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MUAMALAT

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كلية الاقتصاد والمعاملات

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FAKULTI EKONOMI DAN MUAMALAT

FACULTY OF ECONOMICS AND MUAMALAT كلية الاقتصاد والمعاملات

Halal Simulator: Key To
Halal Training Knowledge
Retention

Halal Cosmetics And Toiletries
Industry Forecasted To Emerge As The
Next Important Sector Of The Halal
Industry

Takaful Al-Ijtimai in Islamic Economic
System: Historical origin,
development and Scope of
Implementation

Handling Lowflation

Unit Trust Waqf: A Viable and
Contemporary Waqf Asset Class

BENGKEL HALATUJU
PEMBANGUNAN STRATEGIK 2018
FAKULTI EKONOMI DAN MUAMALAT
2018

Shariah Rulings Direction Towards Fully
Compliance: A Case Of Islamic Deposit
Product Structure

Benchmarking Malaysian Private Entity
Reporting Standard (MPERS) on
SMEs in Malaysia: Challenges and Way
Forward

Disruptive Innovation in Modern
Business Era: An Islamic Perspective

CONTENTS

Dean's Message	3
From The Editor's Desk	4
Halal Simulator: Key To Halal Training Knowledge Retention	5
Halal Cosmetics And Toiletries Industry Forecasted To Emerge As The Next Important Sector Of The Halal Industry	7
Shariah Rulings Direction Towards Fully Compliance: A Case Of Islamic Deposit Product Structure	9
Takaful Al-Ijtimai in Islamic Economic System: Historical origin, development and Scope of Implementation	12
Handling Lowflation	16
Unit Trust Waqf: A Viable and Contemporary Waqf Asset Class	18
Benchmarking Malaysian Private Entity Reporting Standard (MPERS) on SMEs in Malaysia: Challenges and Way Forward	20
Disruptive Innovation in Modern Business Era: An Islamic Perspective	22
Retreat Program 2018	23
Professor Dato' Dr. Mustafa Hanefah Delivers Inaugural Lecture On Shariah And Corporate Governance	24
Signing A Letter Of Intent - FEM, MCIF & MNU Lawatan MQA	25
Brown Bag Seminar	26
Majlis Anugerah Kecemerlangan Mahasiswa/I, Fem	27
Exploration To Kashmir, India	28
Bengkel Kecemerlangan Tahun 2 & 3	29
Guest Talk On 'Islamic Finance Practice: A Case Study In The Kingdom Of Saudi Arabia'	30
Lawatan Industri Ke Bursa Malaysia	31
New Books Published	33
Movers And Shakers	34
Call For Papers	35



Dean's Message

In the name of Allah, the Most Benevolent and the Most Merciful.

Assalamualaikum warahmatullahi wabarakatuh

Welcome to the first issue of Muamalat newsletter for 2018. This year is another challenging year for us to sustain our position as the leading faculty in Islamic finance after we received the "Most Outstanding Islamic Finance and Research" award in October 2017 in conjunction with Kuala Lumpur Islamic Finance Forum (KLIFF). For the past six months, the Faculty have continued to working hard in organizing activities to strengthen the core functions of the Faculty and at the same to ensure that these activities contribute to the wellbeing of its stakeholders comprises lecturers, administrative staff, students and the community.

Alhamdulillah, I am very pleased to announce that we managed to have Datuk Dr Mohd Daud Bakar, as the holder of the prestigious chair at the Faculty for the second term, from March 2018 to February 2019. This professorial chair is named as the Faculty of Economics and Muamalat (FEM)'s Islamic Banking and Finance Professional Chair, Yayasan Tun Ismail Mohamed Ali Berdaftar (YTI) which is sponsored by Permodalan Nasional Berhad (PNB). Congratulations to FEMily! This fund will be utilized for research and training activities of the members of the Faculty and students specifically postgraduate students.

In order to reward all staff that are always committed to ensure the successful of all our plans and events, the Faculty organized team building and FEMily dinner in conjunction with Bengkel Halatuju and Pembangunan Strategik from 13-15 April 2018 at Avillion Admiral Cove, Port Dickson. This program is hoped to boost staff morale and blend family life with work

We will be organizing two conferences this year. The first conference is the 2nd International Halal Management Conference (IHMC) which will be held on 17 and 18 July 2018. This time around, we



are collaborating with Maldives Center for Islamic Finance (MCIF) and the Maldives National University (NMU) with conference theme. "Sustaining Global Halal Ecosystem".

Another conference is the 8th Islamic Banking Accounting and Finance 2018 (iBAF 2018) which will be held from 25th and 26th October 2018. The theme of the conference is "Financial Technology: The Future for a Sustainable and Resilient Islamic Banking, Accounting and Finance. The keynote speaker is Datuk Dr. Mohd Daud Bakar, the professorial Chair in Islamic Finance and Banking of YTI-PNB. These conferences are hoped to provide meaningful platform for academics, industry players to discuss emerging issues in Islamic banking, accounting, finance and halal management.

I would like to take this opportunity to congratulate Prof. Dr. Abdul Rahim Abdul Rahman on his appointment as the Vice Chancellor of Academic and Internationalisation effective 15 June 2018.

Last but not least, I hope it is not too late for me to wish all of you a Happy Hari Raya and Maaf Zahir Batin.

Enjoy reading,

Associate Professor Dr. Amir Shaharudin
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FROM THE EDITOR'S DESK



Assalamualaikum warahmatullahi wabarakatuh

Dear Readers

Alhamdulillah, it is with immense pleasure that I was given the opportunity to work on the 2018 editions of the Faculty's newsletter, the **Muamalat**.

As we all know, a newsletter mirrors a faculty, its vision and mission. It also highlights events, activities and academic prowess and achievements.

There are various interesting articles in this issue written by the academic staff. These articles are Halal Simulator: Key To Halal Training Knowledge Retention, Halal Cosmetics And Toiletries Industry Forecasted To Emerge As The Next Important Sector Of The Halal Industry, Shariah Rulings Direction Towards Fully Compliance: A Case Of Islamic Deposit Product Structure, Takaful al-ijtimai in Islamic Economic System: Historical origin, development and scope of implementation, Handling Lowflation, Unit Trust Waqf, Benchmarking Malaysian Private Entity Reporting Standards (MPERS) and Disruptive Innovation in Modern Business Era: An Islamic Perspective.

In addition to those articles, I have tried to capture last six months excitement and activities. I do hope that the newsletter encourages many more including students to use it as a platform to express their creativity.

I sincerely hope that this edition makes for an interesting read. Please offer any suggestions for improvement.

Sincerely,

Ainulashikin Marzuki, PhD
Executive Editor



HALAL SIMULATOR: KEY TO HALAL TRAINING KNOWLEDGE RETENTION



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In 2016/2017 report, Thomson Reuters and DinarStandard estimated the global Islamic spending to be worth USD1.9 trillion in 2015, whereas the Islamic Finance sector worth was USD2 trillion in asset values. As the Islamic economy continues to grow exponentially, businesses realign their practices and gear towards meeting this increased demand for halal goods, non-goods and services. This mandate was driven, and still being driven, by the growing population of young Muslims, and increased affluence of the Muslims globally, whose adherence to Islam dictates their consumption behavior, demanding mainstream players to provide products and services that meet their needs. The Thomson Reuters and DinarStandard report further forecasted that by 2030, 29% of the global young population (15yrs to 29yrs) comprised of Muslims.

To prepare themselves to meet this mounting demands, the manufacturing and services industry need to not only ensure that their production processes meet the strict Halal standard manufacturing and services procedures, so that they are successful in obtaining Halal certification, they also need to equip their employees with Halal knowledge and values and ability to apply these standards in the workplace. Otherwise, they stand to lose millions in lost opportunities.

Halal is an Arabic word which means permissible. The concept of 'Halalan Toyyiban', which covers aspects of Halal, safe, clean and quality, is mentioned in the Quran.

يَا أَيُّهَا النَّاسُ كُلُوا مِمَّا فِي الْأَرْضِ حَلَالًا طَيِّبًا

O you mankind! Eat of what is on earth, Lawful and good (Al-Baqarah: 168)

While the concept of halalan toyyiban is embedded in the lives of Muslims worldwide, its implementation in the contexts of businesses could posed certain complexities mainly due to the nature of mass production of products, which require structured control and monitoring. The challenges are further compounded when the

manufacturing facilities are owned and managed by non-Muslims. In this situation, halal training and education becomes a critical platform for gaining knowledge and internalization of the halalan toyyiban concept and values.

One of the biggest challenges learning and development professionals' face when conducting courses in a learning environment, including those related to halal training and education is ensuring that participants are able to retain and recall what they have been trained to do. As Confucius, famously said, "I hear and I forget, I see and I remember, I do and I understand". Whilst is 400BC, Sophocles was quoted as saying, "One must learn by doing the thing, for though you think you know it - you have no certainty, until you try."

