

Journal of Management & Muamalah

Jurnal Pengurusan & Muamalah

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Book Keeping Practice and Individual Income Tax Knowledge among selected Malaysian Sole Traders

Nur Suriana Awaludin, Nor Suhaily Bakar and Shuhaimi Jaafar

Fakulti Pengurusan & Muamalah
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Abstract

In Malaysia, Self Assessment System (SAS) has been introduced in year of assessment 2004 to individuals businesses, as part of modernization and streamlining the tax administration system. Through the introduction of SAS, it is expected that the taxpayers will improve their knowledge in understanding the tax provisions to an adequate level. According to Companies Commission of Malaysia (Suruhanjaya Syarikat Malaysia or SSM), the number of taxpayers who followed SAS since 2004 has been increased. A survey was conducted to focus on the level of individual income tax knowledge, book keeping practices and level of dependency on tax practitioners. Questionnaires were distributed to sole traders located in Shah Alam, Malaysia. Using inferential statistical tests, results showed that majority of respondents have fairly below average knowledge due to their education background. In term of book keeping practice, most of them do not maintain it appropriately as required by Inland Revenue Board of Malaysia (IRBM). Findings revealed

that sole traders are more interested in managing the sales and expenses accounts compared to other type of accounts. Besides, this study also discovered that there is a rather strong relationship between book keeping practices versus individual income tax knowledge. Other than that, more respondents preferred in appointing tax consultants compared to preparing the tax return forms themselves.

Keywords: Sole traders, book keeping practices, self assessment, tax, knowledge.

Abstrak

Sistem Taksiran sendiri di Malaysia telah diperkenalkan pada tahun taksiran 2004 kepada individu dan perniagaan sebagai sebahagian daripada pemodenan dan kesinambungan pentadbiran cukai. Melalui system ini, dijangkakan para pembayar cukai dapat meningkatkan pengetahuan mereka dalam memahami peruntukan cukai pada tahap yang sepatutnya. Menurut Suruhanjaya Syarikat Malaysia (SSM), bilangan pembayar cukai yang membuat system taksiran sendiri telah meningkat mulai tahun 2004. Kajian ini dilakukan dengan fokus kepada tahap pengetahuan peniaga tunggal terhadap pengetahuan cukai pendapatan, praktis simpan kira dan tahap kebergantungan terhadap ajen percukaian. Soal selidik telah diedarkan dikalangan peniaga tunggal di Shah Alam, Malaysia. Dengan menggunakan ujian statistik inferensi, hasil kajian menunjukkan majority responden mempunyai

tahap pengetahuan yang rendah disebabkan oleh latar belakang pendidikan. Kebanyakan daripada mereka juga tidak mempraktis kaedah simpan kira yang sepatutnya seperti dikehendaki oleh Lembaga Hasil Dalam Negeri Malaysia (LHDNM). Hasil kajian juga menunjukkan peniaga tunggal lebih berminat dalam menguruskan akaun jualan berbanding akaun lain. Disamping itu, kajian ini juga mendapati terdapat hubungan yang kuat antara praktis simpan kira dan pengetahuan individu terhadap cukai. Responden juga didapati lebih erminat untuk melantik ajen percukaian berbanding menaksir sendiri cukai mereka.

Kata Kunci: Peniaga tunggal, Praktis simpan kira, Taksiran sendiri, Cukai, Pengetahuan.

1.0 Introduction

Small business in Malaysia is one of the famous types of businesses that gives a significant growth to Malaysian economy exclusively sole traders. The number of sole traders registered with SSM in 2005 showed that 2, 997, 080 of entrepreneurs were registered as against 2, 802, 872⁽¹⁾ of entrepreneurs from the previous year. This figure shows an increase of 7%. Besides that, this group of taxpayers plays important roles in leading to high number of tax revenues as well as assisting the Malaysian development and improvement of the national socio-economic status.

However, since the move to the Self Assessment Tax System (SAS) implementation to this group of taxpayers, there are many issues arise which was motivated this study to explore the problems faced by taxpayers dealing with SAS. One of the main problems faced by this group of taxpayers is inadequacy in the level of tax knowledge. Many articles on issues and challenges on the level of tax and accounting knowledge, poor record keeping system, complexity in filling up return form and difficulties in understanding and interpreting of tax provision, faced by sole traders taxpayers in dealing with SAS were highlighted. In fact, the IRBM has placed great expectation to the taxpayers to understand and interpret the tax law in order to comply with the requirement of the Income Tax Law 1967. However, due to lack of income tax knowledge and awareness about SAS, it may affect taxpayers' honesty and accountability in relation to tax compliance. In addition, poor education background of the sole traders may also contribute to poor book keeping practices and high dependency on tax practitioners.

(1) Data was gathered from personal communication in writing held with ROB executive on 4 th April 2006

Thus, this group motivates this study to be carried out. The objectives of the study comprised of i) to identify the elements of individual income tax knowledge and book keeping practices of the sampled sole traders, ii) to compare the difference income tax knowledge, book keeping practices and dependency on tax practitioners according to demographic factors, iii) to examine the relationship between the levels of income tax knowledge and the levels of book keeping practices and iv) to examine the relationship between the levels of income tax knowledge and dependency on tax practitioners.

2.0 Sole Trader Taxpayers and Small Business Individuals

A study by Evans et al. (2005) defined a small business as an independent owned and operated business employing fewer than 20 people or obtaining turnover less than \$10 million per annum. This study believes that a small business has a poor record keeping system which will affect directly to the relationship to their level of tax compliance. Meanwhile, Savage (2004) claimed that a small business as one having turnover of less than US\$2 million on their 2000 income tax return. This study believes that there is a strong relationship between a small business rural taxpayer and their tax agents before Goods and Services Tax (GST) and Business Activity Statement (BAS) was introduced in Australia. A research by Mottiakavandar, Haron and Kasipillai (2004) on the compliance level of small business entrepreneurs in Malaysia defined small business entrepreneurs are among the sole proprietors and partnerships who earn yearly income below RM12,001 and up to RM192,000. In this research, the types of small business were restricted to ten types of businesses that consisted of mini market, restaurant, laundry, tuition centre, plant nursery, book store, pharmacy, computer shop, retail store and transportation.

From the literature review, it can be seen that majority of the sole traders have poor educational background i.e less than tertiary education level (Ahmed and Sakurai, 2001; Mottiakavandar et al. 2004; and Savage, 2004; McKercher, 1995; and Sakurai and Braithwaite; 2002). The sole trader's education background may contribute to one of the factor in understanding the income tax knowledge. From the literature, it revealed that taxpayers with higher education background have a higher knowledge (Mottiakavandar, 2004). Poor record keeping system also have been noted among the group of sole traders (Evans et al., 2005; and Ahmed and Sakurai, 2001). Surprisingly, some of the sole traders viewed the record keeping system as not an important factor in managing business but most of sole traders practicing the proper record keeping system as to comply with the tax law requirements (Evans et. Al., 2005). Besides, due to incomplete record keeping of sole traders, many of this group of taxpayers appointed tax practitioners in meeting their tax obligations (Ahmad and Sakurai, 2001). The previous studies (Hite et al. 1992; Tan, 1999; Savage, 2004; Sakurai and Braithwaite, 2002; and Ahmed and Sakurai, 2001), also outlined that majority of sole traders were highly relying on tax practitioners in order to help them to comply their tax responsibilities and to avoid any penalties imposed by IRB as well as errors and misstatements. The tax practitioners has become as a source of information in relatively to tax matters to taxpayers (Hite et al.,1992).

3.0 Research Methodology

The required data for the analysis is collected through survey questionnaire. There are 200 questionnaires were distributed to the sole traders in Shah Alam and only 105 responses were obtained (52.5%). The respondents consist(2) of (i) non-specialized retail trade in stores,

(2) Sample was chosen from 1 out of 15 categories of business return Form B, IRBM

(ii) retail sale of food, beverages and tobacco in specialized stores, (iii) other retail trade of new goods in specialized stores, (iv) retail sale not in stores and (v) repair of personal and household goods. There are five (5) sections specifically referred as Part A, Part B, Part C, Part D and Part E which have been designated according to the requirement in Return Form B, IRBM.

4.0 Data Analysis and Interpretation

4.1 Elements of Income Tax Knowledge

The result in **Table 1** shows that majority of respondents have a good knowledge and more concern and particular about their own tax rebates. The highest is individual rebate (43.8%) followed by zakat or fitrah rebate (35.2%).

Table 2 shows that only two out of nine accounts were kept separately (business and personal) by the majority of respondents. The sales (60%) and expenses (57.1%) accounts were maintained properly by the respondents as compared to the other types of account. Based on interviews made by the researcher with the respondents, many commented that they normally maintain the sales and expenses accounts properly since they found that these two types of accounts are most important to their business. The sales accounts are recorded daily for every sales made. This is similar to expenses accounts which is also kept properly for every expenditure and payment made by the sole traders.

However, the respondents recorded the sales accounts manually rather than adopting a proper computerized accounting system. The respondents recorded the sales and expenses accounts based on their own understanding without using any software or referring to the formal

accounting format such as ledger or journal. The respondents have admitted that they do not have basic accounting knowledge and are comfortable in maintaining the accounts using their own styles. The results gathered have given us an overview of record keeping's practices among sole traders in Shah Alam, Malaysia. Thus, the result demonstrates that almost all of the items in the Income Statement as well as Balance Sheet, are not kept separately and accordingly by respondents, and it shows that the sole traders in Shah Alam are unable to meet the minimum requirement as needed by IRBM. The reason might due to their low education backgrounds. Hence, most of the respondents do not understand some of the accounting terms and unable to distinguish some types of accounts such as sundry, trade debtors, bad debts and creditors.

4.2 Difference levels of Income Tax Knowledge according to Demographic Factors

The ANOVA result shows that there is a significant difference between male and female in term of their income tax knowledge. Referring to **Table 3**, the significant value is 0.011 which indicates high significant difference. This is supported by looking at the mean value of female i.e 4.628 that is fairly higher than male which is 3.355 despite its smaller quantity female (43) of respondents compared to male (62). The mean value of female is regarded as higher since it is derived from fifteen (15) questions for both genders. In term of the race, significant value which is 0.781 is higher than test value 0.05, therefore there is no proof to conclude any significant differences occurred. The means for all three (3) races also indicate close values among them. Hence, race is not a factor that might influent the levels of individual income tax knowledge. Meanwhile, the levels of individual income tax knowledge versus education background shows that there is a significant difference exist.

The significant value is 0.002 while the gap between mean values of all education backgrounds is fairly high. The mean for primary is 2.400 , secondary is 4.098 and tertiary is 4.759. In average, respondents with high education have a higher level of individual income tax knowledge. Therefore, one might say that the higher level of education the more tax knowledge is.

4.3 Difference levels of Book Keeping Practices according to Demographic Factors

Referring to **Table 4**, there is a significant difference in book keeping practices between male and female (sig. at 0.000). Detailing out, the mean values show that females have maintaining a book keeping practices compared to males since there is a significance difference of means between these genders (5.186 versus 2.677). In term of race, the results obtained show there is no significant difference between Malay, Chinese and Indian (sig. value is 0.384). Viewing the education background, even though majority of respondents came from secondary background, however, the result shows that those who have tertiary background obtained highest mark i.e 5.103 compared to others. The result shows that there is a significance difference of book keeping practices and individual education background (sig. at 0.006). The result might indicate that they have an appropriate book keeping practices among those who have up to tertiary education background.

4.4 Difference levels of Dependency on Tax Practitioners according to Demographic Factors

Based on **Table 5**, there is a significant result i.e 0.030 indicates that males and females are significantly different in preferring the method of preparing the income tax return form. There is a slight difference of

percentages between both genders where 33.3% males prefer to prepare income tax return form by themselves while females are 14.3%. The rest of them choose tax consultancy firms.

In term of the race i.e Malay, Chinese and Indian show a significant difference in preparing the income tax return form. This is aligned with the significant result occurred which is 0.000. In average, almost 35% Malays prepare their own income tax return form. In contra, Chinese is the highest in occupying tax consultants. As for Indians, they are keener to appoint tax consultants compared to self-prepare. In addition, based on non-formal verbal discussion made by the researcher has revealed that Chinese prefer tax consultants due to avoid error, misunderstanding and misstatements in interpreting the provision of Act which could penalize them. On top of it, they claimed that the difficulties and complexity in Income Tax Act which acquires every taxpayer to have good understanding before filling up the forms has been their big concern to seek of tax consultants' advice.

There is no proof to conclude that education background does give a difference in preferring the method of preparing the income tax return form. It can be seen in above table where the significant value is 0.338. However, about 15.2% of respondents with high education background choose to self-prepare the income tax return forms compared to 40% respondents who have low education background. The percentages might lead to assume that people with high education background are more preferable in preparing the income tax return form by themselves.

4.5 Relationship between Income Tax Knowledge, Book Keeping Practices and Dependency on Tax Practitioners

The Pearson Correlation Test in **Table 6** shows that all factors i.e. book

keeping practices and dependency on tax practitioners are correlated to level of individual income tax knowledge. In details, the dependency on tax practitioners factor are significant level at $p < 0.05$ while book keeping practices at $p < 0.01$. Hence, there is a rather strong relationship between those variables with level of individual income tax knowledge. In term of book keeping practices versus dependency on tax practitioners, there is a strong correlation between these two variables that is 0.288 at $p < 0.01$

4.6 Individual Income Tax Knowledge and Book Keeping Practices

In analyzing the relationship between individual income tax knowledge and other factors namely their gender, education background and book keeping practices, regression test has been conducted as shown in **Table 7**. The result shows that the control variables i.e. gender does not have significant relationship to individual income tax knowledge. On the other hand, both respondents' education background and book keeping practices are related to their income tax knowledge. It is quite interesting to discover that although the demographic factors i.e gender and education background are important factors to influence the level of respondents' tax knowledge, but book keeping practices contributes a more significant effect to the model.

4.7 Individual Income Tax Knowledge and Dependency on Tax Practitioners

Table 8 shows different means of respondents' level individual income tax knowledge versus dependency on tax practitioners. There is an apparent difference between those who prepared by themselves compared to tax consultancy firms. There is a rather difference in

percentages between two methods of preparation. 48% of respondents have chosen to answer the forms on their own compared to 52% that appointed tax consultants. Those who are self-preparing the forms have more knowledge in income tax compared to those who seek tax practitioners' advice since the means of both i.e 4.480 and 3.327 respectively. In addition, this result is supported by T-test analysis which shows a significant difference of preferences in preparing income tax return forms versus the individual income tax knowledge. This can be as seen in the table that is 0.020 of significant value (sig.2-tailed). The mean difference occurred 1.153 is derived from the previous table i.e 4.480 versus 3.327. In other words, the level of knowledge of both parties is different almost by 1.5 marks.

5.0 Conclusion

Majority of the participants have fairly below average knowledge in understanding the income tax. This is effected due to their education backgrounds that gives an effect to the respondents' level of understanding in interpreting the important of provision in Income Tax Act. Thus, this have affected in some of the unintentionally misstatements, errors, providing less information to IRBM during the submission of the tax return forms. The result gathered is aligned with previous literatures by Mottiakavandar et al. (2004) , Palil (2005), and Loo and Ho (2005) who claimed that majority of taxpayers in Malaysia have inadequate tax knowledge.

Mostly, sole traders with high education background are more knowledgeable in tax and more interested to self-prepare their return forms compared to sole traders with low education background who prefer appointing tax consultants. These results revealed that those sole traders who high educated are not only convenient and confident to fill

up their tax forms and at the same time able to reduce the cost of hiring tax consultants. On the other hand, those who low educated need to hire tax consultants to avoid misstatement, errors and wrong information given. It is agreeable with Hite et al. (1992), Savage (2004) and Tan (1999) who state small business individuals are motivated to obtain advice and assistance from tax consultants in order to ensure that they will be preparing tax returns correctly and reducing the likelihood of being penalized.

In term of book keeping practices as required by IRBM, a good record keeping is a must to all categories of business including the small business individuals. Thus, in general, record keeping practices amongst the sole traders in Shah Alam is yet to be in the level as required by IRBM. The results indicates that there is a likelihood that respondents do not prepare a separate account for all items such as sales, purchases, stock, income, expenses, fixed assets, current assets, liabilities and owner equity. On top of it, a number of respondents are not able to understand the terms of turnover, cost of production, cost of sales, premiums, bad debts and unable to differentiate between the terms of sundry debtors and trade debtors, cash in hand and cash at bank, loans and overdraft, trade creditors and sundry creditors. This finding is aligned with Ahmed and Sakurai (2001) who say that small business individuals have inadequate tax knowledge apart of their poor record keeping. As for Evans et al. (2005), who admitted that small businesses do have fairly poor record keeping practice which has influenced to their tax compliance behaviors. He also added that they do it just for business purposes and not mainly for tax.

As far as the personal interview is concerned, most of the respondents have never attended any classes or seminars related to self-assessment system which is conducted by IRBM. The reason being

is that they have received lack of awareness and motivation among them in acquiring and updating knowledge in tax. Majority of respondents are more interested in increasing their business profits rather than focusing on record keeping practices. Some respondents revealed that they utilize a cash basis system and general journal to record the daily transaction which is based on their own preferences. Furthermore, most of them do not appoint any accountant to prepare their accounting record as well as important documents since they want to avoid bearing the cost and overhead expenses. This scenario will affect the accuracy not only of their own accounting but will provide the government with incorrect information of their tax liabilities.

Thus, some actions should be taken by the taxpayers such as by attending seminars, classes or short courses provided by IRBM or other external institutions. This is very important to provide our taxpayers with a sufficient knowledge and skills of good record keeping system as well as their level of tax compliance awareness.

There are some limitations of this study. There are 15 categories of business listed under IRBM in form B, however, only one category was chosen and this might reflect the findings of this study. Also, the questionnaires conducted are using nominal scale. However, there is other method that also could be considered in conducting the questionnaires such as Likert Scale. It will be much informative if it had been broaden to a wider area such as the whole state of Selangor, Malaysia. For future research, the samples should be included all categories of business to obtain a result that can reflects the income tax knowledge and book keeping practices from all categories of business. Furthermore, other factors of motivation in tax compliance dealing with SAS focusing in E-filing should be tested in order to improve the tax system in Malaysia.

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The Determinants of Voluntary Financial Reporting on the Internet: Evidence from Malaysia

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Abstract

The rapid growth of information technology, particularly the internet has created new financial reporting environment. Companies have been using internet as a new medium of disclosing financial information to their stakeholder. This paper explores the voluntary disclosure practice of financial information by Public listed companies of Bursa Malaysia in the internet. Specifically the objective is to examine VIFR practices and factors that affect the level of reporting. This study postulates that level of international operation, ownership structure (managerial, block and government holdings) and type of industry influence the level of VIFR. Development of research hypotheses are based on agency theory and signalling theory. Sample consists of 115 firms listed on the Main Board of BM. Results show no significant association between any of the firms' ownership structure and the level of VIFR among listed firms in Malaysia. However, results do indicate that international operations and industry are significant in explaining the variability in VIFR. Findings should provide input to the regulatory bodies and financial analysts on types of voluntary financial information disclose on the websites by listed firms in Malaysia.

Keywords: Voluntary information, internet financial reporting, ownership structure, Malaysia

1.0 Introduction

The increase in internet usage throughout the world (Rowbottom, Allam & Lymer, 2004) has made it one of the latest important media to disseminate information specifically in this case the financial reports (Bagshaw, 2000; Lymer et al., 1999). Among the benefits of utilizing the internet as a communicating media include a reduction in printing costs among firms and the speed in searching information among users (William & Ho, 1999). Prior studies provide definition of financial reporting on the internet as all information similar to those included in the traditional annual reports plus additional information presented in other voluntary formats (Ashbaugh, Johnstone & Warfield, 1999; Oyelere, Laswad & Fisher, 2003). In Malaysia, Bursa Malaysia (i.e. the Malaysia stock exchange) since year 1999 requires listed firms to prepare quarterly financial reports and disseminate it through the internet within the stipulated time period (Bursa Malaysia, 2004). Furthermore, companies listed on Bursa Malaysia are currently required to post their annual report on Bursa Malaysia website. Therefore, the internet reporting practice in Malaysia is to comply with reporting regulations which is the mirror image of information as in the paper based copy plus providing additional non-audited information.

Many of the internet financial reporting (IFR) studies have been carried out in other countries such as Austria (Pirchegger & Wagenhofer, 1999), Japan (Marston, 2003), New Zealand (Oyelere et al., 2003), Germany (Marston & Polei, 2004), UK (Craven & Marston, 1999) and China (Xiao, Yang & Chow, 2004). These studies provide insight on the types of financial information reported and understanding

the development of IFR in those countries. Similar study need to be carried out in Malaysia, since the social, economic, and political environment in Malaysia are different from other countries. Malaysia is unique in the sense that even though it follows and adopted an accounting system similar to other developed capital markets but the firms' ownership structure differs from them. The developed capital markets have more dispersed ownership structure while Malaysia has more concentrated ownership structure. Prior studies provide evidence that more concentrated ownership structure usually associated with less information disclosure (Nazli & Weetman, 2006). At the same time, prior literature provide evidence that large firms irrespective of ownership structure is more commonly associated with high information disclosure (Marston & Polei, 2004). The finding from the Malaysia's study will add on to knowledge and provide better understanding of IFR practices throughout the world. Results would also provide input to the regulatory bodies and financial analysts on type of information disclose by companies in their websites in Malaysia.

This study focuses on voluntary internet financial reporting (or VIFR) practices in Malaysia. This study define VIFR as all other financial information provided on firms' websites apart from the traditional annual reports. Providing more voluntary financial reporting on the internet is expected to increase firms' chances to attract investors and analysts to give better analysis.

