americans have the perception that estate planning is only for the wealthy.

According to Lupton, Joseph and James (2003), marriage or divorce, having children and grandchildren might change a person's perception. In other words, changes in family structure may affect a person's perception of the importance and necessity of planning wealth distribution.

METHODOLOGY

The research methodology used to carry out this study was the quantitative method through the use of questionnaires. The questionnaires were distributed to a sample of 382 respondents in Malaysia. This study solely focuses on respondents who belong to the bottom 40 per cent household income group (B40 households). According to the Household Income and Expenditure Survey (2014), B40 households refer to households with income up to RM3,855 and this group is the most vulnerable group in the country. Thus, a total of 317 respondents or 82.98% of 382 were studied. The sampling procedure adopted for this research was simple random sampling. Each respondent

was required to answer close-ended questions to identify perception of planning of Islamic wealth distribution using *waqf*, *wasiyyah* and *faraid* concepts.

This study used SPSS (Version 20) in order to perform descriptive analysis and reliability analysis. Frequency analysis was used to extract the percentile of the respondents' demographics in terms of their gender, age, marital status, education level, job, income and total assets. Mean and standard deviation were computed for descriptive analysis. The reliability test was used to examine the internal consistency. Further, a cross tabulation analysis was also employed for the current study to measure the relationship between the variables.

RESULTS AND FINDINGS

Respondents' Profile

As presented in Table 1, 52.1% were male and 47.9% were female. In terms of age, the majority of respondents (31.9%) fell in the range of 26-36 years, followed by 48-58 years (23.3%) and 37-47 years (22.3%). With regard to ethnic background, about 95.3% of the respondents were Malay and 4.7% were non-Malay. This is not surprising as Malays comprise the largest ethnic group and constitute the majority of Muslims in Malaysia. In terms of marital status, 70.9% were married and 29.1% were single. As for education level, the results show that the majority of the respondents (53.4%) had a diploma or a bachelor's degree, 36.1%

of the respondents had SRP, SPM or vocational qualifications. Only 6.8 % had a master's degree or a PhD.

The majority of the respondents (84.8%) were employed. Out of this, those who were working in the private sector formed the largest group (38.5%), followed by those who were working in the public sector (25.1%) and 21.2% were self-employed. 5.2% of the

respondents were retired. As for the income level of the respondents, the results show that 40.3% of respondents earned between RM1,001 - RM2,999 per month, followed by 23.3% who earned RM1,000 and below. Combined together, the respondents in these two income groups represent approximately 63.6% of the total sample.

Table 1: Profile of Respondents

Demographic		n	%
Gender	Male	199	52.1
	Female	183	47.9
Age	< less than 25 years	52	13.6
	26 - 36 years	122	31.9
	37 - 47 years	85	22.3
	48 - 58 years	89	23.3
	> 58 years	34	8.9
Marital Status	Single	111	29.1
	Married	271	70.9
Ethnicity	Malay	364	95.3
	Chinese	5	1.6
	Indian	4	1.0
	Others	8	2.1
Education Level	No formal education	6	1.6
	Primary School	8	2.1
	SRP/SPM/Vocational	138	36.1
	Diploma/Bachelor	264	53.4
	Masters/PhD	26	6.8
Types of job	Unemployed	19	5.0
	Housewife	19	5.0
	Self-employed	81	21.2
	Businessperson	96	25.1
	Government servant	147	38.5
	Employed in the private sector	20	5.2
	Retired		
Monthly income	RM1,000 and below	89	23.3
	RM1,001 - RM2,999	154	40.3
	RM3,000 - RM4,999	74	19.4
	RM5,000 and above	65	17.0

Table 2: Reliability Analysis

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items
0.837	Hibah

RELIABILITY ANALYSIS

Table 2 demonstrates the results of the reliability test, whereby the Cronbach's Alpha for reliability coefficient is obtained. The variable of perception towards planning waqf, wasiyyah and faraid is 0.837 and is considered acceptable for measurement in this study. The reliability of the measure indicates the internal consistency of the instruments and to measure the reliability level of the data collected.