In providing halal education and training, having a training module validated by Department of Islamic Development Malaysia (JAKIM), an agency responsible for the Islamic affairs including halal certification in Malaysia and globally, seems not sufficient as results normally show that learning retention rate of executive training candidates is not as nearly as high as that required or expected by employers. Compounded is the fact that the training also seeks to change the culture and mind-set of employees implementing Halal control procedures.

It won't matter how much a company invests in time, energy and resources in sending employees for training, if these employees cannot retain the knowledge and skill transferred long enough to put it into use in the real world where it will reap tangible positive result for the organization. The human mind automatically prioritizes information, such that it appears that we forget knowledge and skills deemed unimportant especially if obtained in an unnatural setting to our workplace and lifestyle.

Corporate halal training program then needs to have built-in learning retention elements such as experiential learning. In this situation, real experiences can be simulated at a much lower costs through the use of games. In addressing this issue, the halal research team at Faculty of Economics and Muamalat (FEM), USIM, have developed an experiential learning tool in the form

of a Halal simulator named aptly "Halal Universe: Farm to Fork". The team comprises of eleven (11) faculty members of FEM, with expertise in the disciplines of syariah, accounting, marketing, finance, management, and economics. The development of the game is financially supported through a Prototype Research Grant Scheme (PRGS), code # PRGS/1/2017/SS109/USIM/02/1. PRGS is a competitive research grant awarded to selected research teams whose projects have high potential for achieving commercialization.

The research, which formally commenced in middle of 2017, has successfully produce "Halal Universe: Farm to Fork" simulator, a research-based board-game that allows participants to practice what they have learnt at the end of the halal training session. The simulator game enables participants to experience first-hand, the implicit and explicit implications of given scenarios, in the context of their workplace, which will affect their application for Halal certification or the status of their Halal certificate in a realistic environment minus the risks. With the setting made personal for them, participants can then understand and apply these learnings while executing the Halal standard procedures, Halal assurance system and internal Halal system control on the job to ensure Halal compliance. First of its kind in the world the Halal simulator bagged the 'Gold Award' at the PECIPTA 2017 event for innovation in education in the field of Halal industry.

Version 1 "Halal Universe: Farm to Fork" simulator itself is divided into several sectors encompassing, but not exclusive to company registration, general and specific Halal and Toyyiban requirements as well as Halal audit, all based on JAKIM's manual procedure for Malaysia Halal certification (3rd revision) 2014. Firstly, players have to choose to be in the manufacturing, pharmaceutical, cosmetics or food industry. Secondly, they will need to go to each space according to their turn and pick out a card from each space they land on. The card will

inform the player what they did or did not do correctly and will be given a reward or punishment based on the instructions written on the card. Player need to read the instructions aloud thus enabling all players learn about Halal compliance standards. There is also an element of risk and tawakkal introduced but based on normal business functional areas such as marketing, logistics, ethics, management and others. Moreover, to cultivate the spirit of philanthropy, players are encouraged to donate or partake in CSR activities. This will later be calculated when players have finished three (3) to five (5) rounds. Global business strategy element is also added once a player has obtained the Halal certification and is ready to export their product overseas. The winner is the player that has the most money and number of Halal-certified products, as well as the highest amount of philanthropic contribution.

On the whole, the Halal simulator, which assist in inculcating appreciation of Halal Toyyiban amongst employees and employers involved in offering Halal products and services, support knowledge retention for halal training effectiveness. Since its first introduction to enhance the Halal training knowledge retention and application, the simulator has been brought for verification by JAKIM and a pilot study had been done on a group of executives from Maldives undergoing Halal training. Thus far, feedback for the Halal simulator game has been positive and efforts are already done to help further improve the simulator to increase its effectiveness as a Halal training experiential tool. Achieving training effectiveness is a part of organizations' efforts in embracing a strategic perspective to managing human resource, which begins by recruiting and selecting, to be followed by training, implementing appraisal of performance and providing compensation and benefits, that enables organizations to realize the goals of producing halal outputs for sustainability of organizations as well as wellbeing for all.



Some of the team members displaying the PECIPTA 2017 Gold medal and certificate of award with the Halal Simulator board-game



Going through the validation process with officers from Halal Hub Division, JAKIM in January 2018

HALAL Cosmetics and Toiletries Industry Forecasted to Emerge as The Next Important Sector of The HALAL INDUSTRY



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The world Muslim population is approaching 1.6 billion people and expected to increase by 30% of the world's population by 2025. Today's global cosmetics market scenario is increasingly open and welcomed the needs of Halal cosmetics as almost a quarter of the world's population is Islam (Razak N., 2017). Malaysia has good potential to be the world's top player in the lucrative Halal industry, which valued at USD2.3 trillion (RM9.56 trillion) annually (Ahmad Z. H., 2016).

Halal cosmetics and toiletries industry has a great potential to drive the Halal economy and has been forecasted to emerge as the next important sector of the Halal industry after Halal food and Islamic finance (Jamil B., 2009). There is a wide range of skin care products and it is safe to say that every woman should have experienced at least once on any of the skin care products. It comes to no surprise that the research area had been getting more attention from researchers or academicians to study and explore the segment and industry in details. Due to increasing disposable incomes, number of working women, an increased urbanization, rising figure of women entering the labour force and stronger consumer purchasing confidence, skin care sales maintained to be the highest categories cosmetic in the year 2012.

The key aspect to understanding Halal is that it is a holistic approach to life for Muslims, rather than just a list of ingredients that are allowed or not allowed for the followers of the Islamic faith (Mohayidin, M. G., & Kamarulzaman, N. H., 2014). Malaysia is becoming more aware about the developing halal skin care products, markets because the Halal consideration are new and an attractive market segment for the cosmetic industry, especially in the Muslims countries (Husain & Ghani et al., 2012). In 2012 the cosmetic and toiletries in Malaysia show a stronger growth as compared to the year 2009. "Global Muslims' spending on cosmetics were USD46 billion in 2013 (6.78 percent of global expenditure), expected to

increase to USD73 billion by 2019 and will make up over 8.2 percent of global expenditure (Global Head of Islamic capital markets at Thomson Reuters). Large Muslim populations are based in Asia Pacific. The increased consumer disposable incomes in most of these countries, such as Malaysia, Indonesia and India, has led to high growth in the halal cosmetics market (Noora S., 2016). The customers initiate demand and eagerness to compensate more as long as the product obtained are of higher quality and offer more benefits. This comes from halal cosmetics and personal care product which also equal to RM 14493.4 million Malaysian Standard Online (MS) in 2014).

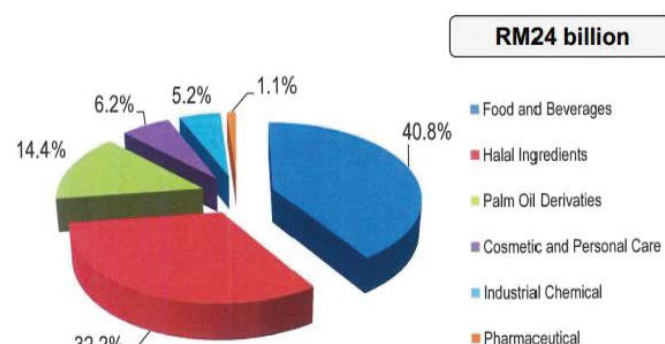


Figure 2.1: Malaysia Total Halal Export (January 2013 - September 2013)
Sources: Halal industry corporation (HDC) 2014

The Department of Malaysian Standards and JAKIM have developed standardised for cosmetics and personal care products, as a catalyst for Malaysia to become a global Halal hub. Malaysian Standard MS 2200: Part 1: 2008 is the general guideline of cosmetic and personal care products (Malaysian Standard Online (MS), 2014). This serves as

additional guidelines for the Halal cosmetic and personal care industry. It should be used together with Guidelines for Control of Cosmetics Products in Malaysia and Guidelines for Cosmetic Good Manufacturing Practice, by the National Pharmaceutical Control Bureau, Ministry of Health (MOH) and the Halal Industry Development Corporation (HDC, 2014).

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SHARIAH RULINGS

DIRECTION TOWARDS FULLY COMPLIANCE:

A Case of Islamic Deposit Product Structure



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Introduction

The Islamic bank is expected to promote fairness and justice for benefits of ummah without ignoring the right of accumulating private wealth among individuals. From the perspective of Islamic economics, Islamic banking institution is a unit that aims to achieve fairness by replacing interest, which is widely practiced in a conventional banking system. The earlier literature states that Islamic bank should utilize the partnership contract, such as mudharabah and musharakah, to achieve the objective. The distribution of wealth can be performed through zakah, waqf, sadaqah and hibah. The Islamic bank should support Muslims to distribute their wealth. Based on this perspective, fund owners (i.e. surplus unit) will invest their capital in the potential businesses via Islamic bank based on profit or profit and loss sharing mechanisms (Akram Khan, 1994; Chapra, 1992). The return on investment received by fund owners and Islamic bank will depend on the actual profitability of the business. In other words, all the three parties —fund owners, Islamic bank and entrepreneurs— will face risk of loss or getting low return from their investment. Based on these tiers of relationship, there should be no guaranteed return from the investment. In order for investment to produce good returns, both fund owners and bank need to ensure that they only invest their capital in productive sectors. Ideally, through banking activities which the fund owners are able to invest their money and get some profit. The deficit units, who are borrowers or partners (depending on types of contracts that they involve in), can benefit from the banking activities by getting capital for their needs.