A few studies have investigated several internet reporting issues in Malaysia. For example, Salleh et al. (1999) studied the perceived usefulness of internet reporting by investigating the cost and benefit of the reporting. Noor-Azizi and Mahamad (2000) examined the internet reporting by financial institutions. Rosli, Mudzamid and Amdan (2003) looked into the presentation and content of IFR, while Khairul-Azman

and Kamarulbaraini (2004) studied the classification and development of internet reporting. Mainly these studies found that up until year 2004, majority of firms in Malaysia, that is, more than 80% (Khairul-Azman & Kamarulbaraini, 2004) have already presented their annual reports on the internet. However, most firms mainly provide mandatory financial information and very little on voluntary information (Khairul-Azman & Kamarulbaraini, 2004; Rosli et al., 2003). This study extend prior studies by investigating the level of VIFR in year 2010 and its association with ownership structure of listed firms in Malaysia.

Specifically, the objectives of this study are as follows:

1. To determine the practice of VIFR among listed companies in Malaysia. Particularly this study will investigate the level and nature of information reported on the internet.
2. To determine factors that may influence the level of VIFR. In particular, we focus on the factors of ownership structure, international operation and type of industry.

From the multiple regression analysis, the result showed that ownership structure is not significantly associated with VIFR among the sample firms. The result found a significant association between international operations and VIFR as well as between industry and VIFR. Evidence might suggest that listed firms in Malaysia irrespective of ownership structure tend to prefer transparency in their financial reporting.

This paper proceeds with literature on internet financial reporting in the next section. Section three will discuss hypotheses development. The methodology will be presented in section four. Section five will present

results and discuss research findings and finally section six will conclude overall paper.

2.0 Internet Financial Reporting

The importance of financial information to various stakeholders has been well documented. Firms provide financial and non financial information for investors and other stakeholders to make relevant economic and social decision. Financial information, not only enables users to evaluate financial performance and position of a firm, but also reduces uncertainties in the decision making processes and enhances the effectiveness of resource allocation of firms.

Traditionally, the main sources of financial information are from the annual reports and reports published by firms, financial analysts, government, or other relevant parties. This reporting practices pose timeliness problems because information can quickly become obsolete (therefore, considered less relevant), expensive, and not accessible by all parties. Investors and financial analysts need fast and up to date information to make business decision. European Union (EU), in a statement highlighting the importance of timely dissemination of information, has stated that *the disclosure of accurate, comprehensive, and timely information about security issuers builds sustained investor confidence and allows an informed assessment of their business performance and assets. This enhances both investors' protection and market efficiency* (EU, 2004, para 1) (underlined added). Hence, the timeliness of the information becomes very critical.

Furthermore, financial information reported in the annual reports is restricted to information required by regulatory bodies and industrial

practices, reported in certain format, and may not be able to fulfilled information need of all stakeholders. With the globalization of the business environment, in which firms, regardless of size, need to compete internationally, hence this reporting practices need to be revolutionized.

These days, firms employ a more flexible and effective ways to communicate financial information to different users using the World Wide Web, which is referred to as the internet financial reporting (IFR). IFR has been cited as the most important method to communicate financial and non financial information to existing and potential shareholders (Ashbaugh et al., 1999). The Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE) of United States have required firms to disclose certain information on the internet to accelerate the dissemination and analysis of time-sensitive information (Abdelsalam & Street, 2007). Innovation and rapid development in the information technology has facilitated the IFR and enhances the transparency and quality of disclosure (Kelton & Yang, 2008).

Ashbaugh et al. (1999) define IFR as a distribution of companies' financial and performance information using internet technologies such as the World Wide Web. IFR is also unique as it allows flexible presentation of information inexpensively. It is also superior compare to paper based reporting on two categories: presentation and content of the report (Debreceeny et al., 2002).

Presentation of information in IFR can be in the form of printable format of a complete or partial annual report, using primarily HTML or Adobe Acrobat technologies. Other information, not reported in annual reports, can also be provided in whatever formats that firm feels necessary and useful. The freedom in the presentation of information

together with multimedia sound and video enables a more dynamic and valuable information being reported for users. The use of hyperlinked facilities that linked one set of information to another set of information enables users to relate and validate information (Kelton & Yang, 2008). The information can also be saved for future use.

There are therefore unlimited possible alternatives in the content of IFR. It can have information in the form of video conferencing and recorded meetings, press interviews and press releases (Debreceeny et al., 2002). Financial information in the form of audited and non audited, financial ratio, trend and graphs can also be reported (Kelton & Yang, 2008). Firms throughout the world have been providing financial information on the internet since the 1990s (Deller, Stubenrath & Weber, 1999; Gowthorpe & Amat, 1999; Lymer & Tallberg, 1997). Within the financial information disclose, Ettredge, Richardson and Scolz (2001) found US firms tend to report most on quarterly financial information and news releases. Debreceeny et al. (2002) found Anglo-American countries (including US, UK, Canada and Australia) tend to have highest presentation of financial information on the websites compared to other Asian or emerging countries group. Even though firms throughout the world provide various levels of voluntary financial information on the internet, factors influencing those reporting are not necessarily similar for different countries (Debreceeny et al., 2002) and industries (Ettredge, Richardson & Scolz, 2002).

3.0 Hypothesis Development

This section discusses the development of hypotheses in this study. This study postulates that ownership structure and type of industry influence the level of voluntary internet financial reporting (VIFR) among firms in Malaysia. The overall theoretical framework of this study is

based on the agency theory that linked disclosure behavior of firm with ownership structure, international operation, and type of industry (Jensen & Meckling, 1976).

Ownership Structure

Different classes of stakeholders will demand different type of information (Hossain, Tan & Adam, 1994). Stakeholders also influence the level and quality of disclosure in the annual report (Smith & Peppard, 2005). This study investigates the effect of managerial ownership, block ownership, and government ownership of firm on the level of VIFR. Under the agency theory, reporting of voluntary information, whether in the traditional annual report or in the VIFR form is within the discretion of the management.

Managerial Ownership

This study postulates that the level of VIFR is determined by the level of managerial ownership of firms. According to agency theory, the increase in managerial ownership affects the degree of congruence between the interests of owners and management (Jensen & Meckling, 1976). If management ownership is high, managers will be more likely to choose investment project that maximizes shareholders wealth, therefore reducing the agency cost. Jensen and Meckling (1976) proposed that as management ownership increase, the management-shareholders conflict decrease, therefore reducing the need to monitor managers' activities through transparent reporting (Hossain et al., 1994; Kelton & Yang, 2008). Accordingly, there will be less need for detailed IFR if managers hold considerable percentage of ownership of the companies, as they can get the needed information directly from the organization.

On the contrary, if the managerial ownership is not significant, the information asymmetry is higher, therefore increasing the agency conflict and cost. Without proper monitoring, manager may behave opportunistically maximizing their own wealth. As a result, outside shareholders may demand more information to monitor managers' behavior and performance and to reduce agency cost. Hence, it is expected that the level of IFR will increase if the managerial ownership is not significant.

Existing literature provides evidence of the negative relationship between managerial ownership and the quality of disclosure (Kelton & Yang, 2008; Eng & Mak, 2003; Nazli & Weetman, 2006). Kelton and Yang (2008) predict that '*the effect of managerial ownership to IFR can be a substitutive, such that the need for more monitoring and more transparent disclosure is decreased by a greater percentage of managerial ownership*'. Eng & Mak (2003) examine the relationship between ownership structure and board of director composition with the level of voluntary disclosure. The ownership structures are based on ownership by the management, block ownership and government ownership. The results of the study show that management ownership relates negatively with the level of disclosure. Nazli & Weetman (2006) also found that companies that have their executive directors holding a high proportion of shares disclose less voluntary information in their annual reports. Accordingly, the first hypothesis, H1A is stated as follows.

H1A : The level of management ownership in firms is negatively associated with the level of firms' VIFR.

Block Ownership

Wide dispersion of ownership by outside parties increases the agency cost that prompted firms to disclose more information (Chau & Gray, 2002; Haniffa & Cooke, 2002; Fama & Jensen, 1983). The disclosure of more information is to mitigate conflict, and to fulfill diverse information needs. The same scenario is also predicted for VIFR in which VIFR disclosure is expected higher in firms where the ownership of firm is more disperse. Investors and users of information use internet as an alternative source of information, in order to monitor firms' performance, since information in the hard copy form may be limited or too late. On the contrary, the reporting (paper based and IFR) is expected to be low if ownership of firms is concentrated among the few. The existence of block ownership (holding of more than 5%) by individuals, companies and other institutions, reduces agency cost since block holders have the knowledge and expertise to monitor and evaluate management activities (Short, Zhang & Keasey, 2002). Owners monitor and dismiss non performing managers that behave for their own self interest. Block holders therefore contribute in strengthening the corporate governance of firm. If the ownership of firms is concentrated among a few (block) shareholders, the level of VIFR reporting is expected to be low, because shareholders can get information directly from the firm. Hence the second hypothesis, H1B is stated as follows.

H1B : The level of block ownership in firms is negatively associated with the level of firms' VIFR.

Government Ownership

Government ownership in any business organizations will affect not only the development and implementation of business and social related

policies in that organization, but also affect the reporting practice of financial and non financial information of the organization. The government interest can be seen as a control mechanism to reduce agency cost and information asymmetry problems between owners and managers of firm (Eng & Mak, 2003; Gul, 1999). They can also act as a monitoring body that ensures the interest of the public will not be at risk by companies' operations. Therefore agency conflict between managers and owners would be reduced (Gul, 1999). As government may also help firms financially, their interest in any firms would be for a long term basis, and their information need might be different than the normal information need of a typical investor. The nature of relationship enables government to get information directly from firm. This study envisages that as government ownership of firms increase, the level of VIFR decreases because government seeks information need directly from firms. Therefore, we predict a negative relationship between government ownership and level of VIFR. Nazli and Weetman (2006), however, found no relationship between government ownership and level of disclosure in the annual reports. Based on most prior studies arguments, the third hypothesis, H1C is stated as follows.

H1C : The level of government ownership in firms is negatively associated with the level of firms' VIFR.

International Operation

Globalization has changed the way companies manage their business and communicate business activities and performance to investors and stakeholders. Firms, especially those operating internationally, are facing new classes of stakeholders including customers, capital providers, and foreign government where they operate, among others. The information need of these stakeholders

might be different from local stakeholders and this information needs cannot be fulfilled using the traditional paper-based reporting. Additionally, the information asymmetry between local and overseas stakeholders, and of managers and overseas shareholders, is expected to be high due to differences in culture, law, and the political system between countries. The information asymmetry is also higher if firms are using different accounting and reporting standard than that of investors' home country standards. Firms are also motivated to provide more voluntary information as this can reduce the cost of capital (Owusu-Ansah, 1998).

Therefore, firms that have international operation need to have timely, up to date, easily accessible financial information to reduce the information asymmetry, and eventually reduce the agency cost (Craven & Marston, 1999; William & Ho, 1999). Therefore, IFR in general and VIFR in specific will become more important as the information can be access by wider group of people and at tremendous speed. Hence, firms that have higher level of international operation are expected to have high VIFR. Consequently, The H2 is stated as follows.

H2: The level of international operations of firms is positively associated with the level of firms' VIFR.

Type of Industry

Signaling theory suggests that type of industry influences the level of corporate disclosure (Craven & Marston, 1999). Firms in the same industry are expected to disclose similar information since their economic and social environments are alike. The failure of a firm to follow the reporting norms and practices in a particular industry, for example to have VIFR, might become an indication that it is not competitive enough

(Xiao et al., 2004) or wanted to hide unhealthy information (Marston, 2003).

Jensen and Meckling (1976) suggest that agency cost is high for firms in high technology based industry that required specific knowledge and skill. These firms have a lot of 'soft asset' and incur high R&D expenditures. Unfortunately, due to regulatory requirement, these assets and R&D information are not reported in the balance sheet, although they might bring future economic benefit to the firm. Therefore, firms in this industry need to disclose more information, mostly on voluntary basis, as their earnings number are not sufficiently value relevant (Healy & Palepu, 1993). In this type of industry, it seems illogical for investors and potential investors to rely on paper based reported information as it is not timely enough to make decision. To overcome the multifaceted problem relating to traditional reporting, firms would opt for timely reporting regime. This is especially critical in industry where the environment external to firms change very frequently, and investors need to get fast and reliable information about a firm. Therefore it is expected that industry having high technology background in their operations will significantly influence the level of VIFR. The H3 is therefore stated as follows:

H3: Firms in industry having high technology background is significantly associated with the level of firms' VIFR.

4.0 Methodology

The first aim of this study is to examine level of firms voluntary internet financial reporting (VIFR) among listed firms in Malaysia. The second aim is to investigate factors influencing the VIFR level. Therefore the dependent variable is the VIFR which is measured based on a disclosure index.

Development of VIFR Disclosure Index

This study uses a disclosure index to measure the level of VIFR among listed firms in Malaysia having websites on the internet. In this study, sample firms websites must be linked to the website of Bursa Malaysia to ensure high possibility of the websites being accessed by users. The disclosure index is developed by means of content analysis of the overall common practices of VIFR by firms on the internet. The process of collecting data starts with analysing firms' websites having VIFR. Content analysis is the technique used to come up with a list of items reported.

Ettredge et al. (2002) proposed eight (8) items to be included in the disclosure index for VIFR as listed below:

1. Monthly financial information
2. Assessment on firms' performance (eg. Financial summary)
3. Financial calendar
4. Press release
5. Site list analyst
6. Current share prices
7. Historical share prices
8. Dividends reinvestment plan

In this research, a pilot study was undertaken on 15 listed firms to develop a comprehensive list of items to be included in the disclosure index more relevant to Malaysian scenario. After detailed checking and based on prior literature, this study proposed items which finally make up 19 information utilised for the final analysis in this study. **Table 1** present a brief description of each of the 19 items.

Sample

This study identifies 283 firms listed on the Main Board of Bursa Malaysia having websites linked to the website of Bursa Malaysia at the end of January 2010. Details of VIFR were collected throughout the year 2010, from January until December. Latest version of the websites is utilised in the case of changes occurring on the websites during the time period of study. The process of fine tuning the sample starts with eliminating 14 firms due to websites not accessible or still under construction during the time period of study. Next this study identifies firms having VIFR and this comprises 115 out of 269 firms. All analysis is done based on the final sample of 115 firms.

Regression Model

The aim of the regression model is to provide empirical evidence on the second objective of this study, that is, to find factors influencing the level of VIFR among listed firms in Malaysia. Therefore the dependent variable is the voluntary internet financial reporting or VIFR. The independent variables of interest include management ownership (MOwn), block ownership (BOwn), government ownership (GOwn), international operations (INTOP), and industry (IND). We include two control variables commonly found significant in prior studies examining disclosure level issue, that is, firm size (SIZE) and firm income (INC). Below is the full regression model utilised in this study:

$$VIFR_{it} = \beta_0 + \beta_1 MOwn_{it} + \beta_2 BOwn_{it} + \beta_3 GOwn_{it} + \beta_4 INTOP_{it} + \beta_5 IND_{it} + \beta_6 SIZE_{it} + \beta_7 INC_{it} + \epsilon_{it}$$

Where:

$VIFR_{it}$ = is Voluntary Internet Financial Reporting level for firm i at time t

MOwnit = is Management Ownership for firm i shareholders at time t

BOwnit = is Block Ownership for firm i shareholders at time t

GOwnit = is Government Ownership for firm i shareholders at time t

INTOPit = is International Operations for firm i at time t

INDit = is 1 for firm belongs to industry expected to report high level of VIFR and 0 otherwise, at time t

SIZEit = is log of total assets for firm i at time t

INCit = is income after tax over total assets (or return on assets) for firm i at time t

ϵ_{it} = is error term for this regression model

Measurement of Variables of Interest

As discussed above, dependent variable is based on the disclosure index of VIFR. Each item found reported on the firm website among the 19 listed items comprising the disclosure index will be given a score of 1. Therefore there will be a maximum score of 19 for any firm reporting all listed items within the disclosure index. To find the level of VIFR, each firm's score will be divided by the maximum total score to get the level of individual firm VIFR, as follows:

$$\text{Individual firm disclosure level (VIFR)} = \frac{\text{Individual firm total disclosure score}}{\text{Total maximum score of 19}}$$

Based on prior studies as well as based on discussion in the previous sections, items identified as potential factors that might influence the level of VIFR on firms' websites include (1) ownership structure (Hossain et al., 1994; Mak & Li, 2001; Eng & Mak, 2003; Xiao et al., 2004), (2) international operations (Debreceeny et al., 2002; Marston, 2003; Xiao et al., 2004) and (3) type of industry (Cooke, 1991; Inchausti, 1997; Noor-Azizi & Mahamad, 2000; Debreceeny et al., 2002; Ferguson, Lam & Lee, 2002; Xiao et al., 2004).

Also based on prior studies and the uniqueness of Malaysian corporate environment, that is, many firms in Malaysia are owned by concentrated shareholders rather than dispersed shareholders, our ownership structure variable is divided into three items. The three components are management ownership (MOwn), block ownership (BOwn), and government ownership (GOwn). Data on all independent variables is collected from firms' annual reports and the Bursa Malaysia website.

With regards to industry, the sample firms belong to eight industries including technology, consumer products, industrial products, construction, trading and services, infrastructure, and property and plantation industries. Prior studies found that industries that tend to disclose more financial information on the internet include technological (Ferguson et al., 2002; Noor-Azizi & Mahamad, 2000; Rosli et al., 2003; Xiao et al., 2004), industrial products, consumer products and trading and services industries (Noor-Azizi & Mahamad, 2000; Rosli et al., 2003). This study divide the industries into two groups and give a code of 1 for those expected to disclose higher VIFR as found in prior studies and 0 otherwise. **Table 2** provide details of measurements for all independent variables of interest.

Measurement of Control Variables

Based on prior literature, this study include two control variables usually found to influence financial information disclose on the internet, that is, firm size and firm income. Prior studies found firm size tend to be positively associated with financial reporting on the internet (Ashbaugh et al., 1999; Craven & Marston, 1999; Marston, 2003; Marston & Polei, 2004; Oyelere et al., 2003). The main argument on size is that large firms tend to be associated with higher information asymmetry between management and owners. Hence management tend to disclose more information to increase transparency and eventually as a means to reduce agency problem (Marston, 2003). Another argument is that large firms need to reduce political costs, hence the tendency to disclose more information for the purpose of showing higher transparency. Similarly large firms have more stakeholders, hence prefer to use the internet as a media to disclose information faster and to a wider group of stakeholders (Meek, Roberts & Gray, 1995; Naser, Al-Khatib & Karbhari, 2002). Based on prior literature and the above arguments, this study expected a positive association between VIFR and firm size.

Firm income by itself could also represent a concept of firm size. However, prior literature is not consistent on findings concerning income variable. There was positive association with financial reporting on the internet (Ashbaugh et al., 1999) as well as negative association (Marston, 2003; Marston & Polei, 2004). Positive association could be due to the theory of firm size, that is, large firms produce more income, hence have more stakeholders, and therefore tend to disclose more information through the internet as a media to disseminate information to a wider range of stakeholders, hence reduce information asymmetry. Negative association could be due to firm tendency to increase transparency and attract stakeholders' attention to other more important

issues apart from the firm poor performance (Marston, 2003). Due to the inconsistent prior literature findings, this study do not expect a specific sign but expect a significant association between VIFR and firm income.

5.0 Results and Discussion of Findings

Descriptive Statistics

Table 3 present descriptive statistics of variables in this study. The statistics include mean, maximum value, minimum value, and standard deviation. Statistics show that sample firms have quite a high level of concentrated ownership, with management ownership at as high as 62% holdings, government at 71% holdings and block at 78% holdings, as expected among firms in Malaysia capital market. This is especially confirmed by the mean value of almost 40% ownership for block-holdings among sample firms. Voluntary internet financial reporting (variable VIFR) seems to be still at the lower end with a minimum of 1 item and a maximum of only 10 items disclose out of an expected total of 19 items for each firm.

Multicollinearity Issue

To check for multicollinearity issue, Pearson correlation was undertaken among independent variables. **Table 4** shows that the correlation found was between 0.058 to 0.094. Multicollinearity issue is considered under control because it is still below 0.80 (Cooper & Schindler, 1998; Griffiths, Hill & Judge, 1993).

Empirical Evidence

For empirical evidence, **Table 5** Panel A provides result of multiple regression analysis with model in the absence of control variables and Panel B with model in the presence of control variables. Both Panel A and Panel B models show that none of the ownership variables (MOwn, BOwn, or GOwn) significantly associated with VIFR. Hence H1A, H1B, and H1C are all not supported. In both models, variable INTOP show positive significant association with VIFR (β at 0.354 with p-value at less than 5% level in Panel A model and β at 0.252 with p-value at less than 5% level in Panel B model). This result support H2.

In both models, variable IND show negative significant association with VIFR (β at -0.429 with p-value at less than 5% level in Panel A model, and β at -0.542 with p-value also at less than 5% level in Panel B model). Result however is in contrast with our expectation of a positive association. Even though H3 is not supported, but finding suggest new evidence on the reporting of voluntary financial information in Malaysia. For our control variables, only variable SIZE shows a weak significant association with VIFR (β at -0.162 with p-value at less than 10% level).

Discussion of Findings

Even though all ownership variables (variables MOwn, BOwn, and GOwn) show negative signs, as expected, however all associations are not significant in both Panel A and Panel B models in Table 5. Therefore results do not support all hypotheses on ownership structure. Results might suggest that ownership structure do not necessarily mean that firms ignore voluntary financial reporting because owners might easily obtain internal information directly from firms. Otherwise findings might suggest

that owners do not dictate firms with regards to voluntary financial reporting on the internet. Nevertheless, finding is consistent with prior studies that found no significant association between management ownership and internet financial reporting (McKinnon & Dalimunthe, 1993; Mitchell, Chia & Loh, 1995; Schadewitz & Blevins, 1998). Findings also consistent with prior studies on the insignificant of government ownership influence towards internet financial reporting (Mak & Li, 2001; Eng & Mak, 2003).

International operations (variable INTOP) show significant positive associations in both Panel A and Panel B models, supporting hypothesis 2. Finding is consistent with prior literature on the same issue (Craven & Marston, 1999; Debreceeny et al., 2002; Oyelere et al., 2003; Marston & Polei, 2004; Xiao et al., 2004). Finding is not consistent with Marston (2003). Findings generally suggest that providing a high level of internet financial information is crucial for firms having a high level of international operations. The internet is definitely becoming a very important media to disseminate information among multinational firms in Malaysia, especially financial information during our time period of study.