DESCRIPTIVE ANALYSIS

Figure 1 below shows the results of the perception of the B40 group with regard to waqf, wasiyyah and faraid in planning wealth distribution. Five statements were constructed to study the perceptions of planning wealth distribution among the B40 group. Based on the results,

156 out of the 382 respondents stated they strongly agreed with the statement 'Planning wealth distribution is only for rich and established people'. 140 respondents strongly agreed with the statement 'Planning wealth distribution is only relevant for old people' while 85 strongly agreed with the statement 'Cost of planning wealth distribution is very expensive'.

There were more than 160 "agree" responses to each of the statements. 178 responded that they agreed with the statement 'Planning wealth distribution is only relevant for those who are married, have a family and not for single persons'. 174 agreed that 'Planning wealth distribution is only relevant for old people' while 164 agreed with the statement 'Planning wealth distribution is only for rich and established people'.

As for "neutral" responses, the majority (128) of the respondents gave the "neutral" response to the statement 'Cost of planning wealth distribution is

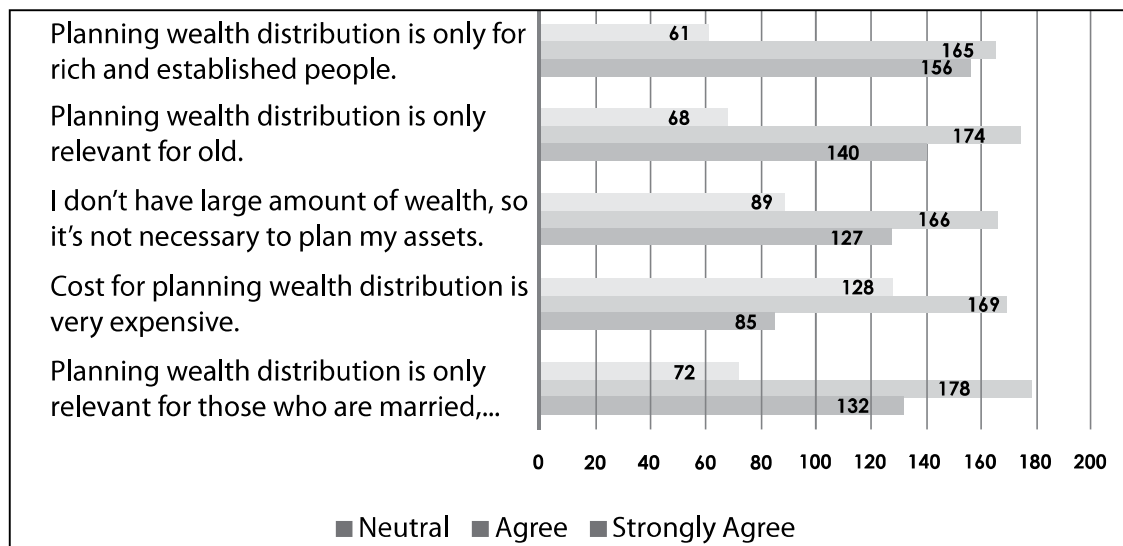


Figure 1: Descriptive Analysis (in frequency)

very expensive' while the lowest number of "neutral" responses (61) were for the statement 'Planning wealth distribution is only for rich and established people'.

Figures 2, 3, 4, 5 and 6 show the results of cross tabulation between all items for perception and the B40 income group. Figure 2 shows that the majority (154 respondents) earned between RM1,001 - RM2,999, followed by 89 respondents who earned below RM1,000 per month. Pertaining to the responses to the statement 'Planning wealth distribution is only for rich and established people', 61 respondents or 16.0% of the total of 382 respondents gave the "neutral" response (24 respondents with income less than RM1,000 per month followed by 23 respondents who earned RM1,001 - RM2,999). The majority of respondents i.e. 165 or 43.2% responded "agree". Out of this, 75 respondents were those who earned RM1,001 - RM2,999; 35 earned RM3,000 - RM4,999; 32 earned RM1,000 and below, and 23

earned RM5,000 and above. Lastly, 156 or 40.8% of the respondents strongly agreed with the statement (56 who earned RM1,001 - RM2,999; 34 earned RM5,000 and above; 33 earned RM1,000 and below; and 33 earned RM3,000 - RM4,999).