The current practices of Islamic banks are now being criticized by the academia (Siddiqi, 2006) as there is divergence between the practice and theory. Islamic banks in the current framework function as the intermediaries that facilitate the needs of surplus units and deficit units. Getting high deposits from customers via savings and investment accounts is important for all banks. In

order to ensure their businesses are financially sustainable, these institutions need large deposits to give financing to business activities which will then generate some return. They generate incomes from financing and investment activities as well as fee based services. In practice, the partnership contract is not much applied in Islamic banking industry, compared to debt-based products.

Islamic Banking Practices in Malaysia - Prior to IFSA 2013

Prior to the enactment and enforcement of Islamic Financial Services Act 2013 (IFSA 2013), the Islamic banking activities had to comply with the Islamic Banking Act 1983 (IBA 1983). Main contracts in structuring deposit products since the establishment of the Islamic banking industry were wadi'ah yadh dhamanah (for deposit) and bay bi thaman ajil (BBA) (for financing) contracts. The application of the wadi'ah yadh dhamanah¹ in saving account is linked with continuous specified amount of return paid to depositors, which usually refers to hibah. This approach is a common practice in the Islamic banking industry (Asmadi, 2014). As all banking institutions need high deposits and compete with each other, most of them tend to offer competitive rate of hibah to depositors. As a result, depositors earn hibah without sharing any risk with the banks. The banks are also willingly give some return to their depositors regardless of their actual business performance.

Similarly, the mudharabah or musharakah investment accounts prior to the IFSA 2013 were not directly exposed to risk which they are supposed to. In practice, the mudharabah and

¹ Wadi'ah contract can be divided into two types (i) wadi'ah yadh amanah and (2) wadi'ah yadh dhamanah. The contract of wadi'ah yadh dhamanah, that is used widely in the industry, refers to a safekeeping contract whereby permission to utilise the asset placed in custody is granted by the safekeeping depositor and/or a fee is charged by the custodian for the safekeeping service (BNM 2014).

musharakah investment accounts are considered at par with the wadi'ah yadh dhamanah based account. Both accounts are protected by the Perbadanan Insurans Malaysia (PIDM). As a result, the investors of the mudharabah or musharakah accounts received positive return on their investment.

Islamic Banking Practices in Malaysia - Post IFSA 2013

Previously, there were several benefits enjoyed by the banking industry in utilizing the wadi'ah yadh dhamanah contract in deposit products, rather than the other alternative of contracts. These include; ensuring the Islamic banks' liquidity, getting protection by the PIDM on deposits, ability of distributing hibah to all depositors and thus attracting customers, and benefits of utilizing the deposits to generate income. The enforcement of IFSA 2013 has led to several implications.

Islamic Financial Services Act 2013 (Act 759) which supersedes IBA 1983, provides the specific activities of Islamic banking business. These activities are:

- (i) accepting Islamic deposits on current account, deposit account, savings account or other similar accounts, with or without the business of paying or collecting cheques drawn by or paid in by customers;
- (ii) accepting money under an investment account,
- (iii) provision of finance; and
- (iv) such other business or activity as prescribed by Minister of Finance.

The current approach of the Bank Negara Malaysia (BNM) is viewed as a new beginning towards achieving Maqasid Shariah and fully compliance.

BNM also sets guidelines on giving hibah which give some challenges for Islamic banks to maintain

in the industry. The BNM views that the practices of giving a continuous return to all depositors based on wadi'ah contract as similar to interest on qard. This stance is shown in series of BNM documents as below:

Diagram 1: The BNM Position on Wadi'ah yadh dhamanah

Under wadi'ah yadh dhamanah involving money, the asset placed in custody is in monetary form and the custodian is allowed to utilise the money subject to the permission of the asset owner. Money is regarded as a form of fungible asset. Therefore, it is construed as a qard contract and shall adhere to the rules related to qard.

Source: Wadi'ah (Shariah Requirements and Optional Practices) (2013)

This stance is further highlighted in another document relates to qard.

Diagram 2: The BNM Position on Qard

The borrower under a qard contract must not grant hibah that is conditional to the qard contract to the lender, in the form of cash, in kind or benefit.

Source: Qard Policy Document (2016)

Two issues faced by Islamic banks are deposit-based products post IFSA 2013 and compliance on various of regulations and guidelines. These issues should be catered appropriately due to earlier practices on; (i) the position of saving and investment account (that were previously being given the same treatment), (ii) the issue of hibah on wadi'ah based-deposit products. While the industry consistently use





wadi'ah contract as the main deposit product and give the same treatment on saving and investment account, one may question on the impact of replacing those contract to fit with new regulation and at the same time to fulfil bank's needs.

How Does the Industry Respond to Changes?

The industry is now adopting the tawarruq contract to structure their saving account product. This practice can be seen as an inclination towards debt-based products. However, there are several alternatives that can be choose.

- Going back to the basis of the mudharabah for investment account. By using this contract, depositors are exposed to risk that there is no guarantee on return for their investment. The return will solely depend on the business performance. In addition, the account also may not be protected by the PIDM based on the nature of mudharabah contract that is purposely working as investment products.
- Using the qard as an alternative for saving account. This approach is commonly use in many Middle East countries. There is no return on investment to avoid riba'. This issue also has been brought up by Asmadi (2014). Asmadi states there is a possibility that the Islamic banks are unable to compete with the conventional banks if they adopt this approach.

Conclusion

Understanding the basic rules and regulations is important to avoid a gap between the industry's and regulator's directions. The BNM's stances on

product development and offerings are seen as a positive effort to bring the industry out of controversial divergence, harmonize Malaysian stances with other Islamic financial jurisdictions and promote the attainment of the Islamic banking objectives. Appreciating the regulator's efforts can bring positive changes in the industry. Awareness program should be conducted to ensure that community understand the true spirits of Islamic teaching and the attainment of Maqasid Shariah through Islamic banking activities. This will help them to be ready for any changes in the industry.

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TAKAFUL AL-IJTIMAI IN ISLAMIC ECONOMIC SYSTEM:

Historical Origin, Development and Scope of Implementation



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Introduction

The term takaful al-ijtimai has been used in many different ways to cover a broad range of phenomena (Ulwan, 2001; Rubi', 1998; Al-Sibai', 1998; Ahmad, 1982; Hanna, 1969). Manifestation of takaful al-ijtimai itself can be theoretically observed through the objectives of Islam. The goals of Islam are to lead life with a balance combination of material and spiritual, compliance with the teachings of Al-Quran and Sunnah of the Prophet Muhammad (SAW) (Chapra, 1992).

Currently, the concept of takaful al-ijtimai has been institutionalized within the various levels of society, i.e. the micro level (individual/household/neighbourhood), the meso level (institutions) and the macro level (national). Under the purview of Islamic economic environment, takaful al-ijtimai is one of the important topics that have been discussed by Muslim scholars under the sphere of Islamic socio-economic principles, specifically in takaful market (Kwon, 2007; Khurshid & Petriect, 2003; Maysami & Kwon, 1999).

Historical Origin and Development

Even though it is unclear when the takaful al-ijtimai began in Islam, it might be concluded that takaful al-ijtimai transactions by their very nature had been practiced before the time of the Holy Prophet Muhammad (SAW), and have since been gradually developed until the beginning of the nineteenth century when Ibn Abidin (1784-1836) became the first scholar who introduce the meaning, concept and legal entity of the takaful contract (Yon Bahiyah, 2004, Billah, 1998; Klingmuller, 1969). As a result, there are number of takaful companies are now operated based on divine principles.

The growth of takaful al-ijtimai practices can be classified into six stages as following (Billah, 1998; Rashid, 1993):

i. The practices of the ancient Arab

Takaful al-ijtimai as practiced in the sixth century was evolved from tribal practices of mutual assistance since pre-Islamic times. There are a few practices during pre-Islamic history where families, tribes or related members throughout the Arab peninsula pooled their resources as a mean to help the needy on a voluntary and gratuitous basis:

- Merchants of Mecca formed funds to assist victims of natural disasters or hazards of trade journeys.
- Surety called daman khatr al-tariq (surety for hazards on highway) was created to protect traders against losses suffered during a journey.
- Financial assistance was provided to captives and the families of murder victims through a concept of al-a'qila.
- 'Aqd muwalat (contract of mutual amity) was practiced for bringing about an end to mutual amity or revenge.
- Confederation was initiated by means of a hilf, or an agreement for mutual assistance among people.