Industry (variable IND) show significant negative associations suggesting tendency that industries expected to provide high level of voluntary financial reporting on the internet do not report as such. Result do not support hypothesis 3 with regards to VIFR showing significant association with technology based industry. In this study, industries expected to provide high level of voluntary financial reporting include technology industry, industrial products, consumer products, and trading and services. However combination of these industries does not show expected positive association. On the other hand, result might suggest that industries such as construction, infrastructure, and property and plantation industries might have tendency of showing unexpected level of

voluntary financial reporting on the internet. Finding is not consistent with prior studies that found positive association between certain industries (such as technology and industrial products industries) and internet financial reporting (Debreceeny et al., 2002; Noor-Azizi & Mahamad, 2000; Xiao et al., 2004). However, due to the negative significant association, finding might suggest that the scenario on internet financial reporting during this study time period might not be similar to the scenario in prior literature with regards to industry issue. Otherwise, finding might also suggest possibility that nowadays most firms tend to report and disclose more financial information on the internet regardless of type of industries.

Limitation of Study

The finding might be limited to results because the sample data consist of 115 firms. Especially with regards to industry issue, the vast difference in number of firms within each industry group might limit inferences on the findings to some extent.

6.0 Conclusion

This study investigate level of voluntary internet financial reporting as well as factors influencing the level of the reporting among listed firms in Malaysia having their websites linked to Bursa Malaysia (i.e. the Malaysian stock exchange). The factors examine include management ownership, government ownership, block ownership, international operations and industry. The results provide very interesting and important findings. One of the finding is that none of the ownership variables show significant association with voluntary internet financial reporting. Finding might suggest that concentrated ownership might not have the expected power to control voluntary information disclosure in

Malaysia environment, especially among our sample firms. Otherwise firms in Malaysia might prefer to provide more voluntary information regardless of type of ownership.

The second major finding is that type of industry expected to provide higher voluntary internet financial reporting do not react as such. The industry group comprising of technology, consumer products, industrial products, and trading and services tend to report lower internet financial reporting compared to industry group comprising mainly of construction, property and plantation industries. One argument is that during the time period of this study, providing voluntary financial reporting on the internet among firms in Malaysia is not related to any specific industries but practiced and preferred by all industries.

Finally, with regards to a developing capital market such as Malaysia, the finding on international operations significantly influencing voluntary internet financial reporting is definitely crucial. It is especially a very important result that should be seriously taken into consideration by firms' stakeholders. For example, stakeholders will find that firms with high international operations tend to report high internet financial reporting suggesting firms prefer to be transparent the more they grow globally. It is also one easier and faster way to attract attention at international level. Especially financial analysts and investors apart from other stakeholders should utilise this finding for the purpose of their investments decision.

Apart from the empirical findings, this study has also propose a new disclosure index that might be use or could be refine by other researchers in the future. Even though the disclosure index proposed 19 items voluntary disclosure information, however none of the sample firms disclose higher than 53% level because the maximum disclosure was at

10 items only. This study has provided a strong basis to investigate further on the issue of voluntary internet financial reporting. It is suggested that future research should update data from this study and investigate more factors that might influence voluntary internet financial reporting and future research should investigate on capital market reaction towards the reporting of voluntary information on the internet.

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An Appraisal of the Central Bank of Malaysia Act 2009: with special reference to the Shariah Advisory Council

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Abstract

The passing of the Central Bank of Malaysia Act 2009 (Act 701) has granted the authority to the Central Bank of Malaysia (BNM) for the establishment of the Shariah Advisory Council (SAC), which shall be the sole authority for the ascertainment of Islamic law for the purposes of Islamic banking and financial businesses in Malaysia. The objective of this paper is to examine the relevant provisions of the Act relating to the establishment and authority of the Shariah Advisory Council as well as its legal effect on the civil courts in Malaysia. The methodology of research in this article is through reference of relevant judicial decisions in order to illustrate the application of the law. The finding shows that all rulings made by Shariah Advisory Council with respect of Islamic banking and financial transactions are binding and should be respected by all parties as far as the new Central Bank of Malaysia Act 2009 is concerned.

Keywords: *Shariah Advisory Council, Islamic financial business, civil court, judicial decisions.*

1.0 Introduction

The Central Bank of Malaysia Act 2009 (CBA) was passed to provide for the continued existence of the Central Bank of Malaysia and for the administration, objects, functions and powers of the Bank, for consequential or incidental matters (1). It provides that the Central Bank of Malaysia which was established under the repealed Act shall continue to exist and subject to the new legislation with the principal objective to promote monetary and financial stability conducive to the sustainable growth of the Malaysian economy (2).

The new Act consists of 15 Parts with 100 Sections and 3 Schedules as compared to 9 Parts with 56 Sections under the 1958 Act. It was passed by the Parliament in July 2009 and received the Royal Assent on 19 August 2009. The Act was subsequently published in the Gazette on 3 September 2009 and came into effect on 25 November 2009 (3).

The Governor of the Central Bank of Malaysia had, in her opening and keynote address at the SEACAN-BNM Banking and Financial Law School 2009 on 24 September 2009 said to the effect that the CBA 2009 represents the culmination of more than 2 years work to address the issues and challenges arising from greater financial globalisation and the growing importance of international cooperation to ensure sustainable economic and financial integration across national borders.

(1) Preamble of the Act.

(2) Section 5 Act 701.

(3) Except paragraph 23(8)(b) and section 61 to 66 [(P.U.(B) 533/2009]

The most significant provision of the newly passed legislation is Part VII under the heading "Islamic financial business". Part VII is divided into 2 chapters i.e. Chapter 1 Shariah Advisory Council (Section 51 to 58) and Chapter 2 (Section 59-60) Powers of the Bank. Part VII directly provides for the Islamic financial business which is defined under section 2 as "*any financial business in ringgit or other currency which is subject to the laws enforced by the Bank and consistent with the Shariah*". Thus, this paper shall now focus on Chapter 1 of this Part VII of the Act which deals with the establishment of the Shariah Advisory Council of Central Bank of Malaysia.

2.0 History of Acts relating to Shariah Advisory Council (SAC)

The repealed legislation (Act 509) was amended in 2003 to insert section 16B which provides for the establishment of an Advisory Council which shall be the authority for the ascertainment of Islamic law for the purposes of Islamic banking business, takaful business, Islamic financial business, Islamic development financial business, or any other business which is based on Shariah principles and is supervised and regulated by the Central Bank of Malaysia.

The 2003 amendment was meant to provide a better position on the National SAC whereby it uplifts the position of Islamic banking and finance in Malaysia. It should be noted that an Islamic bank may also seek the advice of the SAC on Shariah matters relating to its banking business and the Islamic bank shall comply with the advice of the SAC by virtue of section 13A of the Islamic Banking Act 1983 (IBA) and it is mandatory for the Islamic banks to comply with the advice given by the SAC pursuant to such request. The provision gives indication that the SAC has advisory powers over the Islamic banks, where liaison and

common understanding between the SAC and Shariah Committee of Islamic financial institutions is expected. This statutory requirement will ensure that Shariah compliance is always strictly observed and adhered by the Islamic banks with the advice of the SAC (4).

Section 124(3) and (4) of the Banking and Financial Institutions Act 1989 (BAFIA) provide that any licensed institution carrying on Islamic banking business and Islamic financial business may refer to BNM's SAC and shall comply with directions on Islamic banking business and Islamic financial business issued by BNM in consultation with its SAC. However, the licensed institutions referred to under the Act are not Islamic banks, but conventional banks offering Islamic banking and financial services. Similar requirement is also applicable for takaful business under the Takaful Act 1984 which states that takaful operator, takaful agent, takaful broker or adjuster may seek the advice of the Syariah Advisory Council on Shariah matters relating to its or his takaful business and the takaful operator, takaful agent, takaful broker or adjuster shall comply with the advice of the Shariah Advisory Council (5).

Section 16B CBA 1958 further states that where in any proceedings relating to Islamic banking business and Islamic financial business which is based on Shariah principles before any court or arbitrator any questions arises concerning a Shariah matter, the court or the arbitrator may refer such question to the SAC for its ruling. Any ruling made by the SAC pursuant to a reference by a court, be taken into consideration by the court and if the reference was made by an arbitrator, be binding on the arbitrator.

(4) Engku Rabiah Adawiah bt Engku Ali (2008), *Constraints and Opportunities In Harmonisation Of Civil Law And Shariah In The Islamic Financial Services Industry* [2008] 4 MLJ i; [2008] 4 MLJA 1.

(5) Section 53A

Reference to the Current Law Journal and Malayan Law Journal shows that the civil courts have in fact referred to section 16B and acknowledged the requirement of the provision but elected not to refer to the Shariah Advisory Council on the ground that the ruling made by the Council has no binding effect on them.

In this respect, Suriyadi Halim Omar J in the case of *Arab Malaysian Merchant Bank Bhd v. Silver Concept Sdn Bhd* (6) had ruled that:

"Under the above new s16B of the Act A1213, the Shariah Advisory Body appears to have rather wide scope of referral and not merely confined to issue of whether the matter at hand involves any element which is not approved by the Religion of Islam. Needless to say the final say must rest with the presiding judge (see s16B (9) (a))."

Prior to that, the Kuala Lumpur High Court in the case of *Tahan Steel Corporation Sdn Bhd v. Bank Islam Malaysia Bhd* (7) decided that the ruling of the Shariah Advisory Council was not sought after in that case because the parties knew that the whole banking transaction in the present case was Islamic in nature.

Abdul Wahab Patail J in the case of *Affin Bank Bhd v. Zulkifli Abdullah* (8) was of the view that reference to SAC is not necessary and the reason is stated in the following words:

(6) [2006] 8 CLJ 9.

(7) [2004] 6 CLJ 25.

(8) [2006] 1 CLJ 438

"Since the question before the court is the interpretation and application of the terms of the contractual documents between the parties and of the decisions of the courts, thus reference of this case to another forum for a decision would be an indefensible abdication by this court of its function and duty to apply established principles to the question before it. It is not a question of Syariah law."

The learned judge in the case of *Malayan Banking Bhd v. Ya'kup Oje & Anor* (9) pointed out that Islamic contract relating to commercial transactions is not only subject to the terms of the contract but must be decided subject to the Qur'anic injunctions and/or Islamic worldview as the case may be and for this very purpose, the court can on their own motion decide the issue or alternatively call experts to give their views, pursuant to section 45 of the Evidence Act 1950 or refer the necessary questions to the SAC for their views. Unfortunately no reason was given why the court in that case did not refer the case to the SAC for its ruling.

The counsel for the Plaintiff in the case of *Tan Sri Khalid Ibrahim v. Bank Islam Malaysia Berhad* (10) had tendered 3 expert opinions from Shariah scholars to support their contention that the BBA contract entered into by the Plaintiff and Defendant was null and void. Relying on the provision of section 16B (8), Dato' Rohana Yusuf J in that case, after the submission was made before her by both counsels on the Shariah issue raised; had caused an enquiry to be made to the SAC as to whether a ruling has been made on the status of BBA agreement. The secretariat to Shariah Advisory Council responded with a written ruling from the Shariah Advisory Council which states essentially, that BBA

(9) [2007] 5 CLJ 311.

(10) [2009] 6 MLJ 416 (Case No: D4-22A-216-2007 and D4-22A-227-2007).

agreement is acceptable and a recognized transaction in Islam. She had in fact furnished the said written ruling from the Council to both counsels.

The learned judge had in his judgment stated that:

"Having examined the SAC, its role and functions in the area of Islamic Banking, I do not see the need for me to refer this issue elsewhere though I am mindful that under s. 16B (7) I am not bound by its decision. From its constituents in s. 16B (2) the members are made of people of varied disciplines besides Shariah scholars. This, I believe will enable the body to arrive at a well informed decision instead of deciding the Shariah issue in isolation. Bearing in mind the response from the SAC to this case, namely, that BBA is a recognized form of transaction and is within Shariah, I have no hesitation to accept that view and will not venture any further into its finding. In addition to that, I hold the view that since there are differences in Shariah views, parties may generally enter into an agreement basing on any particular view or opinion and they are bound by the contracting terms based on that particular Shariah position."

Raus Sharif JCA when delivering judgment in the case of *Bank Islam Malaysia Berhad v. Lim Kok Hoe and Anor and Other Appeals* (11) had stated that:

(11) [2009] 6 CLJ 22 at page 39.

"The court will have to assume that the Syariah advisory body of the individual bank and now the Syariah Advisory Council under the aegis of Bank Negara Malaysia, would have discharge their statutory duty to ensure that the operation of the Islamic banks are within the ambit of the Religion of Islam. This is more so, when the customers in these appeals have not made any allegations that the Syariah Advisory Body of BIMB or the Syariah Advisory Council established by the Bank Negara had failed to exercise their statutory duties. Thus, the learned judge, with respect, should not have taken upon himself to rule that the BBA contracts were contrary to the Religion of Islam without having any regard to the resolutions of the Syariah Advisory Council of the Central Bank Malaysia and the Syariah Advisory body of BIMB on the validity of BBA contracts."

The learned judges of the Court of Appeal in the case agreed with the observation made earlier by Suriyadi Halim Omar J in the case of *Arab Malaysian Merchant Bank Bhd v. Silver Concept Sdn Bhd* (12) and ruled that judges in civil courts should not take upon themselves to declare whether a matter is in accordance to the religion of Islam or otherwise.

The question whether the bank business is in accordance with the religion of Islam is required consideration and deliberation by eminent jurists who are properly qualified in the field of Islamic jurisprudence.

Thus, the newly passed CBA 2009 is intended to ratify the above situation and it is done by granting the authority to the Central Bank of

(12) [2006] 8 CLJ9.

Malaysia for the establishment of the Shariah Advisory Council as the highest and sole authority to be referred by the civil courts in dealing with Islamic banking and finance cases in Malaysia.

3.0 The Establishment of Shariah Advisory Council

The passing of the Act is intended to further enhance and improve the Shariah governance framework in Islamic financial system with special reference to the establishment of the Council, its functions, method of appointment, qualification and criteria of the members and the status of Shariah rulings issued by the Council under the law.

The Shariah Advisory Council on Islamic Finance shall be established by the Central Bank of Malaysia by virtue of section 51 and the Council shall be the authority for the ascertainment of Islamic law for the purposes of Islamic financial business in Malaysia. To achieve this objective, the SAC is given authority to determine its own procedures in carrying out their duties under the Act.

The members of the SAC shall be appointed from amongst persons who are qualified in the Shariah or who have knowledge or experience in the Shariah and in banking, finance, law or such other related disciplines and the appointment shall be made by the Yang di-Pertuan Agong on the advice of the Minister of Finance after consultation with the Central Bank of Malaysia as provided under section 53. The appointment of the members of the Shariah Advisory Council by the Yang di-Pertuan Agong shows that the status of the members is at par with the civil court judges who are also appointed by the Yang di-Pertuan Agong (13).

(13) Tengku Dato' Hasmuddin Tengku Othman (2009), *Isu-isu Perundangan Dalam Kewangan Islam*.

The provision further states that if a judge of the High Court, the Court of Appeal or the Federal Court is to be appointed as member of the Council under subsection (1), such appointment shall not be made except after consultation by the Bank with the Chief Justice; and in the case of a judge of the Shariah Appeal Court of any State or Federal Territory, after consultation by the Bank with the Chief Shariah Judge of the respective State or Federal Territory, as the case may be (14).

A member of the SAC appointed under subsection (1) shall hold office on such terms and conditions as may be provided in their respective letters of appointment, and shall be eligible for reappointment (15) and the members of the SAC shall be paid such remuneration and allowances as may be determined by the Board from the funds of the Bank (16).

The members of the SAC of Central Bank of Malaysia for 2008/2010 term are (17):

1. Dr. Mohd Daud Bakar (Chairman).
2. Dato' Dr. Abdul Halim Ismail (Deputy Chairman).
3. Y. A.A. Tun Abdul Hamid Haji Mohama.
4. Y. Bhg. Tan Sri Datuk Sheikh Ghazali Hj. Abdul Rahman.
5. S.S. Dato' Haji Hassan Haji Ahmad.
6. Y. Bhg. Datuk Haji Md. Hashim Haji Yahaya.
7. Y. Bhg. Dato' Wan Mohamad Dato' Sheikh Abdul Aziz.
8. Assoc. Prof. Dr. Engku Rabiah Adawiah Engku Ali.
9. Dr. Mohamad Akram Laldin.
10. Dr. Muhammad Syafii Antonio.

(14) Section 53 (2) Act 701.

(15) Section 53 (3) Act 701.

(16) Section 53 (4) Act 701.

(17) Source: Official website of Malaysia International Islamic Finance Centre at www.mifc.com on 28 June 2010.

The functions of the SAC are (18):

- (a) To ascertain the Islamic law on any financial matter and issue a ruling upon reference made to it in accordance with Part VII of the Act.
- (b) To advise the Bank on any Shariah issue relating to Islamic financial business, the activities or transactions of the Bank;
- (c) To provide advice to any Islamic financial institution or any other person as may be provided under any written law in force in Malaysia; and
- (d) Such other functions as may be determined by the Bank.

Section 55 further stipulates that the Bank shall consult the SAC on any matter relating to Islamic financial business; and for the purpose of carrying out its functions or conducting its business or affairs under this Act or any other written law in accordance with the Shariah, which requires the ascertainment of Islamic law by the SAC. In executing its duties and responsibilities, the SAC shall examine and endorse the validity of application of Shariah in Islamic financial products which are submitted by Islamic financial institutions under the supervision of the Central Bank of Malaysia.

The SAC would also issue Shariah resolutions and decisions relating to their relevant jurisdictions from time to time. The resolutions issued have been published by the Central Bank and translated into various languages and is being used as a reference point by industry and academicians around the globe. The SAC, in their respective capacity as advisory bodies, can make pronouncements; respond to inquiries and

(18) Section 53 (1) Act 701.

proposals from the industry as well as encourage innovation through progressive guideline formulation. Undeniably the progressive approach of the SAC has allowed the banking and takaful industry to flourish by cultivating an environment for product innovation and flexibility while ensuring compliance with Shariah principles.

It is stated in the Resolutions of Shariah Advisory Council of Bank Negara Malaysia (BNM/RH/GL/012-2) that the issuance of the Shariah resolutions aims to disseminate all Shariah resolutions issued by the SAC and to facilitate Islamic financial institutions in developing financial products by providing reference in Shariah matters as well as to promote harmonisation of Shariah interpretation in Islamic finance industry. In this respect, the civil courts would be guided by the published Shariah resolutions made by the Shariah Advisory Council of Bank Negara Malaysia and the Shariah Committee of Islamic financial institutions to seek clarification on Shariah issues presented to the court by the litigants.

Section 55 (2) further provides that any Islamic financial institution in respect of its Islamic financial business, may refer for a ruling; or seek the advice, of the SAC on the operations of its business in order to ascertain that it does not involve any element which is inconsistent with the Shariah. It is argued that the earlier mentioned provisions of the Banking and Financial Institutions Act 1989, Islamic Banking Act 1983 and Takaful Act 1984 apply here.

The requirement for reference to SAC for ruling from court or arbitrator is expressly provided in section 56 (1) which states that:

"Where in any proceedings relating to Islamic financial business before any court or arbitrator any question arises concerning a Shariah matter, the court or the arbitrator, as the case may be, shall

(a) take into consideration any published rulings of the Shariah Advisory Council; or

(b) refer such question to the Shariah Advisory Council for its ruling."

The provision requires the judge or arbitrator who is presiding over any dispute arising from Islamic financial business to refer to the published rulings of the SAC to request for advice from the SAC to determine any issue concerning a Shariah matter before them. Any request for advice or ruling of the SAC under this Act or any other law shall be submitted to the secretariat which is established under section 54.

The repealed section 16B (8) of the Central Bank Act 1958 stipulates that:

"Where in any proceedings relating to Islamic banking business and Islamic financial business which is based on Syariah principles before any court or arbitrator any questions arises concerning a Syariah matter, the court or the arbitrator may refer such question to the Syariah Advisory Council for its ruling. Any ruling made by the Syariah Advisory Council pursuant to a reference by a court, be taken into consideration by the court and if the reference was made by an arbitrator, be binding on the arbitrator".

Section 16B (8) of the repealed Act had in fact conferred power to the court to take into account any written directives issued by the Central Bank. This directive could be issued by the bank to mitigate the defaulting sum to avoid injustice in the judgment of the court (19).

In order to ensure that any deliberation of the SAC will bind the courts and not only the financial institutions and the arbitrator as provided under the repealed Act, section 57 comes into play. It provides that any ruling made by the SAC pursuant to a reference made under Chapter VII shall be binding on the Islamic financial institutions under section 55 and the court or arbitrator making a reference under section 56. The provision clearly states that any ruling made by the SAC will be binding on the civil court and the arbitrator which means the court and the arbitrator must follow the ruling to arrive at their decision and the ruling shall form part of the judgment of the court in Islamic banking and finance cases (20).

Former Chief Justice Dato' Abdul Hamid Mohamad (as he then was) pointed out that based on the current legal system in Malaysia, the provision can be considered as the best dispute resolution mechanism as far as Islamic banking and finance in Malaysia is concerned (21).

(19) Abdul Rani Kamarudin (2007), *Istihsanas The Basis of Shariah Compliancy in Bai Bithaman Ajil End Financing With Special Reference to the Case of Malayan Banking Berhad v. Ya'kup bin Oje & Anor* [2007] 6 MLJ 389 at [2007] 6 MLJ lxxvi, [2007] 6 MLJA 76.

(20) Tengku Dato' Hasmuddin Tengku Othman (2009), *Isu-isu Perundangan Dalam Kewangan Islam*.

(21) Tun Abdul Hamid Mohamad (2009), *Interlink/Interface Between Civil Law System and Shariah Rules and Principles and Effective Dispute Resolution Mechanis*.