Figure 3 shows cross tabulation results for the item 'Planning wealth distribution is only relevant for old people'. The majority (25 respondents or 14.9%) gave the "neutral" response. These comprised those with monthly income of RM1,001 - RM2,999. This was followed by 23 or 25.8% of respondents who earned RM1,000 and below. Only 9 or 13.8% of the respondents who gave the "neutral" response were those with monthly incomes of RM5,000 and above. 174 respondents responded "agree" to the statement: 80 of them (51.9%) were those with monthly incomes of RM1,001 - RM2,999; 37 (41.6%) earned RM1,000 and below while 25 respondents (38.5%) earned RM5,000 and above. Lastly, 140



Figure 2: Cross tabulation between 'Planning wealth distribution is only for rich and established people' the B40 income group and other income groups



Figure 3: Cross Tabulation Between ‘Planning Wealth Distribution is only Relevant for old people’, the B40 income group and other income groups

respondents responded “strongly agree” to the statement. These consisted of 49 or 31.8% of respondents with incomes of RM1,001 - RM2,999, followed by 31 or 47.7% each for those who earned RM3,000 - RM4,999 and RM5,000 and above.

Similar to the results in Figure 2, respondents from the RM1,001 - RM2,999 income group were the majority for all responses. As shown in Figure 4, majority of respondents (84 respondents or 54.3%) agreed with

for the statement ‘I don’t have large amount of wealth, so it’s not necessary to plan my assets’. These were those in the RM1,001 - RM2,999 income group. The majority of respondents who gave the “neutral” response were in the RM1,000 and below income group (32 responses or 36.0%) while the majority of respondents who agreed strongly with the statement were those in the RM3,000 - RM4,999 income group (33 respondents or 44.6%) and those in the RM5,000 and above income group (47.7%).



Figure 4: Cross tabulation between ‘I don’t have large amount of wealth, so it’s not necessary to plan my assets’, the B40 income group and other income groups



Figure 5: Cross tabulation between 'Cost of planning wealth distribution is very expensive', the B40 income group and other income groups

Figure 5 shows the cross tabulation results between the statement 'Cost of planning wealth distribution is very expensive', the B40 income group and other income groups. The majority of respondents in all income groups responded "agree"; 75 respondents (48.7%) from the RM1,001 - RM2,999 income group; 34 respondents (38.2 per cent) from the less than RM1,000; 31 respondents (41.9%) from the RM3,000 - RM4,999 income group; 29 respondents (44.6%) from the more than RM5,000 income group. While

the lowest responses goes to strongly agree, the highest responses were from respondents from the RM1,001 - RM2,999 income group (29 responses or 18.8%).

Figure 6 shows cross tabulation results for the statement 'Planning wealth distribution is only relevant for those who are married, have a family and not for single persons', those in the B40 income group and other income groups. Of those who agreed with the statement, the majority (78 respondents or 50.6%) comprised those