These practices were validated by Prophet Muhammad (PBUH) and incorporated in the institutions of the early Islamic State in Arabia around 650 C.E.

ii. The practices of Holy Prophet (SAW)

The development of takaful al-ijtimai practices during the time of the Holy Prophet (SAW) could be observed from two situations. Firstly, the acceptance of the ancient Arab's practices of al-aqila by paying dyat (blood money). Secondly, the relevant legislation were passed in the first Constitution of Medina in 622 BC in which takaful al-ijtimai was applied in three occasions; the practices of dyat (blood money), the payment of fidya (ransom) and other forms of social insurance (i.e., establishment of a joint venture to provide necessary aids for the needy, ill and poor).



iii. The practices of the Companions

During the period of second Caliph, the practice of al-aqila had been further encouraged by the government. Saidina Umar (ra) had commanded the establishment of Diwan of Mujahideen by various districts. Hence it is reasonable to assume that the application of al-aqila had been further developed during this period.

iv. Development in the fourteenth to the seventeenth centuries

During this period, a Sufi Order of the Kazeruniyya was implemented especially in cities in Malabar and China. This order served as a kind of marine travel insurance company.

v. Development in the nineteenth century

During this period, Ibn Abidin, a Hanafi lawyer was the first to discuss about the idea of insurance and its legal entity. His opinion on insurance as a legal institution served as an eye-opener to many Muslims.

vi. Development in the twentieth century

In the period of twentieth century, a well-known Islamic jurist Muhamad Abduh, issued two fatwas between year 1900 to 1901, permitting insurance practice. The fatwas among others, stated that an insurance transaction can be implemented through al-mudharabah financing and endowment methods.

In addition, in 1985 and 1997, the International Council of Fiqh Academy and the Council of Head of Scholars of Saudi Arabia issued fatwas relating to commercial insurance (takaful al-tijari), co-operative insurance (takaful al-taawuni) and reinsurance. Among others, the fatwas mentioned that an alternative to commercial insurance is the contract of cooperative insurance, which is founded on the basis of charity and mutual cooperation (i.e takaful al-ijtimai). Similar ruling is extended to reinsurance, which is founded on the

basis of co-operative insurance. According to the fatwa, Islamic cooperative insurance is a viable alternative to commercial insurance, as it will help to fulfil the needs of the Muslim society.

In Malaysia, the Shariah Advisory Council of Bank Negara Malaysia (SAC) was established in May 1997 as the highest authority for the ascertainment of Islamic law for the purposes of Islamic finance development, which include takaful business. This council is supervised and regulated by Bank Negara Malaysia.

vii. Development in the twenty-first century

During this period of time, many issues pertaining to takaful business have been addressed. In 2005 for example, the International Council of Fiqh Academy issued fatwa on health insurance by stating that if the health insurance contract is concluded directly with the hospital, it is permissible. The fatwa also recommended Islamic governments, charitable foundations and waqf institutions to provide health insurance coverage for free, or for a minimum charge, to those that are incapable.

On top of that, the Malaysian Takaful Association (MTA) was established in November 2002 to foster awareness and understanding on mutual co-operation amongst its registered members, whilst promoting the takaful concept in Malaysia.

Currently, there are nine Takaful operators and one Retakaful company operated in Malaysia. The following Table 1 is the list of Takaful and Retakaful companies operating in Malaysia¹.

Table 1 Takaful and retakaful operators in Malaysia

No	Takaful and Retakaful Operator
<i>Takaful Operator</i>	
1	Syarikat Takaful Malaysia Sdn Berhad (STMB)
2	Etiqa Family Takaful Berhad
3	Etiqa General Takaful Berhad
4	Takaful Ikhlas Sdn. Bhd.
5	HSBC Amanah Takaful (Malaysia) Sdn. Bhd.
6	Hong Leong MSIG Takaful Berhad
7	Prudential BSN Takaful Berhad
8	AIA PUBLIC Takaful Bhd
9	AmMetLife Takaful Berhad
10	Great Eastern Takaful Berhad
11	Sun Life Malaysia Takaful Berhad
12	Zurich Takaful Malaysia Berhad
<i>Retakaful Operators</i>	
1	ACR Retakaful Berhad
2	Malaysian Reinsurance Berhad
3	Munchener Ruckversicherungs-Gesellschaft (Munich Re Retakaful)
4	Swiss Reinsurance Company Ltd. (Swiss Re Retakaful)

¹ For details, refer <http://www.bnm.gov.my>

The gradual growth and development of takaful al-ijtimai practices is a remarkable. On this note, it is reasonable to assume that mutual assistance amongst members was not originally a commercial transaction and contained no profit or gain at the expense of others. Rather, it evolved as a social institution to mitigate the burden of an individual by dividing it among his fellow members. However, currently the building interest in takaful market is by no means, accentuated on takaful al-al-tijari (Kamaruzzaman, 2008; Nik Ramlah, 1991) and it seems that Muslim tend to overlook the term and real concept of takaful al-al-ijtimai. In similar note, Siddiqi (1984) stressed that to bring about this cooperation (i.e takaful al-ijtimai) on the basis of profit (i.e commercially-driven activity) is fraught with a number of problems.

Scope of Takaful al-ijtimai

The scope of takaful al-ijtimai is much broader as compared to the takaful al-tijari. Such a wider and flexible scope is for the purpose of, inter alia, upholding a better life in society as Quranic verse quotes:

رَبَّنَا آتِنَا فِي الدُّنْيَا حَسَنَةً وَفِي الْآخِرَةِ حَسَنَةً وَقِنَا عَذَابَ النَّارِ

"... Our Lord, give us happiness in this world and happiness in the hereafter..."²

The scope of takaful al-ijtimai under Islamic economics system can be viewed through several different aspects as follows:

- Parties involved in promoting and

developing takaful al-ijtimai

According to Muslim scholars including Yousuf (1996), Liaquat (1991), Sadeq (1989) and Siddiqi (1984), the implementation of takaful al-ijtimai can be observed through the roles and functions played by three different parties: individual/private sector, quasi-autonomous corporations (i.e takaful operators) and ruler/government. Under the concept of daman al-ijtimai (social security), the state is responsible for fulfilling the social needs by supporting the underserved segment through zakat. This responsibility should be further supported by the takaful operators through takaful al-tijari or takaful al-taawuni. Private sectors/individuals are also play an important role and should always work hand in hand holding in promoting the practice of takaful al-ijtimai.

- Beneficiaries

The practice of takaful al-ijtimai should benefit all, i.e., individual, immediate family, neighbourhood as well as society as a whole (Farooqi, 2006; 'Ulwan, 2001; Al-Sibai', 1998; Abu Zahrah, 1991), be it in the form of an individual or in a specific group (including the financial sectors).

- Financial sources

'Ulwan (2001), As-Sibai' (1998) and Abu Zahrah (1991) have listed several available sources to support the practice of takaful al-ijtimai. It consist of al-zakat (almsgiving), al-nafaqat (adequate support), al-waqf (endowment), al-wasiyyah (wills), al-qanaim (booty), al-rikaz (buried treasure of the earth), al-nuzur (vows), al-kaffarat (expiation), zakat fitrah (almsgiving of Ramadan), public treasury and al-kifaya (charity above and beyond al-zakat).

² al-Qur'an, al-Baqarah 2:201.





Conclusion

Takaful al-ijtimai is practiced even before the era of Prophet Muhammad SAW and continue to evolve ever since. With the exponential growth and interest of Islamic economics in the past few years, takaful al-ijtimai is expected and hoped to promote greater welfare in Islamic economics system since its scope is much broader and could serve as a powerful tool in the realization of maqasid al-shariah.

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HANDLING LOWFLATION



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The Cost of Lowflation

Economists refer to the situation of persistently low inflation as "lowflation." It describes inflation rate that is low (relative to some target) and positive. Figure 1 illustrates the lowflation situation in the United States, starting from 2012 onwards where inflation is persistently below the 2% target rate. What are the consequences of lowflation? Low public confidence, declining demand and muted growth prospects are some examples.

Figure 1: Inflation in the U.S., 2010 - 2017



According to Morgan Stanley Report in 2015, there are three drawbacks of lowflation: the higher cost of repaying loans for those who hold a lot of debt; the inability to cut real interest rates when nominal rates are near, or at, zero; and the damage to central banks' credibility as they fail to meet inflation targets.

Economists describe several events that lead to this situation. First was declining oil prices, from above USD\$100 a barrel in June 2014, to around half that in January 2015. Second was currency market volatility. Consequently, disinflationary pressures built-up and strengthened lowflation trend. Economists said this would trigger a deflation, which is a more serious problem because it indicates that the economy is slowing down. Policymakers avoid deflation at all cost.