The new Act is intended to resolve the issues which have arisen before the coming into effect of the Act especially the legal effect of the rulings issued by the SAC. However, there still exist certain issues which need to be addressed such as the issue of reasonability and equality and most important, public perception towards Islamic banking products and Islamic financial system itself.

At this point, issue arises as to whether or not the provision for reference to the SAC by the court is adequate to determine the applicability of the Shariah rulings and principles in Islamic financial matters. Do we still need other form of legal framework which is more detail and transparent in its true sense? The issues must be dealt with carefully to preserve the stability and viability of the Islamic financial system in Malaysia (22). The binding effect of the Shariah rulings issued by the Council has in fact been made clear by new Act, but the issue whether or not the referral requirement will be adhered to by the civil courts will take some time to be determined since the new Act only came into effect on 25 November 2009.

To further strengthen the authority of the SAC, section 59 provides that the Central Bank may issue such written circulars, guidelines or notices on any Shariah matter relating to the Islamic financial business carried on by any Islamic financial institution in accordance with the advice or ruling of the SAC. The Shariah Resolutions are applicable to all Islamic financial institutions regulated and supervised by Bank Negara Malaysia by virtue of section 126 of the Banking and Financial Institutions Act 1989 (BAFIA) and section 53A of the Islamic Banking Act 1983 (IBA).

(22) Engku Rabiah Adawiyah Engku Ali (2009), *Isu-isu Perundangan dan Kehakiman dalam Kewangan Islam*.

Section 126 BAFIA states to the effect that:

"The Bank or the Minister may generally in respect of this Act, or in respect of any particular provision of this Act, or generally in respect of the conduct of all or any of the licensed or scheduled businesses, issue such guidelines, circulars, or notes as the Bank or the Minister may consider desirable."

Section 53A IBA confers power to the Central Bank or the Minister to issue such guidelines, circulars or notes may, from time to time, as the Central Bank or the Minister may deem expedient or necessary for carrying into effect the objects of the Act.

Section 59 (2) CBA requires that an Islamic financial institution shall comply with any written circulars, guidelines or notices issued by the Bank under subsection (1) and within such time as may be set out in the circulars, guidelines or notice. Subsection (b) further provides that any person who fails to comply with any circulars, guidelines or notices issued by the Bank under subsection (1) commits an offence and shall, on conviction, be liable to a fine not exceeding three million ringgit.

Apart from the establishment of Shariah Advisory Council of Central Bank, all Islamic financial institutions are required to set up their own Shariah Committee to advise the institutions on Shariah matters in the carrying out of the Islamic banking and takaful business.

Under the 1958 Act, the Central Bank has prepared the Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions that regulates the governance of Shariah Committee of an Islamic financial institution. These Guidelines shall be applicable to all

Islamic Financial institutions regulated and supervised by Malaysia Central Bank which includes an Islamic bank licensed under the Islamic Banking Act 1983 (IBA); a financial institution licensed under the Banking and Financial Institutions Act 1989 (BAFIA) which participates in the Islamic Banking Scheme (BAFIA IBS bank); a development financial institution prescribed under the Development Financial Institutions Act 2002 (DFIA) which carries on Islamic Banking Scheme; and a takaful operator registered under the Takaful Act 1984 (TA).

With the coming into effect of the new Act, no circular or directive has been issued for the discontinuance of the guidelines thus it will continue to be applicable to regulate the procedure for the appointment of Shariah committee members of Islamic financial institutions.

To this effect, section 58 provides that where the ruling given by a Shariah body or committee constituted in Malaysia by an Islamic financial institution is different from the ruling given by the Shariah Advisory Council; the ruling of the Shariah Advisory Council shall prevail and be applicable.

4.0 Conclusion

The Islamic financial system in Malaysia is supported by comprehensive Shariah, legal and regulatory as well as supervisory framework to ensure the soundness and stability of the Islamic financial system in Malaysia. The Central Bank of Malaysia Act 2009 expressly codifies the duality of the Malaysian financial system which consists of the Islamic financial system and the conventional financial system.

It is well settled that Islamic finance disputes fall under the jurisdiction of the civil courts and not the Shariah courts where the

jurisdiction is limited only to matters related to persons professing the religion of Islam. Thus, reference to the SAC is required to preserve consistency and predictability in interpretation and application of Shariah principles for financial transaction in Malaysia. Reference to two main law journals i.e. the Current Law Journal and the Malayan Law Journal shows that after the passing of the Act, there is no reported case where ruling by the SAC is sought after by the civil courts. Perhaps, in the near future, more and more cases on Islamic finance will be adjudicated by the civil courts and decided in accordance with the requirement of the Act.

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The Implication of Financial Market Development and Foreign Direct Investment (FDI) on Economic Growth in case of Malaysia

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Abstract

This paper empirically examines the implication of financial market development and foreign direct investment (FDI) to enhance economic growth in Malaysia. This study also examines the individual impact of financial market development and foreign direct investment on economic growth. This study uses the autoregressive distributed lag (ARDL) bound test approach that cover from 1970-2009 annually basis for Malaysia. The result shows that financial market development and foreign direct investment are positive impact on economic growth and the regression for individual impact of financial market development are negative sign to economic growth but foreign direct investment are positive impact on economic growth. So, financial market development and FDI must work together or complementary with each other in improving economic growth.

Keywords: Financial market development, FDI, Economic growth, ARDL bound test

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1.0 Introduction

In the financial system funds flow from those who have funds to those who have a shortage of funds, either by direct that is market-based financing and by indirect, bank-based financing. The former British Prime Minister William Gladstone expresses the importance of finance for the economy in 1858 as follows "Finance is, as it were, the stomach of the country, from which all the other organs take their tone". Financial market system comprises all financial markets, instruments and institutions. Development of financial market system is important for economic growth. Some economists do not believe that the finance-led growth relationship is important. For instance, Robert Lucas asserted in 1988 that economists badly over-stress the role of financial factors in economic growth. Moreover, Joan Robertson declared in 1952 that "where enterprise leads, finance follows". According to this view, economic development creates demands for particular types of financial arrangements, and the financial system responds automatically to these demands. Other economists strongly believe that the importance of financial system for economic growth. Overall, the notion seems to develop that the optimal financial system, in combination of well-developed legal system, should incorporate an element of both direct that is market-based, and indirect, bank-based finance. A well-developed financial market system should improve the efficiency of financial decision, favoring a better allocation of resources and thereby economic growth.

Role of financial market system is to intermediate between lenders and borrowers, providing a menu of savings vehicles with differing risk and return characteristics, and helping investors find the financing they need, taking into account the returns and risks on the projects they wish to undertake. There are two views on the importance of the financial

market system during development. The first view is that the financial market sector does not matter very much, and that any correlation between financial development and growth is a result of growth leading development. Robert Lucas, who is celebrated 1988 paper on development said "be abstracting from all monetary matters, treating all exchange as though it involved goods-for-goods. In general, he believes that the importance of financial matters is very badly over-stressed in popular and even much more professional discussion and so is not inclined to be apologetic for going to the other extreme". The second view is that the efficient financial market system is key to development. In this classic view, *Lombard Street*, published in 1873, Walter Bagehot argued that it was England's efficient capital markets that made the industrial revolution possible. Then Schumpeter (1912), wrote in his book "The Theory of Economic Development", contended that financial market development causes economic development that the financial market promotes economic growth by funding entrepreneurs and in particular by channeling capital to entrepreneurs with high return projects.

The financial market system interacts with real economic activity through the various functions by which it facilitates economic exchange. The financial market system plays an important role in economic activity by mobilizing funds and transforming funds into assets that can better meet the needs of investors. With facilitating portfolio diversification, financial intermediaries allow savers to maximize returns to their assets and to reduce risk. Financial intermediaries transfer resources across time and space, thus allowing investors and intermediaries to transfer resources across time and space, thus allowing investors and consumers to borrow against future income and meet current needs. It will enable the deficit unit to overcome financing constraints and the difficulties arising from mismatches between income and expenditure flows. Financial institutions play an important role in

easing the tension between savers preference for liquidity and entrepreneurs' need for long-term finance. Therefore, at any given level of saving, an efficient financial system will allow for a higher level of investment by maximizing the proportion of saving that actually finances investment (Pagano 1993). With an efficient financial system, the resources will also be utilized more efficiently due to the ability of financial intermediaries to identify the most productive investment opportunities. Financial systems also play an important role in creating a pricing information mechanism. By providing a mechanism for appraisal of the value of firms, financial systems allow investors to make informed decisions about the allocation of their funds.

Financial intermediaries can mitigate information asymmetries that characterize market exchange. One party to a transaction often has valuable information that the other party does not have. In such circumstances, there may be unexploited exchange opportunities. In the case of a firm, information imperfections can result in sub-optimal investment. When a manager cannot fully and credibly reveal information about a worthy investment project to outside investors and lenders, the firm may not be able to raise the outside funds necessary to undertake such a project (see Myers and Majluf 1984). The financial market system can enhance efficiency in the corporate sector by monitoring management and exerting corporate control (Stiglitz 1985). Savers cannot effectively verify the quality of investment projects or the efficiency of the management. Financial intermediaries can monitor the behavior of corporate managers and foster efficient use of borrowed funds better than savers acting individually. Financial intermediaries thus fulfill the function of "delegated monitoring" by representing the interests of savers (Diamond 1984). Financial markets also can improve managerial efficiency by promoting competition through effective takeover or threat of takeover (Jensen and Meckling, 1976).

The development of financial market system of the recipient country is an important precondition for FDI to have positive relationship with the economic growth. The financial market system enhances the efficient allocation of resources and from this it improves the absorptive capacity of a country with respect to the FDI inflows. Basically a more developed system may contribute to the process of technological diffusion associated with FDI. Recent studies have developed an endogenous growth model to demonstrate how the development of financial markets can accelerate economic growth (King and Levine, 1993; Levine and Zervos, 1996, 1998; Rousseau and Wachtel, 1998; Levine et al. 2000; Hondroyiannis et al. 2004). The speed of technological innovation and patterns of economic growth of a country are highly dependent on the evolution of the domestic financial sector, which acts as a mechanism to channel financial resources between surplus and deficit units. Financial systems that are more effective at pooling the savings of individuals can profoundly affect economic development. Besides the direct effect of better savings on capital accumulation, better savings mobilization can improve resource allocation and boost technological innovation (Levine, 1997). Foreign direct investment can be defined as categories of international investment that reflect the objectives of a resident in one economy that is the direct investor obtaining a lasting interest in an enterprise resident in another economy that is the direct investment enterprise. A direct investment relationship is established when the direct investor acquires 10 percent or more of the ordinary shares or voting power of an enterprise abroad (IMF, 1993). This is contrasted against portfolio investment or loans, which do not acquire any controlling stake in the local enterprises. Such as FDI is more stable and longer term while the portfolio investment and loan tend to be short term and volatile in its characteristic.

Foreign direct investment (FDI) is an important aspect of the recent wave of globalization. The role of foreign direct investment has been widely recognized as a growth-enhancing factor in developing countries. FDI can promote economic growth in the host country through a variety of channels. FDI provides incentives to competition, innovation, and economic development. Furthermore, FDI often leads to a transfer of technology to the affiliates of multinational firms in the host countries through the interaction between multinational firms and domestic suppliers, customers and worker mobility. From the previous literature emphasis that the positive role of FDI on economic growth. FDI helps in increasing capital formation and economic growth by introducing new technologies such as new production techniques, managerial skills, ideas, and a variety of new capital goods (Levine, 1997). Although a great deal of attention has been devoted to the impact of FDI on the host country's economic growth, the linkage between FDI and economic growth has been a topic for extended debate. The effects of FDI on economic growth can come through several important channels. Recent literature shows that a country's capacity to take advantage of these externalities might be limited by local conditions. This means that developing countries need to reach a certain level of development in technology, human capital, and infrastructure before being able to capture the benefits associated with FDI.

In the Malaysia economy, FDI plays several important roles. The most important role was to generate economic growth by increasing domestic capital formation. According to Krugman and Obstfeld (1994), "FDI functions as one way to bridge an inter-temporal gap of capital demand and supply, and, like other capital inflows, increases the production frontier of developing countries, which normally suffer a shortage of capital". Then, by Ishak and Rahmah (2002) "FDI provided an additional source of capital and expanded host country production

activities. The inflows of capital in the form of FDI allow host economies to invest in production activities beyond what could be achieved by investing domestic savings alone".

Despite the obvious effect of FDI on economic growth, a good financial system also plays an important role. Recent studies have developed an endogenous growth model to demonstrate how the development of financial markets can accelerate economic growth (King and Levine, 1993; Levine and Zervos, 1996, 1998; Rousseau and Wachtel, 1998; Levine et al. 2000; Hondroyiannisa et al. 2004). The speed of technological innovation and patterns of economic growth of a country are highly dependent on the evolution of the domestic financial sector, which acts as a mechanism to channel financial resources between surplus and deficit units. Financial systems that are more effective at pooling the savings of individuals can profoundly affect economic development. Besides the direct effect of better savings on capital accumulation, better savings mobilization can improve resource allocation and boost technological innovation (Levine, 1997).

1.1 Objectives of the Study

Examine the role of foreign direct investment (FDI) and financial market development on economic growth to see the impact whether foreign direct investment (FDI) and financial market development are important determinant to the economic growth.

1. To analyze the role of financial market development and FDI on economic growth.
2. To determine does financial market development and FDI can work separately in improving economic growth.

1.2 Problem Statement

Financial market can be defined as the group that facilitate the flow of capital and credit among the various economic agent that participate into the economy, such as companies, individuals, investors and the public. Financial market can know as the channel that transfer funds from the surplus unit to deficit units of the economy. The important of liquid and deep financial market to economic growth can be hardly over emphasized. At a very broad level, financial market are the venues where borrowers and lenders interact and capital is raised for real investment and then get reallocated among investors. In addition, governments and central banks may have a vested interest in developing liquid financial market for the conduct of their fiscal and monetary policy implication. In order for important economic activities such as capital allocation process, monetary policy implementation and government borrowing to take place efficiently, economies must continue their effort to develop financial market. These efforts must be expended along multiple dimensions as the development of deep and liquid financial market depends on a number of factors such as regulatory policies, fiscal and exchange rate policies, bankruptcy laws, trade patterns, infrastructure for trading and intermediation, access to the market for global investors and incentive for financial innovation. All of these are the factors that influencing financial market development in improving economic growth.

The role of FDI, nevertheless, is more important in transferring technology know-how embodied in human capital. The presence of FDI inflows will entail crucial knowledge transfer in terms of training, skill acquisition, new management practices, and organizational arrangements. All of these will contribute to a higher level of productivity and efficiency in human capital or labour, which in turn leads to a higher

level of economic growth. Alternatively, FDI may bring technological change that is neutral to both capital and labour by increasing the level of technology in the recipient country. In this regard, FDI can influence economic performance through a learning process. Specifically, FDI diffuses knowledge about methods of production, product design, marketing channels, new organizational and managerial techniques, and fully occupied factor endowments of the recipient country (Dunning 1988, 1995). In this light, imitation becomes a crucial element. FDI may also enhance the productivity of domestic research and development (R&D) activities.

Without FDI inflows, many researchers argued that developing countries would not grow at sufficiently rapid rates required to transform their economies from a backward to a modern state. For instance, Borensztein, De Gregorio, and Lee (1998) highlighted the crucial roles played by both local and foreign technologies in promoting economic growth. This is evidenced from their statement '... the rate of economic growth of a backward country depends on the extent of adoption and implementation of new technologies that are already in use in leading countries'. The above technology diffusion from a foreign leading country to the recipient economy, according to the authors, could be channeled through FDI.

However, the effect of FDI would be limited if the recipient country does not meet the minimum threshold of absorptive capacity in terms of human capital and technological skills (de Mello 1996, 1997; Borensztein, De Gregorio, and Lee 1998). The study, nonetheless, raises doubt as to whether the impact of FDI on long-run growth can be attributed to financial development. In other words, can a plausible FDI-growth model without financial sector indicator be constructed? Economists have increasingly shifted their attentions to the dynamic

relationships between FDI-growth and finance-growth linkages, away from the traditional static models of growth on which the empirical estimates of the relationships have been based. In this regard, the empirical investigation on the link between financial sector development and economic performance can be traced back to the work of Schumpeter (1912), and more recently Mackinnon (1973), Shaw (1973), and King and Levine (1993a,1993b).

The rationale for such increased efforts to attract more FDI stems from the belief that FDI has several positive effects which include productivity gains, technology transfer, and the introduction of new processes to the domestic market, international production networks and access to markets. However, sometimes there tend to be excessive expectations of what FDI can really achieve for a country. While it can contribute to the development effort to a country, domestic market conditions are crucial in determining not only quantity but also quality of FDI. These conditions include the policy environment of local country, productive assets available and infrastructure.

Based on this condition, the development of financial market can be adversely limiting the economy's ability of taking advantage of such potential FDI. As McKinnon (1973), stated that the development of capital market is necessary and sufficient to foster the adoption of best practice technologies and learning by doing. In other words, limited access to credit market restricts entrepreneurial development. If entrepreneurship allows greater assimilation and adoption of best technological practices made by available FDI, then the well developed financial market limit the potential positive FDI externalities.

The role of financial market and FDI are very important to influencing the economic growth and well functioning FDI are based on

the well develop of financial market. Does the FDI can well functioning without the financial market and does the financial market can well develop without exist FDI. These are the main question in this research. The role of financial market is based on several factors. What are the important factors that influencing well develops financial market? And does the other factors is not important to develop financial market. The other research question is, does the FDI and financial market have causality relationship between them and how the FDI and financial market development can improve economic growth. This research also explore the theoretical framework for financial market, either bank-based system or market-based system are good theory for financial market development.

2.0 Literature Review

2.1 Theoretical Background

There are both theoretical and empirical evidence suggesting that the development of financial market accelerates economic growth. Schumpeter (1934) stressed the role of banking sectors as a financier of productive investment and in way accelerates to economic growth. Most of the relevant theoretical model has been, however, developed after born of endogenous growth theory. Based on AK-model developed from endogenous growth theory finds those three ways by which the development of financial market can effect economic growth. First, it can increase the productivity of investment. Secondly, more efficient financial sectors reduced the transaction cost and thus widen the share of saving channeled to productive investment. Thirdly, the financial market development can effect saving rate (Pagano 1993).

Greenwood and Jovanovic (1990), Levine (1991), Bencivenga and Smith (1991) and also Saint-Paul (1992) has constructed theoretical model in which an efficient financial market improves the quality of investment and thus accelerates economic growth. Financial sectors also improve liquidity of investment. In a model of Levine (1991), the stock markets improve efficiency because they eliminate the premature liquidation of firm capital. The stock market can influence growth also by increasing the fraction of resources allocated to firms by allowing agents to diversify productivity risk and thus will encouraging risk-averse investors to invest more in firm. In the model constructed by Bencivenga and Smith (1991), the financial sector increase liquidity of investment and decrease the premature withdrawals of investors, with harmful to economic growth. If the financial market works properly, investment to the non-liquid objects, which are more productive to the economy, will be increased.

In the new growth literature the important of technological change for economic growth has been emphasize (Grossman and Helpman , 1991; Barro and Sala-i Martin, 1995). The growth rate at the less develop countries (LDCs) is highly dependent on the extent to which this can adopt and implement new technology available in the develop countries. By adopting new technology and ideas by LDCs may take place and this is FDI.

2.2 Empirical Studies

The role of financial market development and FDI in economic growth is discus widely in the literature. Based on the previous literature, De Mello (1997) argues that FDI enhances long run economic growth through technological progress, capital accumulation and human capital augmentation. The role of financial market in economic growth was first

studied by Schumpeter (1911), and then studied by Patrick (1966) argued that financial market development induces economic growth through the following channel that is reallocation of resources. More recent studies have used the endogenous growth theory approach to study the role of financial market development on economic growth. Greenwood and Jovanovic (1990), showed that financial market institution play an important role in collecting and analyzing information of firms and markets. King and Levine (1993a) also argued that financial market development increase the return on innovation.

Most recent studies have been used the endogenous growth theory to capture the complementary impact of financial market and FDI on economic growth. By Hermes and Lensink (2003), the cost of innovation was specified as function of FDI. This study also showed that financial market development increases the speed of innovation and technological spillover from FDI. Using the ordinary least square method, the studies showed that FDI only have a positive impact on economic growth if the domestic financial sector is well developed.

By Omran and Bolbol (2003) conducted pooled OLS on 17 Arab countries and they found that the impact of FDI on economic growth depends on development of financial market. Then by Choong et al. (2004) analyses the complementary impact using Johansen multivariate cointegration technique and Granger causality test for three developed countries (Japan, US, UK) and six East Asian countries. This study conclude that in the long run, financial market development is crucial for FDI to have positive effects on economic growth, while in short run causality test revealed that financial market development is important in six put of nine countries examined. In a later study, Choong et.al (2005) applied bound test and unrestricted error correction model (UECM) approach on Malaysia and found similar conclusion for both the long run

and short run. This study found the short run elasticity for FDI, financial sector development and the complementary impact to be higher than their corresponding long run elasticity.

On the other hand, Alfredo et al. (2006) proposed the theoretical model where financial market development influences the extent to which FDI promotes higher economic growth in host country via backward linkages. Specifically, by easing credit constraints via lower lending and borrowing rates, financial market development is able to facilitated linkages between foreign firms and domestic firm. The calibration analysis showed that countries with high developed financial sectors tend to have higher returns of FDI on economic growth.

The other research show that the complementary hypothesis is not supported. For example Durham (2004) empirically showed that the complementary effect between FDI and financial market development was not statistically significant in impacting economic growth. Carkovic and Levine (2005) applied system GMM estimator and found that financial market development was not influencing FDI to contribute to economic growth.