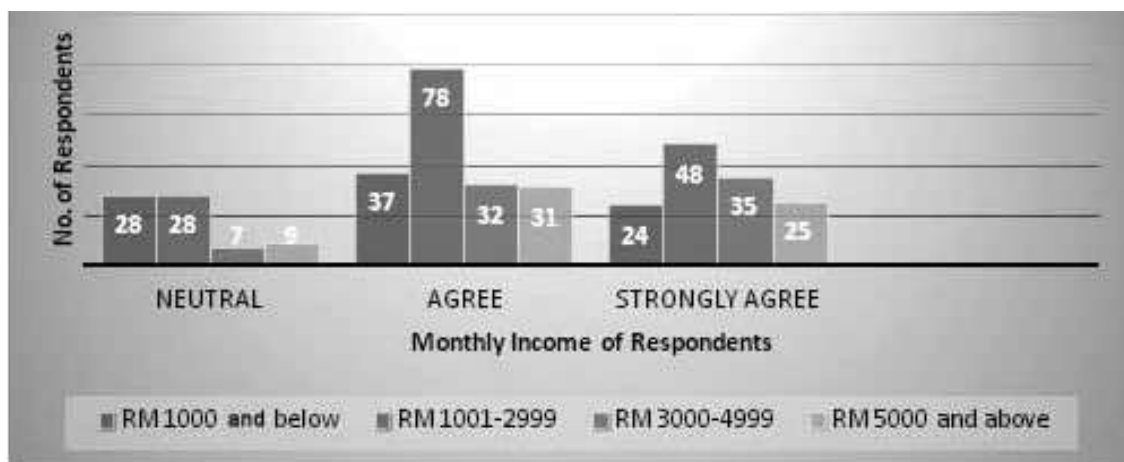


Figure 6: Cross tabulation between 'planning wealth distribution is only relevant for those who are married, have a family and not for single persons', the B40 income group and other income groups

in the RM1,001 - RM2,999 income group; 37 respondents (41.6%) in the RM1,000 and below income group; 32 respondents (43.2%) in the RM3,000 - RM4,999 income group; and 31 respondents (47.7%) in the more than RM5,000 income group. 75 respondents gave "neutral" responses. Of these, 28 respondents (31.5%) were in the below RM1,000 income group and in the RM1,001 - RM2,999 income group. 48 (31.2%) respondents in the RM1,001 - RM2,999 income group strongly agreed with the statement as compared to 35 respondents (47.3%) in the RM3,000 - RM4,999 income group.

DISCUSSIONS AND IMPLICATIONS

From the cross tabulation analysis above, the findings reveal that the most influential B40 income group is in the range of between RM1,001 to RM2,999. This income group agreed to all those five parameters constructed to prove that they have wrong perceptions about planning for wealth distribution. One of the reasons that this group of people contribute to the most influential to all parameters is because this group of people are the majority of respondents. Another set of cross tabulation among income group between RM1,001 - RM2,999 with the profile background found that, majority of them are male, married, aged between 25-35 years, are Malays, have a diploma or degree and work in the private sector. Thus, the policy implication from this research would suggest that the importance of planning for wealth distribution should be emphasized to this

group of people. It is important to provide education on the importance of planning at an early age or as soon as these people get their steady job to plan ahead and avoid uncertain consequences in future. The importance of planning is stated by Allah S.W.T in Surah al-Ra'd verse 42 as translated *"And those before them did indeed make plans, but in all things the master-planning is Allah's"*.

CONCLUSION

The results demonstrated above show that a majority of the B40 group have wrong perceptions about planning for wealth distribution. The majority of them perceive planning for wealth distribution as suitable only for those who are rich, old and have children. Besides that, they also think the cost of planning wealth distribution is very expensive and it is not worth the amount of property they own. Therefore, the suggestion is that authorized parties, NGOs and educational institutions take serious action in order to create positive perception among the B40 group regarding the planning of wealth distribution so that they will have a good perception of it in the future. Among the activities that can be introduced are public awareness campaigns, programmes for Muslims in mosques, schools and universities. It can be done through the mass media such as television, radio and social media since it is fastest medium to convey information. However, the government and authorized parties must ensure that the information on the planning of wealth distribution is correct and accurate. Delays and failures in the distribution of wealth may

create negative implications from the legal, economic, religious and social standpoints and finally cause a growing number of frozen assets. The study concludes that the root cause of this problem is the low level of basic understanding and knowledge among the public.

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