Goldilocks level of Inflation

Central banks often set their target on a goldilocks level of inflation, normally around 2% to support growth. Lowflation marks the point at which prices are rising at well below that target rate for months, even years. At this level, lowflation can exert its own steady downward pull and goes undetected.

Central Bankers around the world responded to the situation by either interest rates cut (such as Denmark, Canada, Sweden) or putting plans to raise interest rates on hold (for example Bank of England and the U.S.). These responses send shockwaves through financial markets.

There are two possible explanations to the situation offered by researchers in the US.. First is the possibility of measurement changes due to the revised downwards measurement taking into account the improvements in the quality of goods and services., especially in the information technology and health care. Telecommunication services have reduced the index by 0.2%, reflecting the adopting of unlimited cell phone data packages by one of the providers. Another possible explanation is the drop in the natural rate of unemployment. Natural rate of unemployment refers to situation when level of unemployment at which the inflation rate in the economy stays stable. It is the level of unemployment persists in an efficient, expanding economy when labor and resource markets are in equilibrium. However, when the natural rate is declining, it implies that the labor market has slacked.

Handling lowflation

Economists say that higher inflation, in the absence of productivity gains, would therefore be a market game-changer in 2018. The lowflation global environment forces many authorities adopting macroprudential measurements, especially in the Euro areas. The conventional tool in fighting low inflation is interest rates. But if it does resort to unconventional measures, the most likely option might include quantitative easing—buying assets with central-bank money—as well as charging negative interest rates on overnight deposits left at the European Central Bank (ECB) by banks.

However, there are some monetary policy actions that could be taken to fight inflation. These policy options may mitigate the impact of zero lower bound of interest rates and arrest rising rate of inflation. The former Chairman of the Federal Reserve Bank, Ben Bernanke suggest two options. Two of them are price-level targeting and a "make-up" approach. Under make-up approach, the central banks have to commit to compensating for less monetary ease after the economy leaves the zero lower bound. Under price-level targeting, if inflation drops below 2%, central banks should commit to increase higher-than-target inflation until prices reach the appropriate level required. However, the effectiveness of the two options depend on the communications and credibility of central banks and policy makers.

Mohamed El-Erian suggests it may be better for central banks to stick with the plan they have. He writes at Bloomberg, robust job creation, financial conditions, and the overall health of the economy should guide monetary policy formation rather than trying to overcome lowflation when its impact is not fully understood. Regardless, the lowflation situation is real, and so far it has prevented the U.S. from gradual normalization of monetary policy, including an interest rate hike in 2017. According to him, a lot more work is needed to understand the causes and consequences of persistently low inflation.

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UNIT TRUST WAQF: A Viable and Contemporary Waqf Asset Class

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Waqf contributes towards promoting the well-being and social development of nations since the golden age of Islam. It was once recognized as one of the world's most influential third sector institutions (Sadeq, 2002; Mohd Nahar & Haneef, 2015). Claimed by the historian Marshall Hodgson (1974) as 'a vehicle for financing Islam as a society', waqf serves as an effective tool for raising adequate capital to be channelled to fund various economic and social activities in a sustainable manner. In fact, a similar concept to waqf had been adopted in Europe in the establishment of the world's famous educational endowment such as Merton College, University of Oxford (Arjomand, 1998).

Given the potentials in lifting the nation's socioeconomic level, series of waqf development and transformation programs have been taken at both state and federal level by waqf stakeholders in Malaysia including Jabatan Wakaf, Zakat dan Haji (JAWHAR), Yayasan Wakaf Malaysia (YWM) and State Islamic Religious Councils (MAIN). Despite of these commendable efforts, it is observed that waqf assets in the country are mainly concentrated in form of real estate. For instance, in 2014, 97 per cent of waqf assets worth RM134 million in Selangor were lands and buildings, while only 3 per cent or RM 5 million remained in cash. The amount of movable waqf assets in Malaysia is certainly lower compared to other countries, be them where Muslims are majority or minority. For example, Singapore and Kuwait had 13 per cent and 41 per cent of their waqf assets invested in cash deposits and other capital market instruments in the same year respectively. In fact, the concentration of fixed waqf assets in Malaysia is even higher than that of endowments in Europe, for instance, Yale Endowment and Harvard Endowment which hold only 25 per cent and 27 per cent of their assets in commodities and real estates.

Having lower liquidity compared to other asset classes such as equities and bonds is said to be the main reason for waqf lands and buildings have been left underdeveloped. Several previous studies concluded that the issue of insufficient of funds faced by mutawalli (waqf managers) could

impede the sustainable development of waqf assets in the country (Mahamood, 2006;; Sohaimi & Syarqawi, 2008; Sulaiman, 2012). Thus, it is inarguably important for mutawalli to obtain adequate sources of funds and high liquid waqf assets in order to realize the waqf ultimate objective to serve the needs and affairs of ummah (Zarqa, 1994).

There is a serious need for waqf stakeholders to look into the possibility of investing waqf assets in financial instruments that offer higher liquidity and can be effectively monitored. Despite of the recent interest shown by commercial Islamic financial institutions to take part in the national waqf development agenda, there is still a limited number of Shari'ah-compliant waqf investment products offered in the Islamic capital markets, leaving waqf proceeds to be kept in Islamic fixed deposit account in most cases. In the view of diversifying the current waqf asset portfolios, it is important to shift the waqf stakeholders' attention to Islamic unit trust, a modern financial instrument which could be potentially integrated into waqf. Apart from being compliant to Shari'ah principles, its risk profile generating competitive returns while preserving the initial capital makes Islamic unit trust a perfect match for waqf investment.

Islamic unit trust fund (also known as Islamic mutual fund) is a type of collective investment scheme that offers investors the opportunity to invest in a diversified portfolio of Shari'ah-compliant securities, sukuk, money market instruments, real estates or commodities. The type of the funds is determined by the assets or constituents that have largely created the portfolio. It determines the risk of a fund and the kind of investor the fund is targeting. Fundamentally, there are three varieties of unit trust funds namely Islamic equity funds (deals in shares), sukuk funds (fixed income funds which is relatively more stable) and money market funds (Securities Commission Malaysia, 2009). Islamic unit trust fund provides investors with opportunity to diversify their investments into various financial assets. It is managed by professional fund managers who invest the money collected in a diversified portfolio of Shari'ah-compliant financial instruments

depending upon the objective of the fund. Investors can earn income from investment in Islamic unit trust fund through capital gains and/or distribution of income.

In Malaysia, the market capitalization of Islamic unit trusts has shown a significant improvement over the past several years, depicted by a tremendous growth of net asset value (NAV) of Islamic unit trust funds in the post financial crisis period from RM21 billion in 2009 to RM70 billion in 2017. This hence improves the net asset value (NAV) of Islamic unit trusts to Bursa Malaysia's market capitalization ratio from 18.7 per cent in 2011 to 22.4 per cent in 2017. The recent statistics provided by the Securities Commission Malaysia also shows an increased number of Shari'ah-compliant funds from only 17 out of total 127 funds in 2000 (13%) to 206 out of total 639 funds in 2017 alongside a three times growth in the number of management companies from 13 companies in 1992 to 36 companies in 2017 (Securities Commission Malaysia, 2018). The increasing number of participants in Islamic unit trust funds which is reflected in the growing size of Islamic unit trust market capitalization would open an avenue in introducing a philanthropic feature to all investors to endow part of the dividend for waqf purpose.

The concept of unit trust waqf is not new. In 2004, Dompot-Dhuafa Batasa Syariah waqf fund was first introduced in Indonesia on fixed income basis where up to 80 per cent of the fund is allocated in sukuk and the rest in Islamic money market. The returns of the fund were between 11 to 13 per cent and part of the dividend can be channelled to waqf (Siswanto & Dewi, 2007). Unfortunately, the fund was terminated and converted to hajj fund in 2006 due to lack of participation from the investors as the fund was deemed to be ambiguous, relatively small in size with very little promotion as well as some market risk issues. 10 years later, BNI Asset Management in collaboration with Dompe Dhuafa, a well-known waqf institution in Indonesia, established a Shari'ah compliant mutual fund with a special waqf feature. This new fund of Reksa Dana BNI-AM Dana Dompot Dhuafa, which is actually a rebranding to the previous Batasa Syariah fund, provide an avenue to the unit holders to endow some of the dividend for waqf purpose. Not only have the investors, BNI-AM as the fund manager will also allocate one-third of the management fees to waqf fund. In terms of fund allocation, about 98 per cent is allocated in corporate sukuk while the rest of 2% is invested in Shari'ah compliant deposits.

The Majma' Fiqh al-Islami in its 19th meeting in 2009, which is held in United Arab Emirates resolved the permissibility of waqf in the form of financial instruments including unit trust, shares, sukuk, intangible rights and benefits as follows (Resolution No. 181):

"It is permissible to endow shares (which are Shari'ah-compliant), sukuk, intangible rights,

benefits and unit trust, as they are all assets recognized by Shari'ah".