Foreign Direct Investment (FDI) in developing economies has grown rapidly following financial and political transformations. Adam et.al (2009), in their research, state that to increase their share of FDI flows, most of the countries ease restrictions on foreign direct investment, strengthened macro stability, privatization of state-owned enterprises, domestic financial reforms, capital account liberalization, tax incentives and subsidies have been instituted (World Bank, 1997a). In addition, stock markets have been established to intermediate funds towards investment projects. The positive response of these structural changes in attracting FDI and consequence on their financial markets

especially stock market instrument is obvious. There has been a considerable research on determinants of financial sector development of late.

Garcia and Liu (1999), Demirguc-Kunt and Levine (1996), Yartey and Adjasi (2007), and many more have analyzed the relationship between financial market development and macroeconomic variables, financial reform, and other country specific factors, and the relationships among the development of the various parts of a financial system. It is clear from the previous studies that financial markets tend to develop as the economy grows and financial reform progresses. Stock market development is embodied in the general financial sector development. In other words, stock market complements the development of other parts of the financial system. For example Singh (1997) find positive relationship between economic growth and stock market development and a large number of empirical studies on the role of FDI in host countries suggest that FDI is an important source of capital, complements domestic private investment, is usually associated with new job opportunities and enhancement of technology transfer, and boosts overall economic growth in host countries.

3.0 Data and Econometric Methodology

3.1 The Empirical Methodology

The econometric model for this empirical analysis is specific as:

$$GDPC_t = f(LL_t, FDI_t, PG_t, GCF_t)$$

$$GDPC_t = \beta_0 + \beta_1 LL_t + \beta_2 FDI_t + \beta_3 PG_t + \beta_4 GCF_t + \varepsilon_t \quad (1)$$

Where:

GDPG = gross domestic product per capital

LL = liquid liabilities

FDI = foreign direct investment

PG = population growth

GCF = growth capital formulation

ε = white noise error term

Subscript t denotes year t

Model (1) is an extension of the econometric model employed in previous empirical studies. Note that (1) is express in time series data form.

Based on (1) the using multiple regression analysis, the log likelihood function of this model is:

$$\ln GDPG_t = \beta_0 + \beta_1 GDPG_{t-1} + \beta_2 LL_{t-1} + \beta_3 FDI_{t-1} + \beta_4 PG_{t-1} + \beta_5 GCF_{t-1} + \sum_{i=1}^3 \beta_{6i} \Delta LN GDPG_{t-1} + \sum_{i=1}^3 \beta_{7i} \Delta LN LL_{t-1} + \sum_{i=1}^3 \beta_{8i} \Delta LN FDI_{t-1} + \sum_{i=1}^3 \beta_{9i} \Delta LN PG_{t-1} + \sum_{i=1}^3 \beta_{9i} \Delta LN GCF_{t-1} + \mu_t \quad (2)$$

where Δ is the first difference operator, μ_t is a white-noise disturbance term and all variables are express in natural logarithms. Equation (2) also can be viewed as ARDL bound test model. Equation (2) indicates that economic growth in terms of GDP per capita tends to be influenced by the other independent variables.

The structural lags are determined by using Akaike's information criteria (AIC). From the estimation (2), the long run elasticity are the coefficient of the one lagged explanatory variable and the short run effect are captured by the coefficient of the first difference from equation (2). After regression of equation (2), the Wald test (F-statistic) was calculated discern the long run relationship between the concerned variables. The Wald test can be conducted by imposing restriction on the estimated long-run coefficient of GDP per capita, liquid liabilities, foreign direct investment, population growth and gross capital formulation. The null and alternative hypotheses are as follow:

$$H_0: \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5$$

$$H_A: \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5$$

The computed F-statistic value will be compared with the critical value in Table CI(iii) of Pesaran et al. (2001). Based on the Pesaran et al., the lower bound critical values assumed that the explanatory variables are integrated of order zero or $I(0)$, while the upper bound critical values assumed that are integrated of order one, or $I(1)$. Therefore if the computed F-statistic is smaller than the lower bound value, then the null hypothesis is not rejected and we conclude that there is no long run relationship between economic growth and the determinant but if the computed F-statistic is greater than the upper bound value, the economic growth and its determinants shared long run relationship. On the other hand, if the computed F-statistic falls between the lower and upper bound values, then the result are inconclusive.

3.2 The Data

The empirical analysis was performed using data from 1970-2009 for Malaysia. Data was collected from International Financial Statistics, (IMF) and World Development Indicators, World Bank (WDI). The dependent variable in this study is economic growth measured by gross domestic product per capital (GDPC). As for the explanatory variable, real FDI inflow as a percentage of GDP (FDI) used to measure for FDI. The proxy for the financial market development is liquid liabilities (LL) that is the value of credit to private sectors allocated by financial intermediaries. The other explanatory variables (control variables) include gross capital formation (GCF) and population growth.

4.0 Result and Discussion

The standard Augmented Dickey-Fuller unit root tests were used to check the order of integration of these variables. The results obtained are reported in [Table 1](#). Based on the ADF test statistic, it was found that all series are stationary at level, that is, they are I(0) variables except population growth (PG) and growth capital formulation (GCF) are non-stationary at level but stationary at first difference. So, we can conclude that this variable are stationary at I(1). Obviously, the mixture of both I(0) and I(1) variables would not be possible under the Johansen procedure. This provides a good reason for using the bound test approach, or ARDL model, proposed by Pesaran et al. (2001).

The estimation of Equation (2) using the ARDL model are reported in [Table 2](#). Using Hendry's general-to-specific method, the goodness of fit of the specification, that is R-squared and adjusted R-Squared are 0.7641 and 0.4497. The robustness of the model has been confirmed by several diagnostic test such as Breusch-Godfrey serial correlation LM test, ARCH test and Jacque-Bera normality test.

Table 3

The estimated coefficient of the short-run and long-run relationship between economic growth and financial market development, FDI, population growth and gross capital formulation are expected to be significant, that is reported on [Table 4](#).

Table 4 reported the short-run and long-run relationship between the variable. For the short-run, the result shows that all variable are insignificant except gross capital formulation is significant at 0.01% level. In the long-run relationship all the variable are significant. The equation for the long-run elasticity is:

$$GDPC = 23.2306 + 2.4307*LL + 0.5079*FDI + 3.6601*PG + 9.6014*GCF \quad (3)$$

Equation (3) indicates that variables such as liquid liabilities, foreign direct investment, population growth and gross capital formulation are positively correlated with the economic growth. This show that if 1% increased in liquid liabilities will result in about 2.4% increased in economic growth. So for the long-run relationship show that the proxy for financial market development and foreign direct investment are positively correlated with the economic growth and this result are consistent with Omran and Bolbol (2003), Chong et al. (2004) and Alfredo et al. (2006) that is in their studies found that the financial market and foreign direct investment can work together in improving economic growth.

Based on the ARDL regressions, the individual impact of financial market on economic growth was found to be negative (-2.1922). However, when the Private Credit was used as proxy for financial

market development, the results show that positive and significant impact on economic growth (4.6535). The result for individual impact of financial market development used the liquid liabilities. Hence the result obtained here are significant and positive relationship depends on the proxy used in measuring financial market development. This is similar to result by Loayza and Ranciere (2006) that is negative impact of financial market development on economic growth. In the regression for the individual impact of foreign direct investment on economic growth was found to be positive and insignificant. This result is consistent with some studies by Balasubramanyam, et al., 1996; De Mello, 1999; Ram and Zhang, 2002). As the conclusion, the financial market development and foreign direct investment must work together to improving economic growth. For the control variable, the result obtained is reported in Table 4. All control variable have the expected sign and interaction between the dependent and independent variables.

5.0 Conclusion

The empirical analysis suggests that financial market development and foreign direct investment are important to economic growth for Malaysia. From the policy perspective, the empirical result obtained in this study has important for Malaysia country. Malaysia should re-consider the sequence of financial market development policies and foreign direct investment policies, similar to the recommendation made by Hermes and Lensink (2003), Alfaro et al. (2004) and others for the Asian and Oceania countries. Malaysia should take this recommendation to take more advantage to be a developing country. Malaysia should improve their domestic financial system to liberalizing the capital account that can be embarking into policies that encourage greater FDI inflows into Malaysia. For example, Malaysia should formulate some policies that can encourage the development of effective financial institution and

financial market that meet the knowledge-based economy such as policies to strengthen the financial sector include developing human capital, maintaining good governance and also try to fostering collaboration between the other countries.

In this paper the role of financial market development and FDI in Malaysia were examined. The ARDL regression analysis was performed to assess if financial market development and FDI have separate and/or complementary impact to the economic growth. The main findings of this study are as follows:

- Financial market development and FDI positive impact to the economic growth.
- Financial market show the negative sign if works individually in improve economic growth but FDI show positive sign to economic growth.

The empirical findings have important implication in stimulating economic growth in Malaysia. For the further studies should focus on identifying if financial market development is an important for economic growth in the developed and developing countries not only focus for the one country.

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The Relationship between Foreign Direct Investment, Trade Openness and Economic Growth: Evidence for Malaysia

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Abstract

The paper investigates the long run and short run relationship between foreign direct investment (FDI) and trade openness on economic growth in the Malaysian economy using a more comprehensive sample period 1970 - 2009 and a recent technique, that is bound testing approach. Based on this approach, foreign direct investment and trade openness have positive effects on economic growth. The result shows that foreign direct investment highly influence economic growth compare to the trade openness. Thus, this study provides further evidence to support the FDI led growth in Malaysian economy.

Keywords: Foreign Direct Investment, Trade Openness, Economic Growth, Malaysia.

Hubungan antara Pelaburan Langsung Asing, Perdagangan Terbuka dan Pertumbuhan Ekonomi: Kajian di Malaysia

Abstrak

Kajian ini mengkaji hubungan jangka panjang dan jangka pendek antara pelaburan langsung asing dan perdagangan terbuka ke atas pertumbuhan ekonomi di Malaysia, yang mana sampel dari tahun 1970 sehingga 2009 digunakan. Kajian ini menggunakan kaedah terkini iaitu kaedah kointegrasi autoregresi penyebaran tertunda (the autoregressive distributed lag approach). Berdasarkan kaedah ini, pelaburan langsung asing dan perdagangan terbuka mempunyai kesan positif keatas pertumbuhan ekonomi. Hasil daripada kajian menunjukkan pelaburan langsung asing memainkan peranan penting dalam mempengaruhi pertumbuhan ekonomi berbanding perdagangan terbuka. Penemuan kajian ini boleh menyokong bahawa pelaburan langsung asing menjana pertumbuhan ekonomi di Malaysia.

Kata kunci: Pelaburan langsung asing, perdagangan terbuka, pertumbuhan ekonomi, Malaysia.

1.0 Introduction

Many developing countries look at Foreign Direct Investment (FDI) as an engine of growth. FDI is associated with benefits to a host country such as capital inflows, employment, management skills, and most importantly Research and Development (R&D) spillover effects to domestic manufacturing firms. Research and development activities represent the most privileged method by which companies generate and acquire technological information. According to Stooneman (1983), the concept of technological change encompasses improvement in products, production processes, material and intermediate inputs and management methods in economic system.

The International Monetary Fund (IMF) defines FDI as a category of international investment that reflects the objective of a resident in one economy (the direct investor) obtaining a lasting interest in an enterprise resident in another economy (the direct investment enterprise). A direct investment relationship is established when the direct investor has acquired 10 percent or more of the ordinary shares or voting power of an enterprise abroad (IMF, 1993). The investor's purpose in this case is to gain effective control in the management of the enterprise. A threshold of 10 percent of equity ownership is necessary to qualify investor as a foreign direct investor.

This definition is not adequate due to several reasons. Firstly, it suggests that FDI involves international transfer of money and ignore situations where FDI capital could be raised in the host country. Secondly the definition of FDI flows is expressed in terms of money capital when it incorporates the transfer of other income generating assets. Thirdly, the definition does not take into account the new organizational forms that have appeared in the global economy over the

last three decades. Firms today can exercise various forms of control over distance enterprises without direct ownership (Winder, 2006). Fourthly, the FDI measures are considered sufficiently accurate only in the short run. Finally the definitions used by statistical agencies may differ from the legal treatment of multinational firms in international treaties such as World Trade Organization, which aim at reducing legal barriers to FDI (Contessi and Weinberger, 2009). Redefining FDI is therefore required in order to take into account non-monetary aspects of FDI as well as new forms of control that have emerged with multinationals changing strategy to cope with globalization.

Foreign direct investment (FDI) has played a leading role in many of the economies particularly in export sectors, and has been a vital source of foreign capital during the crisis. FDI plays several important roles in the Malaysian economy. The most important role was to generate economic growth by increasing domestic capital formation. According to Krugman and Obstfeld (1994), "FDI functions as one way to bridge an inter-temporal gap of capital demand and supply, and, like other capital inflows, increases the production frontier of developing countries, which normally suffer a shortage of capital". Ishak and Rahmah (2002) supported that FDI provided an additional source of capital and expanded host country production activities. The inflows of capital in the form of FDI allow host economies to invest in production activities.

FDI can be classified in several ways depending on the perspective of the home country, the host country or the motive (1). From the perspective of investing country FDI can be classified into horizontal FDI, vertical FDI and conglomerate FDI. From the point of view of the host economy, FDI can be import substituting and export increasing or both.

(1) Kinuthia; (2010) A comparative study between Kenya and Malaysia on the role of Foreign Direct Investment in Economic Development: A Survey of Literature

FDI to host economies is mainly in the form of greenfield, mergers and acquisitions and joint ventures (Mossa 2002:4). FDI has been classified further in terms of the motivation underpinning the decision to produce abroad. Based on this classification FDI can be marketing seeking, natural resource seeking, strategic asset seeking and efficiency seeking (Buckley et al 2008).

1.1 Malaysia Economy: The Background

In line with the global economic recovery, the Malaysian economy in 2010 registered with strong growth rate of 8.1 percent in its real gross domestic product (GDP), compare to 2009 that face a contraction of 1.7 percent. The manufacturing sector was the fastest growing sector in 2010. This sector registered 13.5 percent increase and contributed 27.9 percent to GDP and at the same time the services sector also grew by 7.0 percent and contributing 57.0 percent to GDP.

In 2010, FDI increased by 409.7% amounted 7.0 US\$ billion, which was higher than 1.4 US\$ billion recorded in 2009 (Table 1). Malaysia receives higher FDI compare to the other Asia country. This was attributed to the greater interest by foreign investors to invest in new growth areas and emerging technologies, which are high value added, high technology, and skills and knowledge intensive in nature. The increase in foreign investment was also due to the improvement in the economies of capital exporting countries. Based on UNCTAD's World Investment Report 2010, global FDI inflows are expected to pick-up to US\$1.3 - US\$1.5 trillion in 2011, and head towards US\$1.6 - 2 trillion in 2012. UNCTAD's World Investments Prospects Survey 2010-2012 also indicates renewed business optimism and stronger appetite of investors to pursue foreign expansion in 2011 and 2012. Given this scenario, global FDI inflows into Malaysia is expected to further increase in 2011 and beyond.

In Malaysia FDI is set up based on the holding of at least 10% of the total equity in a resident company by a non-resident investor. Malaysia has been one of the most successful Southeast Asian countries in attracting FDI. Since gaining independence in 1957, Malaysia has taken advantage of tangible assets like natural resources, abundant of labor as well as intangible assets like trade status under Generalized System of Preferences (GSP), macroeconomic stability, liberal trade regime, and a resourceful legal infrastructure to bring in FDI. The Government of Malaysia's (GOM) main policy is to bind FDI as a part of the economic development strategy to acquire foreign technology, capital and skills. Malaysia has been an encouraging economy to foreign investors. The reinvestment and the new capital injection among the present foreign companies based on the movement that derived from financial institutions and non-transaction factors like foreign exchanges, price changes and other changes.

In 2010, foreign investments in approved projects amounted to RM29.1 billion, which was 31.7 per cent higher than RM22.1 billion recorded in 2009. This was attributed to the greater interest by foreign investors to invest in new growth areas and emerging technologies, which are high value added, high technology, and skills and knowledge intensive in nature. The increase in foreign investment was also due to the improvement in the economies of capital exporting countries. Domestic investors showed a strong interest in investing in the manufacturing sector in 2010. A total of RM18.1 billion was approved in 2010 compared to RM10.5 billion in 2009, representing an increase of 72.4 per cent in approved capital investments.

1.3 Problem Statement

Foreign Direct Investment (FDI) has been one of the main vectors of globalization in the past and has possibly grown in importance over the past decade (Jones, 2005; OECD, 2005). Most FDI originates by multinational corporations (MNCs) have provided a massive infusion of capital, technology, marketing connections and managerial expertise. FDI played a major role in the economic transformation and growth that many less developed and newly industrialized countries from around the world have experienced over the past two decades.

For Malaysia, FDI is strongly promoted to help achieve its sustainable economic growth, improve employment conditions, accelerate modernization in industrialization programed and raise living standards of its society. In the present era of globalization and liberalization, trade and investment activities are expanding rapidly, which leads to increasing multilateral relationships between Malaysia and other countries regardless of their stage of development.

Investment in capital is an important ingredient in growth process. Countries lacking capital accumulation and technological process usually grow much slower than countries with high investment rate and huge research and development (R&D) expenditures. Through the foreign direct investment (FDI), multinational corporations (MNCs) can provide countries with both capital and new technology. FDI has been one of the most effective means of transferring technology and knowledge. (Addison et. al (2004); UNCTAD (2003); Dunning and Hamdani, (1997)). Foreign direct investment activities are essential for economic growth and development. FDI activity has been a great contributor to economic growth. Beside that the levels of trade openness also play an important role to determine the economic growth.

1.4 Research Questions

1. It is foreign direct investment can promote the growth in Malaysia economy?
2. It is trade openness can help increase the economic growth?
3. What are the relationship between FDI and trade openness in order to boost the economy?

1.5 Objectives of the Study

1. The role of foreign direct investment in promoting economic growth.
2. Evaluate the role of trade openness on economic growth.
3. Analyze the relationship between FDI and trade openness in order to boost economic growth.

2.0 Literature Review

For many years, economist tended to think foreign direct investment (FDI) in terms of capital flows from capital rich to capital poor nations or equivalently locating stages of production with different factor intensities in locations where the intensive factors were cheap. The increase of FDI has brought in a complete package of capital, expertise in management and production technology. Research on foreign direct investment has been one most intensive area in international economics in the last decades Pan (2002).

Fan (2002), FDI can potentially benefit domestic firms. The benefits arise from foreign firms demonstrating new technologies, providing technological assistance to their local suppliers and customers, and training workers who may subsequently move to local firms. Local firms can also learn by watching, but the very presence of foreign owned firms

in an economy at the same time will increase competition in the domestic market. Kokko (1994), the competitive pressure may face by local firms to operate more efficiently and introduce new technologies earlier, because foreign firms are not able to extract the full value of these gains, this effect is commonly referred to as the spillover effects.

The classical economists considered FDI important because it serves as an instrument of allocating production to most efficient locations. In the neoclassical economic thinking, developing nations are viewed as low in physical capital investment. The inflow of foreign capital will foster growth in host economies by fulfilling shortages of capital, foreign exchange and skills and at the same time will involve up front value creation and employment creation. FDI also tends to be less volatile than other capital flows, thereby exerting durable positive effects on economic growth.

In neoclassical growth models with diminishing returns to capital, FDI has only a short-run growth effect as countries move towards a new steady state. Accordingly, the impact of FDI on growth is identical to that of domestic investment. An endogenous growth framework FDI is generally assumed to be more productive than domestic investment, since FDI encourages the incorporation of new technologies in the production function of the host economy (Borensztein et al., 1998)

In this view, FDI are related to technological spillovers offset the effects of diminishing returns to capital and keep the economy on a long-term growth path. Moreover, endogenous growth models imply that FDI can promote long-run growth by augmenting the existing stock of knowledge in the host economy through labor training and skill acquisition, on the one hand, and through the introduction of alternative management practices and organizational arrangements on the other as

stated by De Mello, (1997). Thus rich countries are rich because the total factor productivity being higher but this also requires infrastructure and other complementary inputs.

2.1 Determinants of FDI

Reviewing the literature, some past studies found mixed evidence of FDI and its key determinants relationship (Hooi, (2008); Sahoo, (2006); Hsiao and Hsiao, (2004); Asiedu, (2002); Billington, (1999); Edwards, (1990)). A plausible explanation for this is different countries characteristics offers different results. The determinants may affect differently in different countries. Financial development, wage rates, income, economic growth, government spending on infrastructure, openness, exchange rate, inflation rate and corporate tax are among the variables commonly analyze in the FDI dynamic.

Kim and Oh (2007) find that openness is an important factor of intra FDI inflows, whereas macroeconomic instability is not. Exchange rate volatility has affected FDI significantly since the crisis, although it seems to have had little effect before the crisis. Moreover, they suggest that regional economic integration may increase intra-FDI inflows in ASEAN+3, especially a regional FTA, which would noticeably increase intra-FDI inflows.

2.3 FDI and Economic Growth

The relationship between FDI and economic growth has been a topical issues for several decades that focusing on both industrial and developing countries. Early theories that studies on the impact of foreign capital and multinational corporations (MNCs) on host countries can be found in the writings of the "dependency school." The dependency

school theory views foreign investment from the developed countries at the core of the world economic system as harmful to the long-term economic growth of developing nations out in the boundary. It considers that with no barriers of trade in economies by large companies allowed them to control resources that might otherwise have been used for national development. It asserts that First World nations become wealthy by extracting labor and material resources from the Third World. This kind of capitalism perpetuates a global division of labor that causes distortion, hinders growth, and increases income inequality in developing economies.

Dependency theorists argue that developing countries are inadequately compensated for their natural resources and are thereby sentenced to conditions of continuing poverty. Although the influence of the dependency theory peaked in the 1970s, debate on its validity continued beyond this decade. Bornschier and Chase-Dunn (1985), for example, consider that flows of foreign investment has short-run positive effects on economic growth, but accumulated stock of foreign capital has a long-term retardant effect on economic growth and is associated with greater income inequality.

Firebaugh (1998), however, rejected this claim. He points out studies that found foreign investment which is harmful to poor nations have focused on the negative relationship between the investment capital stock ratio and the growth of per capita GDP. However, since capital stock is the denominator for the investment rate, the greater the stock, the lower the investment rate for a given level of new investment. The negative coefficient for the capital stock variable found in dependency studies therefore does not indicate a harmful investment effect. Firebaugh (1998) find that LDCs with greater rates of foreign investment tend to exhibit faster rates of both long run and short-run economic growth.

Using data from 41 lower and upper middle income African, Central American, Latin American, East Asian, and Caribbean countries between the 1960s and 1970s, Hein (1992) does not find support for the dependency theory. The relationship between foreign direct investment (FDI) and economic growth has motivated a voluminous empirical literature focusing on both industrial and developing countries. Neoclassical models of growth as well as endogenous growth models provide the basis for most of the empirical work on the FDI-growth relationship.

Developing countries, emerging economies and countries in transition increasingly see foreign direct investment (FDI) as a sources of economic development, modernization and employment generation, and have liberalized their FDI regimes to attract investment. Some of the previous study found that based on the appropriate host country policies and the basic level of development, FDI can triggers technology spillovers, assist human capital formation, contributes to international integration, helps create a more competitive business environment and enhance enterprise development. All of these contribute towards a higher economic growth. FDI influence economic growth by increasing total factor productivity and more generally, the efficiency of resources use in the recipient economy. Technology transfers through FDI generate positive externalities in the host country. Romer (1986,1990) and Lucas (1988) developed the endogenous growth theory that addressed the relationship between technology and growth. The importance of technology and economic growth provides an important link between FDI inflows and host country economic growth. The rapid growth of foreign direct investment (FDI), particularly since the rise of cross-border financial and trade flows in the 1990s, has recently garnered greater interest in international economic research, and the quest to identify the motivations that drive FDI is experiencing a revival.

The impact of FDI on economic growth and productivity has been studied extensively. Among the early models is the two gap model of Chenery and Strout (1966). The model based on the HarroldDomar model of economic growth. This model suggested that the savings and foreign direct investment via borrowing are the two of the main influences on economic development. Easterly (1999) using data from many countries finds no evidence of this claim. In general there are two main basic channels through which FDI affects economic growth; the direct and the indirect channel Neuhas, (2006); De Mello (1999).

Proponents of multinational corporations argue that FDI is a mechanism for increasing productivity and stimulating growth. By transferring capital, technology, and know-how and by mobilizing idle domestic resources, multinational corporations (argue their advocates) increase productivity, foster growth, and thereby improve welfare. To be more specific, the potential gains from FDI fall into three main categories. First, FDI may facilitate trade in goods and services by allowing firms to compensate for market imperfections by engaging in international intra firm trade. Second, FDI may increase the productivity of firms that are directly engaged in FDI, especially those that are the recipients of FDI inflows. Third, FDI may generate positive external economies that benefit firms and other economic actors that are not directly engaged in FDI.

A large number of empirical studies on the role of FDI in host countries suggest that FDI is an important source of capital, complements domestic private investment, is usually associated with new job opportunities and enhancement of technology transfer, and boosts overall economic growth in host countries. De Mello (1999) attempted to find support for an FDI-led growth hypothesis when time series analysis and panel data estimation for a sample of 32 OECD and non

OECD countries covering the period 1970-1990 were made. He estimates the impact of FDI on capital accumulation and output growth in the recipient economy. Nair-Reichert and Weinhold (2001) apply mixed fixed and random estimation to examine the relationship between FDI and growth in developing countries and find that there is a causal link between FDI and growth.

Ericsson and Irandoust (2001) examined the causal effects between FDI growth and output growth for the four OECD countries applying a multi-country framework to data from Denmark, Finland, Norway and Sweden. The authors failed to detect any causal relationship between FDI and output growth for Denmark and Finland. They suggested that the specific dynamics and nature of FDI entering these countries could be responsible for these no causality results.

Liu et al. (2002) tested the existence of a long-run relationship among economic growth, foreign direct investment and trade in China. Using a cointegration framework with quarterly data for exports, imports, FDI and growth from 1981 to 1997, the research found the existence of a bidirectional causal relationship among FDI, growth, and exports.

2.4 Foreign Direct Investment in Malaysia

For many years, Malaysia was among the most open country in the developing world to foreign investment. Malaysia was quick to recognize the powerful role that foreign investors could play in fuelling export-led growth, and was well-placed to attract such investment during the years of regional structural adjustment in the late 1980s. Partly as a result of FDI inflows, Malaysia country was among the world's fastest growing economies before the crisis. At the same time, however, the years

leading up to the crisis revealed a slow growing in some ASEAN countries about their continuing ability to attract FDI in the face of competition from countries such as China.

Malaysia's successful development has been attributed to FDI (Wong et al.(2009)). Drabble (2000: 240) argues that this was not by accident but largely a political choice. The government since independence in 1957 has been actively involved attracting FDI to Malaysia in various sectors but mainly manufacturing. This has often been through a wide range of incentives ranging from raising tariffs on pioneer industries to free trade zones, tax holidays, and improvement of infrastructure among others (Rasiah (1995), Drabble (2000)). These efforts led to the first major influx of export oriented firms in the early 1970s. According to Drabble (2000) Malaysia as a host country in the 1970s was attractive for its political stability, initial low wages and developed infrastructure. Similarly, Rasiah (1995) argue that political stability, infrastructure, trainable labour force, friendly government and financial incentives were some of the important factors that attracted foreign firms to Malaysia.

Lall (1995) argues that government effort was very important in attracting FDI in Malaysia due to the creation of institutions like Malaysia Industrial Development Authority (MIDA) which acts as a one stop shop for FDI (PDC 1990). Apart from the active role of the government in enticing foreign investors several empirical studies identify the following traditional factors as important FDI drivers; GDP, growth rate, financial development, infrastructure development, trade openness, corporate tax rates, and macroeconomic stabilization factors (Ang, 2008; Gottschalk and Hall 2008; Ismail 2009; Tsen 2005; Yol and Teng 2009; Oti-Prempeh 2003; Tharumarajah 2001; Yusop and Ghaffar 1994; Choong and Lim 2007; Yeung 1998; and Aw and Tang 2009).

Based on the above studies there are several reasons why foreign firms were attracted to Malaysia as a destination for business. Firstly the government played and continues to play a very major role of ensuring political stability, maintaining infrastructure, financial development, establishing institutions, various kinds of incentives and macroeconomic management. The government also drew its inspiration from other developed countries in Asia including its neighbour Singapore and desired to follow after their footsteps (Drabble 2000: Jomo 1993). Other reasons why firms relocated in Malaysia include its natural resources, market size as well as its neighbours within the ASEAN region, cheap and skilled labour and the agglomeration effects.

The Malaysian's success has been largely been due to the role of the government in coordinating economic activities as suggested by the development economists. The government in Malaysia has been active in attracting FDI which was labor intensive to the manufacturing sectors since the 1970s. It established well-funded institutions that were friendly to foreign investors and through which a wide range of incentives was given depending on the investor's needs. In addition the government provided the social overhead capital or the necessary infrastructure which is essential for industrialization.

Given the sharp year-to-year volatility, it is better to look at FDI over a longer period. From 2000 to 2009, the country's FDI inflows grew by 4.2% annually, while other countries in the region increased by double digits. Given the near global economic collapse in late 2008, the fall in FDI was not entirely unexpected. But while global FDI dipped by 37%, Malaysia's FDI fell by a huge 81% from the previous year from

US\$7.3 billion in 2008 to US\$1.4 billion in 2009 (2). Foreign direct investment was a key factor in the rapid economic growth and structural

transformation of East Asian countries in the lead-up to the crisis, enabling them to maintain investment levels well above their domestic saving capacity. FDI played an even more important role in their industrial transformation through transfer of technology, management practices, and marketing know-how, while improving the overall quality of investment.

The financial crisis marks a significant watershed moment for country in East Asia, as the proportion of intra-FDI inflows in East Asia's total FDI inflows drop dramatically after the crisis only to recently regain pre-crisis levels. Despite a small pickup in 1999, FDI inflows to Malaysia have been falling since 1996. During the 1996 the inflows of FDI to Malaysia is US\$7.3 billion but after the crisis 1998 the inflows of FDI plunged to US\$2.7 billion US. Moreover, the investment environment in East Asia has also changed drastically: integration through trade has strengthened in East Asia and financial markets have opened up to international capital. Moreover, most countries have now adopted floating exchange rate regimes that have resulted in more volatility in exchange rate movements (3).

The crisis revealed structural weaknesses in the financial and corporate sectors of the affected countries, sparking fears that FDI flows to them would decline permanently, thus delaying the recovery and undermining the long-term growth potential of these countries. How far these fears have been realized is an issue examined in this section.

(2) The Great FDI Debate: Substance Or Subterfuge? By Dato' Dr. Mahani Zainal Abidin; Chief Executive ISIS Malaysia (July 2010)

(3) Jung Sik Kim and Yonghyup Oh, (2007) Determinants of Intra FDI inflows in East Asia: Does Regional Economic Integration Affect Intra- FDI.

It documents the trends in FDI flows to the affected countries in recent years, the emerging policy environment toward FDI, the challenges that remain, and the role played by FDI in adjusting to the crisis, and finally pulls together key conclusions.

The crisis can be said to have generated positive as well as negative impacts on FDI. On the negative side, domestic demand contraction caused by output collapse and lowered immediate growth prospects discouraged domestic market-oriented foreign investment. Policy uncertainty, particularly during the initial adjustment phase, hampered all types of foreign investment.

3.0 Methodology

The methodology for this study consists of three parts. The first outline is to measure the effect of FDI on economic growth in Malaysia. Next to measure the relationship between trade openness and economic growth in Malaysia economy. Finally, study on relationship between FDI and trade openness in order to boost economic growth in Malaysia.

3.1 Description of Sources of Data

Using quarterly data for the period 1970-2009 was collected from International Monetary Fund (IMF), Asian Development Bank (ADB) and World Bank Development Indicators .The GDPC are calculated with the data from IFS that is GDP divide by midyear population, the control variable that is proxy for the economic growth. The data Foreign Direct Investment: FDI inflows are generally defined as the measure of the net inflows of investment needed to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. Trade Openness is defined

as the average of exports and imports as a percentage of GDP. The other control variable are real interest rate (RR) is measured by the interest rate minus the inflation rate at the current year for the year calculated.

3.2 Method and Model Specification

In this study, first examine the time series data. In order to determine the order of integration the Autoregression distribution lags (ARDL) of bound test will be used to testing the integration of the variable between an exogenous and endogenous variable. Beside that, unit root test will be used to test of the null of the non-stationary.

To empirically analyses the long run relationship and dynamic interaction among the variables of interest, the model has been estimated by using the bounds testing (or autoregressive distributed lag (ARDL)) co-integration procedure. The procedure is adopted for the following three reasons. Firstly, the bounds test procedure is simple. As opposed to other multivariate co-integration techniques such as Johansen and Juselius, it allows the co-integration relationship to be estimated by OLS once the lag order of the model is identified. Secondly, the bound testing procedure does not require the pre-testing of the variables included in the model for unit roots unlike other techniques such as Johansen approach. It is applicable irrespective of whether the regress in the model are purely I (0), purely I (1) or mutually co-integrated. Thirdly, the test is relatively more efficient in small or finite sample data size as is the case in the study. The procedure will however crash in the presence of I (2) series.

To examine the role of FDI in promoting economic growth, the dependent variable is gross domestic product per capital (GDPC) as a

proxy for economic growth. The independent variables are foreign direct investment (FDI) and trade openness (TO). Other control variable is real effective exchange rate (RR). Autoregressive distributed lag (ARDL) bound test approach as introduced by Pesaran et al (2001) is used to examine the model. The model specification as the following:

$$GDPC_t = f(FDI_t, TO_t, RR_t) \quad (1)$$

$$RGDPC_t = \beta_0 + \beta_1 RGDPC_{t-1} + \beta_2 FDI_{t-1} + \beta_3 TO_{t-1} + \beta_4 RR_{t-1} + \varepsilon_{t-1} \quad (2)$$

Based on the above model, using multiple regression analysis, the log likelihood function of this model is

$$\ln RGDPC_t = \beta_0 + \beta_1 \ln RGDPC_{t-1} + \beta_2 \ln FDI_{t-1} + \beta_3 \ln TO_{t-1} + \beta_4 \ln RR_{t-1} + \varepsilon_t \quad (3)$$

Using the autoregression distributed lags (ARDL), the model will be

$$\begin{aligned} \Delta \text{LN}RGDPC_t = & \beta_0 + \beta_1 RGDPC_{t-1} + \beta_2 FDI_{t-1} + \beta_3 TO_{t-1} + \beta_4 RR_{t-1} \\ & + \sum_{i=1}^3 \beta_{5i} \Delta \text{LN}RGDPC_{t-i} + \sum_{i=1}^3 \beta_{6i} \Delta \text{LN}FDI_{t-i} + \sum_{i=1}^3 \beta_{7i} \Delta \text{LN}TO_{t-i} \\ & + \sum_{i=1}^3 \beta_{8i} \Delta \text{LN}RR_{t-i} + \mu \end{aligned} \quad (4)$$

where:

$RGDPC_t$ = gross domestic product per capita (RGDPC)

FDI_t = Foreign Direct Investment

TO_t = trade openness

RR_t = real interest rate

Δ = First difference operator

For the examination of long run relationship the bound cointegration test based on critical values taken from Pesaran (2001) will be used with the null and alternative hypotheses are as below, for the no long-run relationship $H_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$, and for a long-run relationship $H_A \neq \beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq 0$.

4.0 Discussion and Empirical Result

A unit root test was done for the dependent variable using Augmented Dickey-Fuller (ADF) and Phillips-Perron test to satisfied the pre-requisite condition of the dependent variable being non stationary or contains a unit root in I(1) and stationary at I(0) as prescribed by Pesaran (2001).

4.1 Result of the Unit Root Test for the Dependent Variable

Based on ADF test statistic at [Table 2](#), it was found that all series are stationary at level. Gross domestic product per capita stationary at 5% significant level, foreign direct investment at 10% significant level, trade openness at 1% significant level and real interest rate at 5% significant level.

For the examination of long run relationship the Wald test (F-statistic) was calculated by imposing restriction on the estimated long-run coefficient as explained in this paper, we obtained a F-statistic of 312.6726 with is greater than upper bound value, thus we can easily reject H_0 and can conclude that there is a long run relationship between the dependent variable economic growth with the independent variables. The bound test was applied to estimate the model, and the results are reported in [Table 3](#).

4.2 Short-run and Long-run Estimated Coefficients - Wald Test

Table 4 indicates that the relationship between foreign direct investment, trade openness and the control variable with economic growth. The result of this research show that, the control variable chosen that is real interest rate are positive and significant determines the economic growth in Malaysian for the short run and long run.

Referring to Table 4, foreign direct investment are the main contributors in promoting economic growth, as we can see from the table, in short run the coefficient show that 13.4% from FDI contribute to the economic growth and in the long run 21.53% proportion that show the contribution of FDI in promoting economic growth. Besides that, result implied that for the trade openness both in short run and long run are positive significant may impact on increasing a nation income as the export led growth hypothesis explain, that export contributes positively to economic growth, but this result implied that the coefficient of trade openness only significant influence economic growth in long run not in short run.

The relationship between foreign direct investment and trade openness with the economic growth that represent in Table 4, result show that foreign direct investment is significant effect with the economic growth in and result also show are significant at 10% significant in short run and long run. Result also showing that, foreign direct investment and trade openness have positively relationship in order to boost economic growth.

This result are consistent with the previous studies by Romer (1986,1990) and Lucas (1988) developed the endogenous growth theory that addressed the relationship between technology brought

through FDI and growth. The importance of technology and economic growth provides an important link between FDI inflows and host country economic growth; Bornschier and Chase-Dunn (1985), for example, consider that flows of foreign investment has short-run positive effects on economic growth; Liu et al (2002) tested the existence of a long-run relationship among economic growth, foreign direct investment and trade.

5.0 Conclusion

The result of this research shows that all the independent variables are significant determine the economic growth in Malaysia for the chosen period 1970-2009, all the variable are significant either in the long-run or short run. All the independent variables are also positive relationships with the economic growth. The results are consistent with most of the literature reviewed and theoretical framework. FDI is significantly positive related to economic growth, and proves that to the most widely held belief in the economic.

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**Pendidikan di IPT Menjana Minat
Mahasiswa Menceburi Bidang
Keusahawanan: Kajian Kes di Kolej
Universiti Islam Antarabangsa Selangor
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Abstract

Higher education institutions play an important role in providing input and views on the strengths and advantages which they have as a country's development of science and civilization. In addition, universities are regarded as institutions that can provide ideas and solutions to various challenges faced by the society and country. It is driven by the university as a creative breeding site in nature or natural breeding grounds for creativity, where the environment of change and sharing thoughts and ideas and this is where things are viewed and studied through the method and approach. Therefore, this study has been explained that the education at the university as a student driver for entrepreneurs as well as other factors of the background and the students' own attitudes. Questionnaire results of 200 students showed that the majority of students agreed that learning at the college factors most important factors in

influencing them to become an entrepreneur. Pearson correlation analysis was used to determine the relationship between the factors students interested in learning at the college, student background factors and behavior factors students themselves. The findings of hypothesis testing show that there is a positive and significant relationship between attitudes and the three driving factors. In conclusion, students at the college have a high level of propensity to become entrepreneurs after completing their studies. This is because they have been exposed to a variety of entrepreneurial knowledge and experience in formal and informal throughout the study at the college.

Keywords: Entrepreneurship, Education, and Students.

Abstrak

Institusi pengajian tinggi memainkan peranan penting dalam memberi input dan pandangan berdasarkan kekuatan dan kelebihan yang dimiliki mereka sebagai tempat perkembangan ilmu dan peradaban negara. Selain itu, universiti juga dianggap sebagai institusi yang mampu memberi idea yang bernas dan memberi penyelesaian kepada pelbagai cabaran yang dihadapi oleh masyarakat dan negara. Hal ini didorong oleh persekitaran universiti sebagai laman pembiakan kreativiti secara semula jadi atau *natural breeding grounds for creativity*, di mana persekitaran berlakunya pertukaran dan perkongsian pemikiran dan idea dan di sinilah sesuatu dilihat dan dikaji melalui kaedah dan pendekatan terkini. Oleh yang

demikian, kajian ini telah menjelaskan bahawa pendidikan di universiti sebagai pendorong mahasiswa untuk menceburi bidang keusahawanan disamping faktor lain iaitu latar belakang dan sikap pelajar itu sendiri. Hasil soal selidik seramai 200 orang pelajar menunjukkan majoriti pelajar bersetuju bahawa faktor pembelajaran di KUIS menjadi faktor terpenting dalam mempengaruhi mereka untuk menjadi seorang usahawan. Analisis korelasi Pearson telah digunapakai bagi menentukan hubungan antara minat mahasiswa dengan faktor pembelajaran di KUIS, faktor latarbelakang mahasiswa dan faktor sikap mahasiswa itu sendiri. Dapatan pengujian hipotesis menunjukkan bahawa terdapat hubungan yang positif dan signifikan antara sikap dan ketiga-tiga faktor pendorong tersebut. Konklusinya, mahasiswa di KUIS mempunyai tahap kecenderungan yang tinggi untuk menceburi bidang keusahawanan setelah tamat pengajian kelak. Ini kerana mereka telah didedahkan dengan pelbagai ilmu dan pengalaman berkaitan keusahawanan secara formal dan tidak formal di sepanjang proses pengajian di KUIS.

Kata kunci: Keusahawanan, Pendidikan dan Mahasiswa.

1.0 Pengenalan

Malaysia disasarkan untuk menjadi sebuah negara berpendapatan tinggi menjelang tahun 2020. Di dalam sistem ekonomi terbuka dan bebas seperti Malaysia, sektor swasta atau usahawan dilihat antara tunggak utama dalam menggerakkan ekonomi negara. Mereka adalah antara individu yang menghasilkan pelbagai barangan dan perkhidmatan disamping mewujudkan banyak peluang pekerjaan kepada masyarakat. Justeru itu, usahawan adalah penyumbang kepada kemakmuran masyarakat dan negara. Perkembangan negara berkait rapat dengan keusahawanan dimana ia melahirkan ekonomi keusahawanan yang bersifat berdikari, terbuka dan berdaya saing (Rancangan Malaysia KeSepuluh (RMK-10)).

Para usahawan juga dilihat sebagai ejen utama dalam proses inovasi. Pengetahuan teknologi baru yang digandingkan dan diubahsuai dengan kaedah bijak dengan teknologi sedia ada, mampu menghasilkan sesuatu produk atau perkhidmatan yang lebih bermutu. Penawaran lebih banyak produk dan perkhidmatan baru dengan nilai tambah, para usahawan dapat menyumbang ke arah mewujudkan pasaran yang lebih efisien dan matang, serta menjadi pemangkin kepada pembangunan negara (Muhyidin, 2010).

Pembentukan usahawan perlu bermula dari peringkat rendah lagi iaitu di peringkat sekolah. Pada peringkat ini, pelajar perlu didedahkan dengan ilmu keusahawanan dan penerapan nilai-nilai dan ciri-ciri seorang usahawan supaya timbul kesedaran dan minat untuk menceburi bidang keusahawanan. Bertepatan dengan ini, Kementerian Pelajaran telah pun mengorak langkah awal dengan memperkenalkan subjek perdagangan dan keusahawanan di dalam mata pelajaran Kemahiran Hidup Bersepadu (teras dan elektif) bermula dari tingkatan satu hingga ke

tingkatan tiga. Pelajar pada umumnya telah diajar secara teori mengenai bidang keusahawanan melalui matapelajaran ini, namun, mata pelajaran ini kebanyakannya hanya diajar di dalam bilik darjah sahaja yang memerlukan penaakulan dan kognitif yang tinggi di kalangan pelajar, sekaligus menuntut kreativiti guru untuk memantapkan lagi penerimaan pelajar terhadap bidang keusahawanan (Pusat Perkembangan Kurikulum, 1989).