The fatwa has embarked on a new landscape towards the application of unit trust waqf in Islamic finance. Despite the exciting prospects offered by Islamic unit trust funds, the practice of waqf-unit trust is still at the inception stage, calling for more in-depth studies to explore its practicality from legal and Shari'ah perspectives which have a direct relevance to it such as the issues of istibdal (replacement), cash waqf, waqf muaqqat (temporary waqf), waqf musha' (undivided waqf) and capital guarantee as to ensure the perpetuity of waqf capital from any losses. Thus, progressive fatwa along with dynamic Shariah and laws deliberations are vitally important in accelerating the implementation of unit trust waqf in Malaysia in the near future.

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BENCHMARKING MALAYSIAN PRIVATE ENTITY REPORTING STANDARD (MPERS) ON SMES IN MALAYSIA: Challenges and Way Forward



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Introduction

Small and Medium Enterprises (SMEs) in Malaysia have very significant role in the development of economy and this role has seen as the backbone of the industrial development in the country (Jamak et al., 2014). In Malaysia, SMEs represent 99.2% or 518,996 of the total establishments in three key economic sectors, namely manufacturing, services, and agriculture. In terms of location, the majority of SMEs located on the west coast of Peninsular Malaysia are concentrated in the Central Region (Federal Territory Kuala Lumpur and Selangor), which accounts for 37.1%, followed by the states of Johor (10.4%), Perak (7.3%) and Perlis (1.1%). The other 44.1% of SMEs are located in 9 other states (Zin et al., 2018). Considering the significant roles of SMEs in economic growth, the Government of Malaysia has provided numerous business support services through various agencies to support SMEs activities (National SME Development Council, 2016). Up until now, billions of Ringgits have been spent under programmes with the aim of supporting the business growth of SMEs.

However, it is getting to be tough year for SMEs in Malaysia to cope with the effects of the Goods and Service Tax (GST), a slowing economy, weak Ringgit, new minimum wage and increase foreign worker levy, they now have to comply with a new financial reporting standard which called Malaysia Private Entity Reporting Standard (MPERS) as mentioned by Zainol and Soon (2017). The framework which is effective 1st January 2016, was issued by the Malaysian Accounting Standards Board (MASB) on Feb 14, 2014, to replace the outdated Private Entity Reporting Standard (PERS), which had been in force since 1998.

Private limited companies, however have a choice of complying MPERS or the full Malaysian Financial Reporting Standards (MFRS) which is the typical domain of listed companies but migration from PERS is mandatory. However, its timing could not have been worst. According to the SME Annual Report (2016/2017), these companies comprise of 98.5% or 645,136 of the total number of business

establishments in the country and a significant number have reported a 30-50% drop in sales in the past year.

Industry players and experts in the financial service industry, however mentioned that MPERS is bringing about necessary change as it is a step in the right direction to improve financial reporting by private entities. This will ensure local businesses can stand shoulder to shoulder with their peers in regional and global markets in terms of comparable financial statements, which will also open up more financing opportunities outside the countries. DeZoort et al., (2017) has highlighted that the new financial reporting framework specifically designed for SMEs are in response to the cost and benefits in producing high quality of financial information to the users.

Those familiar with the industries highlighted that there are inevitable costs in compliance. For instance, Azmi et al., (2016) mentioned that for a business, the compliance costs include cost of collecting, remitting and accounting for tax on profits business and on the wages and salaries of its employees together with the costs of acquiring the knowledge to enable this work to be done including knowledge of their legal obligations and penalties is believed there will be minimal effort on smaller companies, with medium sized ones bearing most of the impact. The impact will vary depending on the size and complexity of the transactions undertaken by these private limited entities.

In relating to the financial reporting requirement do creates differential reporting to the SMEs in Malaysia? This means that the reporting requirements for private entity companies without public accountability are different to the reporting requirements for public listed companies. Thus, it is very importance to benchmark MPERS implementation with emphasis, on the current position and the implication of recent and future changes.

Challenges

Adoption of a new reporting framework will



inevitably require costs. Most of the extra costs are likely to be one-off learning cost to familiarise and understand the new requirements. For some entities and in some areas, such as financial instruments, business combinations and related party disclosures, accounting systems and processes may need to be updated. In employee benefit accounting, if an entity adopts a defined benefit plan for the first time or makes improvements to an existing plan, there is bound to be catch-up past service cost.

Moreover, many private entities today rely heavily on accounting systems or enterprise resource planning (ERP) systems, which may potentially require technical changes and eventually additional cost need to be bear by the SMEs. This is especially referring to the accounting systems where the functional currency is not set in ringgit Malaysia (RM) as an example of systems that requires changes to record transactions in its functional currency under MPERS. This is because the implementation of the ERP systems meeting the accounting systems as required by the accounting legislation which consistent with study conducted by Ruivo et al., (2014) that more than 90% of SMEs firms uses ERP to handle the accounting procedures as due to the fact that Portuguese SMEs have been pressured to transform their accounting principles to meet the IFRS as adopted in Europe.

However, this is contrast with PERS relatively straightforward stance, where all transactions are measured in ringgit regardless of the primary economic environment of the private entity. Functional currency means the currency of the primary economic development in which a business operates. With the implementation of MPERS, SMEs are allowed to translate only their foreign operations based on 'closing rate translation method'. Under this method, translation of foreign operations is made at the end of a period. Thus, additional costs will come not only from MPERS's implementation, but also from the domino effect on business operations.

Way Forward

Thus, as a means of motivation, the authorities should design specific SMEs accounting template in practice as a strategy to reduce the technicalities involved in maintaining accounting records and also make the whole process simple and reduce the cost. The government should put in place a regulatory body to ensure that SMEs keep proper books and prepare final accounts. This will not only ensure the proper declaration of income and increase tax revenue to the government but

also make available proper data for national income accounting which usually influences major government policies. To the extent that such information is required by business owners and government, the necessary legal instruments and proper monitoring must be in place to ensure compliance.

The implementation of IFRS for SMEs as an international recognized framework and the MPERS which is almost identical for the preparation of financial statements is to ensure that lenders, investors and other stakeholders receive high quality financial information in order to help them to make the decisions. In addition, there are many SMEs have outside investors who are not involved in the day to day management of the entity. Global accounting standards for general purpose financial statements and the resulting comparability are especially important when those outside investors are located in a different jurisdiction. Therefore, it is important and relevant for private entities in Malaysia to adopt a global financial reporting language that is up to date and has been adopted by other countries to gain access to a wider market for their financing needs.

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DISRUPTIVE INNOVATION IN MODERN BUSINESS ERA: An Islamic Perspective



Syadiyah Abdul Shukor, PhD
Senior Lecturer,
Faculty of Economics & Muamalat,
Universiti Sains Islam Malaysia

Disruptive innovation is defined as an innovation that creates a new market and value network and eventually disrupts and existing market and value network, displacing established market leaders and alliances (Christensen, 1997). Disruptive innovation transforms a product that was historically so expensive and complicated that only a few people with a lot of resources had access to it. There are examples of market that have been disrupted by innovation. For instance, mini computers were originally presented as inexpensive alternative to mainframes and mainframe manufacturers did not consider them a serious threat in their market. Eventually, the market for minicomputers became much larger than the market for mainframes. Then, typewriter has a wealth of functionality to stylize, copy and facilitate document production. In the academic world, traditional encyclopedias with articles written by paid experts have been displaced by Wikipedia, an online encyclopedia which is written and edited by volunteer editors.

Human's tendency to innovate is fueled and encouraged by their creative ability. Al-Mazeidy (1993) defined creativity as the ability of designing new forms that are beneficial for humanity and are in accordance with the Islamic Shariah and principles. In Islam, innovation is permissible. Prophet Muhammad SAW once said: "You know better about your worldly affairs." This hadith indicates that with regard to worldly matters that have nothing to do with halal and haram or right and wrong, but are matters of trial and error, do not come under the mission of Prophet Muhammad as Allah's messenger, then, these matters are subject to trial and error. Prophet Muhammad encourages people to do our utmost to find out which way of dealing with them is best, to research and explore these matters, to analyze our findings and observations, and to do other things that would help us to develop and make progress in the fields of agriculture, industry, construction and so on. In matters on which Shariah is silent and did not give any specific ruling, we are permitted to act within the general guidelines of Islam, such as the principle of not causing or reciprocating harm, and so on.

Innovators in Islam should understand the objectives of innovations. The main objective of innovation is to help achieve the aims of the Islamic Shariah (i.e. maqasid shariah). There are five Shariah objectives namely; religion/faith (din), life (nafs), lineage (nasl), intellect ('aql), and property/wealth (mal). Newly created things should be useful and helpful to preserve the five Shariah objectives. For example, alcohol can be used in perfume and food making, nevertheless, consumption of alcohol may cause damage to people's intellect ('aql). In the same vein, the usage of Internet banking in Islamic banks are allowed as it is beneficial to the society. Other than that, innovators must ensure works or inventions do not contradict Islamic principles. One must adhere to correct aqidah in the innovation process. In addition, outcomes of innovations should be used accordingly as misuse of innovations may cause harm to the people, environment, animal and others. For example, dynamite and electric chair that was designed by Edison and Noble were misused to kill people.

In conclusion, in this modern business era, disruptive innovation is going to continue to occur in every industry. As a Muslim, Islam allows innovation with the objective to help achieve the aims of the Islamic Shariah. Therefore, it is critical for business to identify opportunities to innovate, adopt processes and attracts leaders and companies who are open to change, challenge the status quo, and never stop thinking of ways to innovate and improve.

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RETREAT PROGRAM 2018

13 -15 April 2018

Avillion Admiral Cove

Port Dickson

By Dr Nurul Aini Mohamed

This yearly program is initiated by Faculty of Economics and Muamalat, USIM. The program has been held at Port Dickson on 13 -15 April 2018 and gathered 89 participants consisting of academic and administrative staff. The program was organized as a platform to discuss collectively on faculty's direction (based on naqli and aqli) as well as to recognize staff achievement and contribution to university, country and global levels. In addition, the program provided opportunities to build sense of togetherness and belongings among the staff.

To achieve these objectives, the program was arranged to include retreat workshop, qiamullail, teambuilding program and ultimately closed with Faculty dinner. For the retreat workshop, members are divided into several groups – academic program, students' development, publications, research and innovations, income generation and society services. During the workshop, staff can

give their views and suggestions on future plans that can bring the Faculty to better direction and give impact to stakeholders. Qiamullail and teambuilding programs were included with the aim to enhance elements of ihsan, teamwork and synergy which can be translated into daily working environment. The dinner program was organized as an appreciation for the staff achievement. The award was delivered by the Assoc Prof Dr Amir Sharuddin, the Dean of the Faculty. The awards has been given based on different categories; research, publication, innovation, excellence etc.

The program is hoped to provide understanding among staff on the direction of the faculty based on mutual understanding and encourage them to give full commitment on their responsibilities. Furthermore, this program is hoped to strengthen synergy among the different level of staff to provide better output and contributions at all levels.



PROFESSOR DATO' DR. MUSTAFA HANEFAH DELIVERS INAUGURAL LECTURE ON SHARIAH AND CORPORATE GOVERNANCE

By Dr Syahnaz Sulaiman

The Inaugural Lecture of YBhg. Professor Dato' Dr. Mustafa Mohd. Hanefah, Professor of Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM) titled "Corporate and Shariah Governance in Public Listed Companies and Public Trust Entities" held on Wednesday, 16 May 2018. The inaugural lecture which was organised for the first time ever by Faculty of Economics and Muamalat, held in Main Lecture Hall, Faculty of Quranic and Sunnah Studies, USIM.

Also present among the audience were the Vice-Chancellor, YBhg. Prof. Dato' Dr. Musa Ahmad, Deputy Vice-Chancellor (Academic & International), YBhg. Dato and YBhg. Assoc. Prof. Dr Amir Shaharuddin, Dean of Faculty of Economics and Muamalat. The lecture was also attended by members of the university community as well as professional colleagues, friends and family of YBhg. Prof. Dato' Dr. Mustafa.

YBhg. Prof. Dato' Dr. Mustafa Mohd Hanefah is a Professor of Accounting and Reporting, Corporate and Shariah Governance, and Taxation at Faculty of Economics and Muamalat, USIM. His previous appointment includes the first Deputy Vice-Chancellor (Research and Innovation) USIM (April 2013 to October 2016), and was the second

Dean of Research and Innovation (December 2010 to March 2013). Prior to that, he held the position of Dean of Faculty of Economics and Muamalat, USIM. He is also a member of the Chartered Tax Institute of Malaysia (CTIM).

He has spent numerous years in the industry and government departments before joining the academic world. His career journey started in the early 1980s as a junior registration officer at Registrar of Companies, Ministry of Trade and Industry (1980 to 1982) and trainee officer at Bank Bumiputra (M) Bhd. (1984 to 1985).

Prof Dato' Mustafa specializes in corporate and Shariah governance and has conducted training for Bank Muamalat (M) Bhd and MBSB Bhd staffs. Similar training was conducted for auditors, Shariah officers, compliance officers and others in Muscat, Oman in December 2017. He initiated the first Shariah Audit training program accredited by the Finance Accreditation Agency (FAA) for bank's internal auditors, Shariah and compliance executives in Malaysia. He also serves as a member of the editorial boards in various international journals, and has been appointed by Malaysian and Australian universities as curriculum assessor and external examiner for PhD theses.





SIGNING A LETTER OF INTENT - FEM, MCIF & MNU

Signing ceremony between The Faculty of Economics and Muamalat (FEM), USIM, MCIF and MNU to organised the 2nd International Halal Management Conference on 3 April 2018, Maldives



LAWATAN
MQA





BROWN BAG SEMINAR



MAJLIS ANUGERAH KECEMERLANGAN MAHASISWA/I, FEM

15 Mei 2018

DEWAN MASJID BANDAR BARU NILAI, NILAI

By Dr Nur Qamarina Sharom

Majlis Anugerah Kecemerlangan ini merupakan program tahunan yang dianjurkan oleh Sekretariat Fakulti Ekonomi dan Muamalat (SekreFEM) sebagai penghargaan kepada Mahasiswa/i FEM yang mempunyai pencapaian cemerlang dari sudut akademik mahupun kokurikulum.

Pada tahun ini, majlis meraikan seramai 182 orang Mahasiswa/i FEM yang berjaya memperolehi pencapaian gred semester 3.60 dan ke atas pada peperiksaan akhir yang lepas iaitu bagi Sesi II 2016/2017 dan Sesi I 2017/2018. Selain itu, majlis

juga meraikan beberapa penerima anugerah kategori khas yang dipertandingkan dalam tiga kategori iaitu, kepimpinan, pencapaian dan kesukarelawanan.

Majlis telah dirasmikan oleh dekan fakulti, Prof. Madya Dr. Amir Shaharuddin serta dihadiri oleh para tetamu jemputan, diantaranya ialah Timbalan Dekan (Akademik dan Antarabangsa), Timbalan Dekan (Hal Ehwal Pelajar dan Alumni) serta ketua-ketua program dan pensyarah penyelar program.



EXPLORATION TO KASHMIR, INDIA

2 April to 8 April 2018
By Dr Mohd Nazri Mohd Noor



'Exploration to Kashmir, India' is a platform to USIM students in particular to be more open about the branches of industry there and not only see the scope of existing industry in Malaysia but also in India. The phrase "Le Journey d'Kashmir" has been chosen to encourage student to keep learning and improving knowledge with integrated Naqli and Aqli in journey of life. We have done our academic session which is The Case Study Discussion about Islamic Insurance with University of Kashmir students. We have successfully completed Mini Workshop of What is Islamic Insurance (Takaful) discuss the case study and explain the introduction about (Takaful) that have been practice nowadays by USIM's student. We are together solving the case study by group. While in University of Kashmir, we brought them Muamalat Interactive Game



(MIG) board and played with them to introduce FEM's product. Apart from that, we also explore many interesting places in Kashmir, India to gain more knowledge and experience. We visited Hazratbal White Mosque, Tulip Garden, Gulmarg and Pahalgam which have a lot of beautiful creation and its own story of its existence. Last but not least, this visit is expected to give an exposure to students and lecturers in the teaching and learning process implemented at universities abroad. Furthermore, it can also be a platform for students, lecturers and university networks to build good relationships with foreign universities. These are very important for the purposes of study, research and provide exposure and useful knowledge that can be applied.





BENGKEL KECEMERLANGAN TAHUN 2 & 3

Nur Lembah Pangsun Eco Resort (NLP),
Hulu Langat, Selangor
10 & 11 Mac 2018
By Dr Azreen Jihan Che Mohd Hashim



**GUEST TALK ON 'ISLAMIC FINANCE PRACTICE:
A CASE STUDY IN THE KINGDOM OF
SAUDI ARABIA' BY MR MOHAMED ZAKARIYA OTHMAN,
LEAD RATING ANALYST SIMAH,
SAUDI ARABIAN MONETARY AUTHORITY (SAMA)
ORGANISED BY
SARJANA MUDA PERBANKAN DAN KEWANGAN ISLAM (SMPKI)
25 APRIL 2018
By Dr Junaidah Abu Seman**



LAWATAN INDUSTRI KE BURSA MALAYSIA

22 MEI 2018 (SELASA)
By Dr. Nur Ainna Ramli



Pada tarikh 22 Mei 2018, seramai 92 orang pelajar jurusan Sarjana Muda Perbankan dan Kewangan Islam dan Sarjana Pemasaran tahun 2 telah mengadakan lawatan ilmiah ke Bursa Malaysia yang terletak di tengah-tengah ibu kota Kuala Lumpur. Program ini telah dianjurkan oleh pelajar tersebut bagi meningkatkan lagi ilmu pengetahuan seiring dengan subjek Prinsip Pengurusan Kewangan (MFA2013) yang dipelajari. Selain itu, terdapat dua orang tenaga pengajar iaitu Dr. Nur Ainna Binti Ramli menjadi ketua pengiring merangkap pensyarah bagi subjek tersebut dan juga Dr. Nurul Nazlia Jamil turut serta ke lawatan ilmiah tersebut.