Usahawan perlu mempunyai tahap ilmu yang tinggi bagi memastikan perjalanan perniagaan terurus dengan sempurna. Institut pengajian tinggi (IPT) perlu mempunyai komponen kemahiran keusahawanan di dalam silibus mereka. Pihak IPT perlu menerapkan minat pelajar dengan mengadakan beberapa program seperti techno-entrepreneur, prosper dan usahawan muda. Untuk merangsang minat pelajar universiti dalam bidang keusahawanan, bermula dari ambilan Julai 2007 dan seterusnya, Kementerian Pengajian Tinggi telah mewajibkan semua pelajar yang melanjutkan pengajian di institusi pengajian tinggi awam (IPTA) mengambil mata pelajaran keusahawanan sebagai satu mata pelajaran wajib (Bernama, 2 Julai 2007). Ini adalah bertujuan untuk membuka minda para pelajar ke arah berdikari dan memberi pendedahan asas untuk menerokai setiap peluang yang ada.

Usaha untuk melahirkan lebih ramai usahawan juga telah ditumpukan di kebanyakan IPT di Malaysia. Sebagai contoh, Universiti Putra Malaysia (UPM), keusahawanan merupakan salah satu daripada subjek yang ditawarkan untuk Ijazah Sarjana Muda Pengurusan Perniagaan manakala di Universiti Kebangsaan Malaysia (UKM), subjek IT dan Keusahawanan merupakan subjek wajib diambil bagi pelajar Ijazah Sarjana Muda Sains dan Teknologi. Kolej Universiti Islam Antarabangsa Selangor (KUIS) juga banyak menawarkan kursus-kursus yang berkaitan dengan keusahawanan dan kerjaya.

Antara subjek yang berkaitan dengan keusahawanan yang ditawarkan di KUIS termasuklah pengurusan organisasi kecilan, keusahawanan dan kewangan, pemasaran perniagaan, perlakuan organisasi, strategik organisasi dan sebagainya. Bagaimanapun persoalannya di sini adakah subjek-subjek ini dapat merangsang minat pelajar untuk menceburi bidang keusahawanan?

Oleh itu, kajian ini cuba mengenalpasti adakah proses pembelajaran di KUIS mampu mempengaruhi minat pelajar untuk menceburkan diri dalam bidang keusahawanan. Adakah subjek yang ditawarkan memadai? Untuk melengkapkan kajian ini, kajian terdahulu mengenai konsep keusahawanan digunakan untuk melihat adakah pembelajaran di KUIS mempengaruhi minat pelajar tahun akhir Fakulti Pengurusan dan Muamalah untuk menceburi bidang keusahawanan.

2.0 Penyataan Masalah

Pelbagai masalah timbul apabila terlalu ramai siswazah dikeluarkan setiap tahun, namun peluang pekerjaan pula adalah terhad. Peluang pekerjaan yang terbuka luas sekarang ini adalah di dalam bidang keusahawanan. Selain daripada latarbelakang dan sikap, proses pembelajaran di IPT juga dikenalpasti boleh mempengaruhi minat mahasiswa untuk menceburi bidang keusahawanan.

Kebanyakan IPT termasuk KUIS ada memainkan peranan untuk menjana minat mahasiswa untuk menceburi bidang keusahawanan melalui proses pembelajaran di dalam kuliah dan aktiviti-aktiviti ko-kurikulum. Namun begitu, proses pembelajaran tersebut tidak dikenalpasti keberkesannya untuk menjana minat mahasiswa menceburi bidang keusahawanan.

3.0 Objektif Kajian

Untuk mengetahui samada proses pembelajaran di KUIS dapat menjana minat pelajar menceburi bidang keusahawanan atau tidak, kajian ini cuba mengenalpasti peratusan mahasiswa tahun akhir Fakulti Pengurusan dan Muamalah, KUIS yang berminat menceburi bidang keusahawanan dan adakah proses pembelajaran di KUIS ada hubungan dengan minat pelajar tersebut untuk menceburkan diri di dalam bidang keusahawanan. Di samping itu faktor-faktor lain seperti faktor latar belakang dan faktor sikap juga diuji samada ia juga mempunyai hubungan dengan faktor-faktor mahasiswa KUIS berminat untuk menceburkan diri di dalam bidang keusahawanan.

4.0 Kajian-kajian Lepas

4.1 Faktor Pendidikan

Faktor pendidikan adalah antara faktor yang di dapati mempengaruhi minat mahasiswa minat mahasiswa menceburi bidang keusahawanan. Kajian daripada Hills and Welsh (1986) mendapati sebanyak 80 peratus daripada 2000 pelajar di sebuah institusi yang di kaji berminat untuk mengambil satu atau lebih kursus keusahawanan. Fleming (1992) dalam kajiannya terhadap graduan *Irish* mendapati 45% responden menunjukkan program keusahawanan memberikan kesan positif dalam pembuatan keputusan kerjaya mereka. Beliau juga mendapati 5% daripada responden mempunyai inisiatif untuk memulakan perniagaan dalam jangka masa 5 tahun selepas tamat pengajian. Chan et.al (1998), Kajian terhadap pelajar sarjana pentadbiran perniagaan di Amerika Syarikat pula mendapati bahawa terdapat hubungan positif di antara kursus pengurusan yang telah diambil dengan kecenderungan untuk menjadi usahawan. Kajian-kajian di atas secara tidak langsung

telah menunjukkan bahawa pendidikan mempengaruhi mahasiswa meminati bidang keusahawanan. Menurut Scott dan Twomey (1998) di Great Britain, didapati 25% responden mempunyai idea perniagaan dan 41% darinya berhasrat bekerja sendiri.

4.2 Faktor Latar Belakang

Selain daripada pendidikan terdapat juga beberapa faktor yang dikenalpasti mempengaruhi minat mahasiswa menceburi bidang keusahawanan. Faktor latar belakang dan keluarga sangat penting terutamanya bagi tujuan penyambungan perniagaan, persekitaran keluarga di zaman kanak-kanak, pekerjaan bapa dan susunan kelahiran adalah antara faktor latar belakang yang mempengaruhi minat mahasiswa dalam bidang keusahawanan. Menurut Gasse (1982), sikap keusahawanan atau kecenderungan ke arah keusahawanan banyak dipengaruhi oleh nilai-nilai hidup seseorang yang ditakrifkan sebagai konsepsi umum dan tersusun sehingga mempengaruhi perilaku semulajadi seseorang. Weihe dan Reich (1993) mendapati bahawa sebanyak 34.3 % di kalangan pelajar jurusan perniagaan tidak menyimpan minat untuk bekerja sendiri. Ini termasuklah 3.2% dikalangan mereka yang telah bersedia untuk bekerja. Manakala mereka yang belum bercadang untuk bekerja sebanyak 50.5%. Melalui kajian ini dapat disimpulkan bahawa masih lagi terdapat pelajar yang tidak berminat untuk bekerja sendiri walaupun pelajar tersebut mengambil jurusan perniagaan. Sanholtz (1990) mendapati bahawa majoriti pelajar Sarjana Pengurusan Perniagaan daripada sekolah perniagaan di Amerika Syarikat memilih untuk menjadi usahawan sebagai matlamat jangka panjang kerjaya mereka.

4.3 Faktor Jantina

Selain daripada itu faktor jantina juga mempengaruhi minat mahasiswa menceburi bidang keusahawanan. Menurut beberapa kajian, lelaki mempunyai keyakinan diri yang lebih tinggi berbanding dengan golongan wanita kerana wanita biasanya dipengaruhi oleh faktor-faktor persekitaran seperti keadaan tugas, maklumbalas prestasi dan keadaan sosial (Clement, 1987). Kourilsky dan Walstad (1998) pula telah melihat kecenderungan menceburi bidang keusahawanan terhadap golongan muda mendapati bahawa wanita kurang berminat untuk memulakan perniagaan, kurang yakin terhadap keupayaan diri dan kurang toleransi terhadap pasaran yang dinamik.

4.4 Faktor Sikap

Faktor sikap juga turut menjana minat mahasiswa dalam menceburi bidang keusahawanan. Koh (1996) pula dalam kajiannya mengkaji sejauhmana kecenderungan keusahawanan berkait dengan atribusi psikologi berikut: kehendak pencapaian, lokus kawalan, kecenderungan mengambil risiko, kesabaran dalam menghadapi ketidakpastian, keyakinan diri dan inovatif. Responden terdiri daripada pelajar Sarjana Pentadbiran Perniagaan di Hong Kong. Oleh itu boleh disimpulkan di sini bahawa kajian yang telah dijalankan ini sememangnya amat penting dan sesuai dijalankan di institusi pengajian tinggi lain amnya dan KUIS khasnya.

5.0 Kaedah Kajian

Kajian ini merupakan kajian tinjauan deskriptif menggunakan soal selidik bagi mendapatkan data kuantitatif yang berkaitan pendidikan di IPT menjana minat mahasiswa menceburi bidang keusahawanan. Alat

penyelidikan yang digunakan dalam kajian ini adalah borang soal selidik untuk memperolehi maklumat dan data yang diperlukan.

Kajian ini dijalankan terhadap 200 pelajar tahun akhir Fakulti Pengurusan dan Muamalah yang mana pelajar yang terlibat adalah pelajar dari kursus Pengurusan perniagaan, Perakaunan, Pengurusan Sumber Manusia, Ekonomi dan Perbankan Islam. Kaedah persampelan yang digunakan dalam kajian ini ialah persampelan secara rawak. Kajian rintis telah dijalankan terhadap responden untuk melihat kebolehpercayaan item-item soal selidik. Hasilnya, didapati nilai kebolehpercayaan kajian rintis ini ialah 0.891.

6.0 Hasil Kajian

Melalui analisis deskriptif latar belakang responden didapati sebanyak 51.5% adalah pelajar lelaki. Manakala seramai 62% daripada responden adalah pemegang ijazah. Kebanyakan responden mengambil jurusan Pengurusan Perniagaan (27.5%). Selebihnya adalah daripada Pengurusan Sumber Manusia (23.5%), Perakaunan (18.5%), Ekonomi dan Kewangan (16%) dan Perbankan Islam (14.5%). 39.5% daripada responden mempunyai bapa yang bekerja dalam sektor kerajaan, 28.5% swasta, 24.5% bekerja sendiri dan 7.5% tidak bekerja ataupun telah bersara.

Hasil analisis korelasi yang di jalankan di antara faktor pembelajaran di KUIS, faktor latar belakang dan faktor sikap dengan kecenderungan menjadi usahawan adalah seperti di **Jadual 1**. Berdasarkan Jadual 1, terdapat hubungan yang positif dan signifikan di antara faktor pembelajaran dengan minat pelajar untuk menceburi bidang keusahawanan ($r=0.266$, $p<0.01$). Ini menyamai dengan dapatan Mohamed, 1996 bahawa ilmu yang ada turut berperanan menjadikan

seseorang usahawan itu berfikir positif dalam sesuatu usaha perniagaan yang dijalankan.

Analisis ini juga mendapati bahawa faktor-faktor lain juga mempunyai hubungan yang positif dan signifikan dengan minat pelajar untuk menceburi bidang keusahawanan. Kekuatan hubungan yang diperolehi dari analisis ini menunjukkan bahawa faktor sikap ($r=0.328$) dan latar belakang ($r=0.253$) seseorang itu dalam memulakan dan mengekalkan perniagaan akan mempengaruhi kecenderungan mereka menjadi usahawan. Hasil kajian ini menyokong kajian Gasse (1982) bahawa sikap keusahawanan atau kecenderungan ke arah keusahawanan banyak dipengaruhi oleh nilai-nilai hidup seseorang.

7.0 Batasan Kajian

Oleh kerana kajian ini merupakan satu kajian kes yang dijalankan di Kolej Universiti Islam Antarabangsa Selangor, maka segala rumusan yang diperolehi dari kajian ini terhad kepada kawasan kajian sahaja, bukan merupakan rumusan untuk keseluruhan.

- i. Masalah tempoh masa kajian yang agak terhad dan singkat iaitu dua bulan mungkin tidak dapat merangkumi segala aspek kajian.
- ii. Masalah untuk mendapatkan jawapan yang tepat adalah sukar dalam kajian ini. Ini berlaku kerana terdapatnya pengaruh-pengaruh luar seperti rakan-rakan yang menyebabkan responden tidak bebas untuk mengeluarkan pendapat.

8.0 Cadangan Kajian akan Datang

Berdasarkan kepada pengalaman pengkaji semasa menjalankan kajian, beberapa cadangan disarankan kepada pengkaji akan datang.

i) Pengkaji akan datang boleh mengkaji perbandingan antara pelajar KUIS yang berminat untuk menjadi usahawan dengan graduan yang telah menjadi usahawan. Di sini, pengkaji dapat membuat perbandingan terhadap faktor pendorong mereka menceburi bidang keusahawanan. Dengan melihat kepada faktor-faktor pendorong daripada dua kumpulan tersebut, maka pengkaji dapat membangunkan satu model pembangunan keusahawanan yang lebih teratur kerana ianya terhasil daripada pandangan pelajar yang ingin menjadi usahawan dan juga graduan yang telah menjadi usahawan.

ii) Pada masa kini, Malaysia amat mengalakkan rakyatnya menceburi bidang keusahawanan terutamanya keusahawanan teknologi bagi menjana ekonomi negara dan bersaing dengan negara maju yang lain. Sehubungan itu, pengkaji akan datang boleh mengkaji perkara-perkara penting yang melibatkan usahawan teknologi di Malaysia dalam sesuatu sektor tertentu. Contohnya seperti melihat pertumbuhan dan perkembangan dalam perniagaan yang sedang dilakukan.

iii) Selain itu, kajian boleh diduplikasi kepada populasi dan sampel yang berbeza. Sebagai contoh, kajian mungkin boleh dijalankan kepada pelajar-pelajar bidang perubatan, muzik, sastera dan juga membuat perbandingan dengan dengan pelajar dari jurusan keusahawanan itu sendiri.

9.0 Kesimpulan

Secara keseluruhannya kajian ini menunjukkan bahawa faktor pembelajaran, faktor latar belakang dan faktor sikap mahasiswa di Kolej Universiti Islam Antarabangsa Selangor (KUIS) mampu menjana minat mahasiswa Fakulti Pengurusan dan Muamalah menceburi bidang keusahawanan.

Pembelajaran keusahawanan di IPT amnya dan KUIS khasnya memainkan peranan yang sangat penting dalam menjana minat mahasiswa menceburi bidang keusahawanan. Walaupun tidak bertujuan untuk menjadikan kesemua pelajar menjadi usahawan, namun pembelajaran ini mampu mempersiapkan mahasiswa dengan jati diri ke arah keusahawanan. Usaha lain yang boleh diambil oleh KUIS khususnya adalah seperti menawarkan subjek keusahawanan sebagai subjek wajib universiti, menawarkan mata pelajaran khas mengenai teori perniagaan, merangka modul keusahawanan berdasarkan pengalaman sebenar seorang usahawan dan bukannya dirangka berdasarkan teori semata-mata, memperbanyakkan kursus motivasi dan seminar keusahawanan kepada mahasiswa yang berminat untuk menjadi usahawan melalui kerjasama dengan lain-lain agensi atau badan yang berkaitan dengan keusahawanan seperti Tabung Ekonomi Kumpulan Usaha Niaga (TEKUN) dan Majlis Amanah Rakyat (MARA). Selain daripada itu, KUIS juga boleh menjemput graduan KUIS yang telah berjaya menjadi usahawan untuk berkongsi pengalaman dan cabaran sebagai agen penyuntik semangat kepada mahasiswa selain mengadakan ekspo keusahawanan di dalam mahupun di luar KUIS.

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Pensyarah Sebagai Muaddib Pembentuk Mahasiswa/ siswi Ta'dibi

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Abstrak

Pendidikan dalam Islam bukan sekadar melibatkan penyampaian ilmu semata-mata, malah sebagai pembimbing dan penyubur akhlak mulia dalam kalangan pelajar mahupun mahasiswa. Baru-baru ini kita dikejutkan dengan situasi keruntukan akhlak remaja yang antaranya terdiri daripada mahasiswa/i di institusi pengajian tinggi awam mahupun swasta. Di sinilah, konsep pendidik sebagai muaddib ditekankan agar bisa mengimbangi dan seterusnya mengatasi keadaan ini. Kemahiran generik yang meliputi nilai dan etika ini perlu diterapkan agar graduan yang menghayati sifat ta'dib mampu bersaing dan mengharungi serta menangani segala dugaan dan cabaran dengan fikiran yang waras. Kertas kerja ini akan mengupas dengan lebih terperinci peranan yang perlu dimainkan terutamanya oleh pendidik di Kolej Universiti Islam Antarabangsa Selangor (KUIS). Kaji selidik juga telah dijalankan terhadap 140 majikan sepanjang tempoh pelajar menjalani latihan industri dalam tempoh 6 bulan bermula Mac hingga Disember 2009. Kajian ini mendapati bahawa skor tertinggi diperoleh bagi nilai dan etika seperti ketepatan masa, kebolehan pelajar berhadapan dengan apa jua perubahan dan tugas

yang diberikan, dan kebolehan membezakan misi dan tujuan syarikat dengan kepentingan peribadi.

Kata kunci: *ta'dib*, *muaddib*, pendidikan, pendidik, pembelajaran dan pengajaran.

Abstract

Islamic education is not only involved with the transmission of knowledge but also act as guidance and producing pious students. Recently, we were shocked by the youth immorality situation that among of them were students from public and private higher learning institution. This is where, the concept of lecturers as *muaddib* take place to balance and overcome the situation. Generic skill that covers values and ethics must be emphasized so that by implementing *ta'dib*, graduates are able to compete and handle all the incoming problems positively. This study will explore in detail the roles of lecturers at Selangor International Islamic University College (SIIUC). This survey was conducted on 140 employers of the industrial training students which cover six months period of the training starting from March 2009 until December 2009. The study found that the level of understanding of the lecturers is still low. The findings of the study also show that the highest mean score is for values like timeliness, capability of the students facing with unexpected changes and workload as well as the ability to differentiate among company's mission and objective with personal interest.

Keywords: *Ta'dibi*, *Muaddib*, Education, Generic Skill and Values.

1.0 Pengenalan

Di dalam institusi pendidikan, proses pembelajaran dan pengajaran (P&P) adalah merupakan satu proses yang cukup sinonim di kalangan pensyarah. Ianya bukanlah sahaja satu proses penyampaian ilmu berkaitan bidang yang diajar semata-mata bahkan proses tersebut turut memberi kesan yang besar kepada pembangunan diri pelajar.

Menurut Syed Hussein Nasr (1987), peranan seseorang guru atau dalam konteks kajian ini merujuk kepada peranan pensyarah mengikut perspektif Islam di mana mereka mempunyai peranan yang cukup luas dalam memastikan pembangunan akhlak pelajar. Antara tanggungjawab tersebut adalah sebagai *murabbi* (a trainer of souls and personalities) dan tidak hanya tertumpu sebagai *mu'allim* (a transmitter of knowledge). Peranan guru atau pensyarah ini juga turut dikupas oleh Rosnani (1996) sebagai seorang *muaddib*, iaitu seorang yang bertanggungjawab dalam menerapkan adab (disiplin dalam pemikiran, fizikal dan rohani).

Setiap amalan dan perilaku yang ditunjukkan oleh seseorang guru/pendidik atau pensyarah kebiasaannya boleh menjadi ikutan atau *role model* di kalangan pelajar. Ibn Khaldun (t.th.) telah menerangkan, para pelajar memperoleh ilmu pengetahuan, idea, akhlak, sifat -sifat terpuji dan kebaikan sama ada melalui pembelajaran dan pengajaran ataupun melalui meniru dan mempunyai hubungan peribadi dengan guru berkenaan. Pengaruh peranan dan peradaban guru ke atas pelajar dalam pendidikan turut dijelaskan oleh seorang ulama di Qairawan iaitu "*Janganlah kamu mendidik anak - anakmu kecuali melalui seseorang pendidik yang baik dan kuat agamanya kerana agama seorang anak akan banyak dipengaruhi oleh agama pendidiknya.*" (Gamal 2003)".

Penerangan di atas menjelaskan kepada kita tentang pentingnya peranan seorang guru/pendidik ataupun pensyarah dalam membentuk modal insan yang berkualiti di zaman ini. Realitinya hari ini, guru/pendidik atau pensyarah adalah merupakan orang yang paling hampir dalam memberikan pendidikan kepada pelajar. Oleh itu, menurut Ab. Halim (2008) beliau telah menegaskan adalah satu kewajipan seorang guru untuk menunjukkan tingkah laku dan *role model* yang baik kepada para pelajarnya.

Untuk mengaplikasikasikan peranan yang boleh dijadikan ikutan dan contoh kepada pelajar ini, seseorang guru/pendidik mahu pun pensyarah perlulah terlebih dahulu memahami apakah sifat - sifat yang dikehendaki oleh Islam di dalam pengajaran dan pembelajaran baharulah diikuti dengan pelaksanaan yang berkesan. Seperti yang dibincangkan tadi, peranan guru/pendidik mahu pun pensyarah bukan sahaja sebagai penyampai ilmu (*mu'allim*) semata-mata, tetapi juga sebagai *murabbi*, *muaddib*, *mudarris* dan *mursyid*.

2.0 Tinjauan Literatur

2.1 Peranan Pendidik

Tanggungjawab membentuk generasi berakhlak mulia adalah suatu amanah yang perlu dilaksanakan oleh para pendidik khususnya guru Pendidikan Islam (Zaharah, 2005). Bagaimanapun tanggungjawab ini tidak hanya terpikul di bahu guru pendidikan Islam sahaja malah semua yang digelar pendidik. Pendidik menurut Wan Marzuki (2010) berperanan sebagai:

Pertamanya, sebagai **muaddib** dan pembimbing: pendidik/ guru bertanggungjawab menyelia dan mengawal disiplin, penyubur sifat terpuji dan mementingkan kerohanian anak-anak didik sendiri.

Kedua, sebagai idola para pelajar: pendidik/ guru perlu sentiasa bertingkah laku sopan, bersifat intelek, ini kerana pada mata masyarakat, guru sebenarnya dianggap golongan cendekiawan yang berkemampuan membawa reformasi mental dalam kehidupan seharian.