Perjalanan daripada Universiti Sains Islam Malaysia ke Bursa Malaysia mengambil masa selama 2 jam. Sejurus tiba kami disambut baik oleh kakitangan Bursa Malaysia dan diarahkan untuk bergerak ke bilik mesyuarat bagi mendengar sesi taklimat dan perkongsian ilmu. Taklimat dan perkongsian ilmu telah disampaikan oleh 2 wakil daripada Bursa Malaysia iaitu, Cik Liana Jasmin sebagai Pengurus Senior dalam bahagian Pemasaran, dan Cik Nikita Ang. Banyak perkongsian yang sangat bermanfaat mengenai latar belakang institusi berkenaan, program-program yang dijalankan dan isu semasa yang dikupas oleh wakil daripada pihak Bursa Malaysia.

Bursa Malaysia yang dahulunya dikenali sebagai Bursa Saham Kuala Lumpur mula ditubuhkan pada 1930 adalah sebuah syarikat pemegang urusniaga yang diluluskan di bawah Seksyen 15 Akta Perkhidmatan dan Pasaran Modal 2007. Ia mengendalikan satu integrasi urusniaga sepenuhnya, menawarkan satu julat perkhidmatan yang berkaitan dengan pertukaran mata wang.

Pada tahun 1937, ia didaftarkan semula sebagai Persatuan Broker-broker Saham Tanah Melayu, tetapi ia masih tidak mendagangkan saham-saham awam. Pada 1960, Bursa Saham Tanah Melayu telah ditubuhkan dan perdagangan saham awam bermula pada 9 Mei. Pada tahun 1964, secara rasminya Bursa Saham Malaysia telah dibentuk dan pada tahun berikut, dengan pemisahan Singapura daripada Malaysia, bursa saham terus berfungsi di bawah Bursa Saham Malaysia dan Singapura.

Pada tahun 1973, akibat daripada penamatan saling-boleh-tukaran matawang diantara Malaysia dan Singapura, dua negara ini telah terpisah menjadi dua dengan dinamai sebagai Bursa

Saham Kuala Lumpur Bhd (KLSEB) dan Bursa Saham Singapura (SES). Pada tahun 1994, dengan beberapa peristiwa berlaku, Bursa Saham Kuala Lumpur (BSKL) telah diputuskan untuk menggunakan nama tersebut.

Bursa Saham Malaysia berperanan sebagai pengawalselia pasaran dengan pelabur memenuhi syarat yang ditetapkan. Selain itu, Bursa Saham Malaysia bertanggungjawab dalam memberi perlindungan pelabur, integriti pasaran dan kestabilan. Bursa Saham Malaysia juga membantu dalam memberi akses yang selamat kepada pelabur.

Bursa Malaysia bertindak sebagai pertukaran pelbagai kelas aset yang pelbagai, menyediakan pelabur dengan pelbagai peluang untuk pemeliharaan modal dan untuk meningkatkan dana kewangan.

Pihak Bursa Malaysia juga menggalakkan mahasiswa-mahasiswa untuk membuka Central Depository System (CDS) untuk mengetahui perjalanan dan pergerakan saham yang dilaburkan. Untuk pelabur baharu yang ingin terlibat dalam pembelian dan penjualan saham perlu mempunyai akaun CDS. Sebelum membuat peaburan, terdapat beberapa yuran yang dikenakan iaitu yuran broker di mana yuran ini berbeza antara broker-broker yang lain. Kebiasaannya 0.3%--0.6% daripada nilai transaksi, minimum RM12.00 termasuk GST. Selain itu pihak pelabur perlu membayar bayaran penjelasan iaitu 0.03% daripada nilai transaksi dan maksimum RM1,000 untuk setiap kontrak.

Antara broker saham tempatan yang tersenarai di Bursa Malaysia ialah RHB Bank, MayBank, APEX dan KENANGA.

Selain itu, terdapat beberapa anak syarikat yang dimiliki penuh oleh Bursa Malaysia yang mempunyai tugas dan fungsi yang tersendiri seperti Bursa Malaysia Securities Bhd yang berperanan menyediakan, mengendalikan dan mengekalkan pertukaran sekuriti. Selain itu, Bursa Malaysia Derivatives Bhd bertanggungjawab dalam menguruskan pertukaran hadapan dan opsi. Bursa Malaysia Bonds Sdn Bhd berfungsi mengekalkan pertukaran bangunan elektronik berdaftar bagi pasaran bon sekunder. Di samping itu, Bursa Malaysia Securities Clearing Sdn Bhd bertanggungjawab dalam menguruskan satu

segala perkara mengenai pertukaran saham atau sekuriti. Manakala, Bursa Malaysia Depository Sdn Bhd menyediakan, mengendali dan mengekalkan satu simpanan pusat. Akhir sekali, Bursa Malaysia Islamic Services Sdn Bhd menguruskan semua perniagaan Pasaran Islam dan aktiviti-aktiviti yang dimulakan di bawah Bursa Malaysia.

Dalam sesi pertukaran ilmu, Pengurus Bahagian Pemasaran iaitu Cik Nikita Ang Binti Albert Ang Abdullah dan Cik Liyana Jasmin menjelaskan serba sedikit mengenai produk yang meliputi ekuiti, derivatif, penyenaraian dan perkhidmatan persisiran, bon dan penawaran Islam. Pasaran sekuriti mempunyai dua pasaran iaitu Primary Market (823 syarikat) dan Ace Market (117 syarikat). Antara produk-produk di bawah pasaran sekuriti adalah Saham, Real Estate Investment Trust (REITs), Exchange Trade Fund (ETFs), Pinjaman, Bon.

Manakala, pasaran derivatif mempunyai 10 produk antaranya komoditi hadapan, ekuiti hadapan, ekuiti opsyen dan kewangan hadapan. Bursa Malaysia juga menawarkan beberapa produk yang mematuhi Syariah seperti Sukuk, Ekuiti berasaskan Syariah, i-Reits, i-ETFs dan Bursa Suq Al-Sila'.

Konklusinya, pelajar yang mengikuti lawatan ke Bursa Malaysia memperoleh pelbagai input dan ilmu tambahan yang dapat diaplikasikan bukan sahaja di dalam pelajaran khususnya di kelas Dr. Nur Ainna Ramli malahan di dalam hidup untuk kebaikan masa kini dan masa akan datang.



Pelajar daripada kursus Sarjana Perbankan dan Kewangan Islam dan Pemasaran Tahun 2 yang terlibat dalam program lawatan ilamiah.



Sesi taklimat dan perkongsian ilmu yang disampaikan dari wakil pihak Bursa Malaysia, Cik Nikita Ang

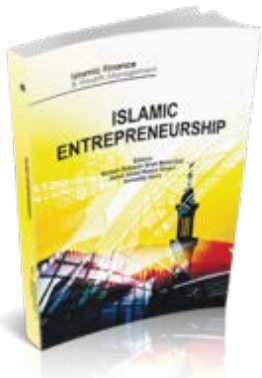


Sesi penyampaian cenderamata dari pihak Universiti Sains Islam Malaysia yang diwakili pensyarah pengiring Dr. Nur Ainna Ramli kepada pihak Bursa Malaysia.



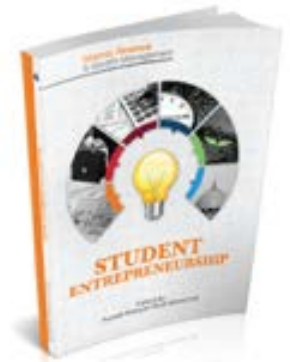
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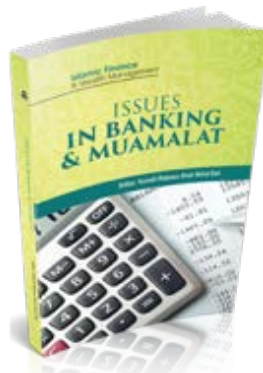


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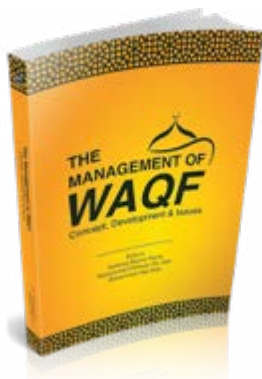
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Puan Khairul Shifa Ahmad Fadzil
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