Ketiga, sebagai pelajar: pendidik/ guru perlu sentiasa peka dan bersedia mereformasi diri pada alaf ini dan akan datang. Pelbagai disiplin ilmu bantu perlu diterokai dengan melanjutkan pelajaran ke peringkat yang lebih tinggi, bukan setakat meningkatkan profesionalisme kerja, tetapi juga untuk mempelbagaikan metod dan kreativiti di bilik darjah.

Keempat, sebagai rakan sejawat: hubungan sesama pendidik/guru adalah dalam konteks suatu rumpun keluarga di bawah satu bumbung ilmu. Sebagai akar dan umbi yang saling bertaut, kerjaya seorang pendidikan tidak seharusnya diselaputi syak wasangka, *pentingkan diri sendiri, pesimis atau saling salah menyalahkan antara satu sama lain.*

Kelima, sebagai penunjuk pandu: masyarakat meletakkan harapan tinggi kepada golongan pendidik/ guru bagi memberi didikan semaksimum mungkin kepada anak-anak mereka. Potensi diri seseorang yang telah memilih kerjaya sebagai seorang pendidik/ guru sebenarnya mampu menjelmakan hasrat murni tersebut tetapi perlulah dilampiri dengan keikhlasan dan iltizam yang ampuh.

Dan *keenam*, sebagai manusia biasa: sanjungan dan tingginya harapan seluruh komuniti masyarakat terhadap pendidik/guru tetap tidak dapat

merubah hakikat diri bahawa pendidik/guru juga adalah manusia biasa yang tidak dapat lari dari melakukan kesilapan atau keterlanjuran.

2.1 Peranan Pendidik Sebagai Muaddib

Dari perspektif Islam, pendidik/ guru bukan sekadar menjadi *mudarris* (pendidik), tetapi guru juga sebagai *mu'allim* (iaitu penyampai yang benar), sebagai *murabbi* (pengasuh dan pendidik anak-anak dengan kasih sayang), sebagai *muaddib* (pembentuk adab dan akhlak anak-anak) dan sebagai *mursyid* (iaitu pembimbing ke arah kebenaran). Warga pendidik juga harus sentiasa berusaha untuk menambah ilmu pengetahuan secara berterusan, kerana ilmu itu sangat luas dan perlu diterokai. (*Khutbah Jumaat 14 Mei 2010 : Hari Guru Jabatan Agama Islam Selangor*).

Salhah Abdullah dan Ainon Mohd (2005), mengistilahkan guru / pendidik sebagai mentor selari dengan maksud *muaddib* iaitu mendidik dalam membentuk adab dari perspektif islam menunjukkan peranan mentor membentuk insan yang seimbang. Istilah ini selari dengan dapatan Syed Muhammad Naquib Al-Attas (1979), yang menyatakan peranan guru ditekankan sebagai *muaddib* berbanding *murabbi* dan *mu'allim*. Beliau menggunakan perkataan *ta'dib* untuk menjelaskan erti pendidikan. Menurut beliau, pendidikan Islam adalah lebih tepat berorientasikan kepada istilah *ta'dib*. Ini kerana peranan guru yang paling menonjol, menurut beliau, adalah sebagai *muaddib*. Pendapat yang sama diberikan oleh Zawawi Hj. Ahmad, 1984 yang menyatakan peranan utama guru adalah sebagai *muaddib*. Dalam hal ini, Rasulullah S.A.W. mengatakan bahawa Allah S.W.T. sendiri yang telah mendidik baginda dengan sebaik-baik pendidikan.

Oleh itu pendidik/guru wajar menjadikan Rasulullah S.A.W. sebagai mentor/model pendidik terunggul. Sebagaimana Firman Allah S.W.T. dalam surah Al-Jumuah ayat 2: Maksudnya: "*Dialah yang mengutuskan dalam kalangan orang Arab yang ummiyyin (tidak tahu membaca dan menulis) seorang Rasul (Nabi Muhammad) dari bangsa mereka sendiri, yang membacakan kepada mereka ayat-ayat Allah (yang membuktikan keesaan Allah dan kekuasaan-Nya) dan membersihkan mereka (daripada 'ikhtiqad yang sesat), serta mengajarkan mereka kitab Allah (Al-Quran) dan hikmah (pengetahuan). Sesungguhnya mereka sebelum (kedatangan Nabi Muhammad) itu adalah dalam kesesatan yang nyata*".

Maka pendidik dan pendidikan adalah dua perkara yang tidak boleh dipisahkan. Pendidikan atau dalam bahasa arabnya *tarbiyah* adalah satu proses pengembangan, pemeliharaan, penjagaan, pengurusan, penyampaian ilmu, pemberian petunjuk, bimbingan, penyempurnaan, dan perasaan memiliki bagi anak didik, baik jasad, akal, jiwa, bakat, potensi, perasan, secara berlanjutan, bertahap, penuh kasih sayang, penuh perhatian, kelembutan hati, menyenangkan, bijak, mudah diterima sehingga membentuk kesempurnaan fitrah manusia, kesenangan, kemuliaan, hidup mandiri untuk mencapai redha Allah S.W.T. (H.I. Shofjan dan Maman, 2008).

Hakikat ini menjadikan pendidik sebagai insan yang sungguh mulia, yang telah diamanahkan untuk menyampaikan ilmu dan memurtabatkan ummah, menjadikan Rasulullah sebagai model pendidik terunggul, menambahkan ilmu serta mengajarkan berteraskan Al-Quran dan As-Sunah. Sebagaimana maksudnya Az-Zumar ayat 9: "*Katakanlah (kepada-Nya), adakah sama orang yang mengetahui dengan orang yang tidak mengetahui?. Sesungguhnya orang yang dapat*

mengambil pelajaran dan peringatan hanyalah orang yang berakal sempurna".

Sebelum ini, kajian pernah dijalankan ke atas konsep *ta'dib* dalam kalangan pelajar dan guru pengajian Islam. Kali ini, kajian dilaksanakan secara menyeluruh iaitu tanpa mengira latarbelakang pendidik.

3.0 Skop dan Metodologi Kajian

Sebagai permulaan kajian, penyelidik telah memilih satu daripada lima peranan yang digariskan iaitu *muaddib*. Kajian ini hanya memfokuskan tentang pemahaman terhadap konsep *Muaddib* di kalangan pensyarah di Fakulti Pengurusan dan Muamalah, Kolej Universiti Islam Antarabangsa Selangor demi membentuk pelajar *taadib*. Di dalam kajian ini kaedah kuantitatif telah digunakan iaitu menilai:

- a. kefahaman pensyarah di Fakulti Pengurusan dan Muamalah, Kolej Universiti Islam Antarabangsa Selangor terhadap konsep *muaddib*.
- b. keperluan pasaran terhadap graduan KUIS.
Oleh itu, responden kajian disasarkan kepada dua bahagian:
 - i. **Sekumpulan pensyarah** dari Fakulti Pengurusan dan Muamalah, Kolej Universiti Islam Antarabangsa Selangor (KUIS). Populasi kajian meliputi 50 orang pensyarah dari Fakulti Pengurusan dan Muamalah sebagai responden. Satu soalan yang memerlukan jawapan benar bagi konsep *muaddib* diedarkan kepada responden. Bagaimanapun hanya 26 (52%) responden memberikan jawapan mereka.

Soalan Kajian: Di antara yang berikut apakah peranan Muaddib yang paling sesuai mengikut kefahaman anda?

- A. Sebagai pengajar.
- B. Sebagai penyampai ilmu pengetahuan yang betul dan bermanfaat. Ia melibatkan proses pemindahan maklumat yang benar kepada seseorang.
- C. Sebagai pendidik yang bertanggungjawab membekalkan nilai luhur kepada generasi akan datang dan tidak terhad di bilik darjah atau persekitaran tempat pengajian sahaja. Ia adalah pendidik di sekolah, keluarga dan masyarakat.
- D. Sebagai pemupuk adab, akhlak dan nilai ataupun proses pembentukan disiplin dan sikap pelajar bagi membentuk sahsiah selain membina kecerdasan akal dan jasmani.
- E. Pendidik yang bertaraf ulama dan menjadi pakar rujuk kepada pelajar dan masyarakat dari sudut penghayatan keagamaan, akhlak dan pembawaan yang mencapai taraf ulama dan pakar rujuk.

ii. **Seratus empat puluh (140) orang majikan swasta dan kerajaan** di seluruh Malaysia yang menyediakan tempat latihan industri kepada pelajar pelbagai jurusan diploma dan Ijazah Sarjana Muda dari Fakulti Pengurusan dan Muamamah. Kajian dijalankan selama 6 bulan bermula Mac hingga Disember 2009. Jumlah majikan yang memulangkan borang kajian adalah seramai 84 orang. Komen berkenaan ciri-ciri seorang graduan yang dikehendaki di pasaran diberikan perhatian utama bagi kajian ini.

4.0 Analisis Hasil Kajian

Analisis secara deskriptif dijalankan di mana frekuensi bagi jawapan dicatat dan dikumpulkan dalam jadual taburan frekuensi berikut:

4.1 Bahagian I (Tahap Kefahaman Pensyarah terhadap Konsep Muaddib)

Maksud muaddib secara konsepnya terjawab pada jawapan D. Dapatan hasil kajian mendapati kefahaman pensyarah terhadap konsep muaddib adalah pada tahap yang masih **rendah** iaitu hanya 23.1% (**Jadual 4.1**).

4.2 Bahagian II (Keperluan Industri terhadap Ciri-ciri Graduan yang Dikehendaki di Pasaran)

Responden amat bersetuju bahawa nilai-nilai murni perlu diterapkan di kalangan graduan. Ini dapat dilihat daripada maklum balas yang menunjukkan purata 4.5 iaitu amat bersetuju terhadap kepentingan kemahiran generik tersebut. Purata tertinggi diberikan kepada kepentingan menepati masa (4.72), diikuti pelaksanaan tugas mengikut jadual atau masa yang diberi. Graduan juga perlu bertanggungjawab di atas tugas yang diamanahkan, professional, menghormati pendapat orang lain dan sentiasa berpenampilan kemas (**Jadual 4.2**).

5.0 Rumusan dan Cadangan

Tahap kefahaman pendidik terhadap konsep *muaddib* daripada hasil kajian memperlihatkan bahawa pendidik terutamanya pensyarah di Fakulti Pengurusan dan Muamalah khasnya dan KUIS sendiri amnya seharusnya mengetahui dengan lebih menyeluruh konsep tersebut.

Kriteria-kriteria penting di dalam *ta'dib* itu sendiri ditekankan oleh majikan dalam memenuhi kehendak pasaran kerja di kalangan graduan.

Menyedari dan menginsafi betapa pentingnya kelangsungan pendidikan tinggi Islam, maka satu garis panduan yang menyeluruh dan holistik perlu dilaksanakan bagi tujuan melahirkan generasi *ulul al-bab*. Ia amat bertepatan sekali dengan kehendak Al-Quran serta amat relevan dengan misi nasional iaitu pembangunan modal insan yang berkualiti.

Justeru itu, KUIS telah memperkenalkan Formula 6M bagi memperkasakan tenaga pengajar akademik untuk keberhasilan graduan yang berdaya saing. Formula 6M ini diperkenalkan bagi mewujudkan satu gagasan dan pendekatan kecemerlangan akademik dan teras kepada pemerksaan profesionalisme pengajaran dan pembelajaran. Antara isu yang boleh ditangani menerusi Formula 6M seperti berikut:

Pertama - kesungguhan mempelajari, mendalami dan menguasai ilmu secara tersusun, berdisiplin, tebus dan tulus di kalangan ahli akademik dan pelajar.

Kedua - menangani isu moral, pembinaan sahsiah, personaliti unggul dan ketrampilan pelajar.

Ketiga - kualiti akademik yang maksimum, konsisten dan berwibawa.

Intipati dan elemen Formula 6M ini terdiri dari 6 perkara utama berikut termasuk konsep *Muaddib*:

a) *Mudarris*

Mudarris adalah konsep yang diasaskan kepada pensyarah/tutor/pemudahcara cemerlang yang berkesan. Ia dinilai berdasarkan kepada beberapa aspek:

i. Menstruktur pengajaran dan terarah kepada objektif dan hasil pembelajaran

- ii. Mengaitkan dengan pengetahuan sedia ada pelajar
- iii. Menyampaikan maklumat dengan bahasa pengantar yang betul, mudah, tepat dan jelas
- iv. Menggunakan media pengajaran dengan berkesan
- v. Menyesuaikan strategi pengajaran dengan masa, minat dan kebolehan pelajar
- vi. Memiliki kemahiran berbahasa dan interpersonal yang baik
- vii. Mempelbagaikan metodologi pengajaran dengan berkesan
- viii. Menjawab persoalan pelajar dengan penuh hikmah

b) *Muaddib*

Muaddib merujuk kepada peranan guru dalam mengasuh, mendidik, membentuk, membimbing, menanam dan menyuburkan akhlak mulia, disiplin, sahsiah dan seluruh adab sopan pelajar/mahasiswa. Proses *Ta'dib* bersumberkan wahyu Allah SWT yang bersifat mutlak berteraskan iman yang kukuh ini diterapkan dalam diri pelajar. Antaranya ialah:

- i. Memakai pakaian yang sesuai dan kemas (menutup aurat).
- ii. Menepati dan menghormati masa/waktu.
- iii. Menuturkan kata dengan sopan dan berhemah.
- iv. Menunjukkan kewibawaan.
- v. Menunjukkan sifat perihatin terhadap kebajikan pelajar.
- vi. Mempamerkan sifat tawadu'/rendah diri.
- vii. Menerapkan akhlak terpuji semasa pengajaran.
- viii. Mengambil berat terhadap adab/akhlak pelajar.
- ix. Menjaga maruah diri.

c) *Murabbi* (Peranan guru sebagai pemudahcara)

- i. Menerapkan unsur-unsur ketawhidan dan kemanusiaan dalam P&P.
- ii. Mengenal dan memotivasikan pelajar.

- iii. Menghormati idea/pandangan/potensi pelajar dan hak-hak asasi mereka.
- iv. Menegur dan menghukum pelajar secara hikmah dengan niat mendidik.
- v. Mewujudkan hubungan keibu-bapaan dengan pelajar.
- vi. Memudahcara ke arah pembinaan mahasiswa yang dinamis, aktif, proaktif dan inovatif.

d) Mu'allim (Peranan untuk memberitahu, mengajar, memindah dan menyampaikan ilmu).

- i. Memiliki, menguasai dan membudayakan ilmu.
- ii. Menepati fakta.
- iii. Menyepadukan ilmu intra dan inter bidang.
- iv. Menguasai huraian dan silibus kursus.
- v. Mengetahui isu dan maklumat kontemporari.
- vi. Menggalakkan percambahan ilmu.
- vii. Merangsang kekinian pemikiran mahasiswa.
- viii. Menggalakkan pembelajaran sendiri.
- ix. Mengaplikasikan ilmu dan menjelaskan idea dengan berkesan.
- x. Mengamal dan menggalakkan budaya penyelidikan.

e) Murshid (Konsep kepimpinan guru untuk menjaga, menasihati, mengarah dan memberi tunjuk ajar).

- i. Bersikap toleransi dan adil.
- ii. Mengamalkan ciri-ciri mushawarah.
- iii. Menunjukkan sikap tegas dan bukannya bengis.
- iv. Menampilkan kepimpinan berhikmah, zuhud dan tawadu'.
- v. Mencetuskan idea/semangat untuk maju.
- vi. Bertindak teliti, tulus dan telus.

- vii. Menggalakkan daya kepimpinan pelajar.
- viii. Mengawal kuliah (P&P) dengan berkesan.
- ix. Menganjurkan wahdat al-fikr (kesatuan pemikiran) sebagai wahana wahdat al- amal (kesatuan tindakan).

f) Muballigh (Kualiti sebagai *da'i* (pendakwah) dengan elemen keterbukaan, kesederhanaan dan kesempurnaan).

- i. Sentiasa melakukan muhasabah al-naf. Menyampaikan kuliah dengan pendekatan paling mudah, teratur dan berstrategi.
- ii. Menyampaikan.
- iii. Mengamal dan menerapkan nilai bersih, cekap dan beramanah.
- iv. Mengamalkan profesionalisma yang tinggi.
- v. Mengutamakan semangat islah dalam menangani masalah pelajar.
- vi. Meletakkan kekuatan dan kejituan ilmu.
- vii. Menggalakkan cetusan idea baru.
- viii. Menggalakkan perbincangan persoalan.

6.0 Penutup

Kajian ini diharap dapat memberi sumbangan kepada kualiti pendidikan terutamanya pendidikan berkonsepkan Islam yang luhur dan abadi khasnya di institusi pendidikan Islam. Penambahbaikan pengajaran dan pembelajaran (P&P) yang menepati kehendak dan konsep ta'dib ini tidak mustahil untuk dilaksanakan dan semoga menjadi amalan terbaik di semua peringkat pengajian.

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Peranan dan Cabaran Guru sebagai Pembentuk Modal Insan Cemerlang

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Abstrak

Tanggungjawab merealisasikan matlamat Negara dalam melahirkan modal insan yang berkualiti tinggi perlu dilaksanakan secara bersama oleh pelbagai pihak. Namun proses pelaksanaan tanggungjawab tersebut tidak boleh dianggap mudah. Tekanan kerja yang berlaku memungkinkan terganggunya proses pencapaian matlamat untuk melahirkan modal insan yang cemerlang di Malaysia. Melalui kertas kerja konsep ini, isu tekanan kerja yang berlaku di kalangan para guru di Malaysia akan dibentangkan. Guru yang mewakili golongan pendidik dijadikan subjek utama dalam kajian ini. Isu tekanan kerja ini perlu diatasi bagi memastikan impian melahirkan modal insan cemerlang mampu dicapai. Kajian-kajian terdahulu yang berkaitan dikupas bagi menjelaskan lagi peranan guru.

Kaedah daya tindak guru dalam menangani tekanan kerja juga diteliti bagi memastikan peranan-peranan tersebut dapat dilaksanakan dengan sempurna. Peranan dan daya tindak guru ini dibincangkan dari perspektif Islam. Diharapkan kertas kerja ini dapat dijadikan panduan kepada pihak-pihak berkepentingan agar isu tekanan kerja

yang wujud di kalangan guru mampu dibendung dan diuruskan dengan baik.

Kata kunci: Tekanan kerja, guru, modal insan, kaedah daya tindak, Islam.

Abstract

The responsibility in realising the objective of our country in producing excellent human capital needs to be carried out jointly by various parties. However such implementation of responsibility process should not be taken for granted. Existing working pressure could possibly disturb the process towards producing excellent human capital in Malaysia. Throughout this concept paper, working pressure issue that prevails among teachers in Malaysia is presented. Teachers who represent the education sector are the main subject in this study. This working pressure issue needs to be overcome to ensure that the vision towards producing excellent human capital can be achieved. Related earlier studies are analysed to further explain the role of teachers. The action oriented method for teachers in tackling working pressure is also examined to make sure that their roles can be implemented properly. Their roles and actions are discussed from the Islamic perspective. It is hoped that this working paper can be used as guide to interested parties so that working pressure issue that prevails among teachers can be managed well.

Keywords: Working pressure, teacher, human capital, action oriented method, Islamic perspective.

1.0 Pengenalan

Kelahiran insan yang seimbang dan harmonis dari segi intelek, rohani, emosi dan jasmani berdasarkan kepercayaan dan kepatuhan kepada Tuhan sepertimana yang digambarkan melalui Falsafah Pendidikan Malaysia adalah sangat dialu-alukan di Negara ini. Guru yang mempunyai kemahiran, pengetahuan dan keupayaan dalam mendidik para pelajar dilihat mampu membantu negara merealisasikan misinya yang dinyatakan dalam Rancangan Malaysia Kesembilan (RMK-9), iaitu untuk membina tamadun negara yang dihuni oleh masyarakat berkeperibadian mulia di sebuah negara kelas pertama menjelang tahun 2020.

Guru dipilih sebagai subjek utama dalam kertas kerja ini memandangkan kebanyakan guru dilihat dalam masyarakat sebagai contoh terbaik (*role model*) yang dapat membentuk insan yang berakhlak dan bertakwa. Guru adalah pencetus dan penggerak kepada proses transformasi sistem pendidikan negara dalam usaha melahirkan generasi masa depan yang intelek, berdaya saing, berjati diri kukuh dan berpegang teguh kepada ajaran agama dan nilai sejagat.

Walau bagaimanapun, proses melahirkan modal insan yang cemerlang ini tidak boleh dianggap mudah. Pelbagai cabaran pasti akan wujud. Salah-satu cabaran yang diketengahkan melalui kertas kerja ini adalah isu tekanan kerja. Tekanan yang wujud di kalangan guru yang antaranya disebabkan oleh masalah persekitaran sekolah seperti perlakuan jenayah dan disiplin pelajar mampu menjejaskan kualiti kerja guru dan seterusnya mempengaruhi kelancaran pelaksanaan matlamat melahirkan modal insan cemerlang. Kesan tekanan ini mungkin wujud dalam pelbagai aspek seperti kesan dari segi fizikal, emosi dan mental (Abdul Latiff, 2006). Bagi membendung isu tekanan ini, maka tahap kesedaran pihak berkepentingan perlu terus dipertingkatkan.

Melalui kertas kerja ini, peranan guru akan dilihat dari perspektif Islam dengan merujuk kepada istilah-istilah tertentu yang digunakan bagi tujuan memperjelaskan lagi peranan guru. Cabaran yang diketengahkan melalui kertas kerja ini merangkumi isu-isu tekanan kerja yang berlaku di kalangan para guru di Malaysia.

Cadangan-cadangan kepada beberapa kaedah daya tindak berorientasikan Islam sebagai cara mengatasi masalah tekanan kerja yang wujud di kalangan guru juga dinyatakan melalui kertas kerja ini.

1.1 Persoalan Kajian

Kertas kerja konsep ini disusun mengikut persoalan kajian yang berikut:

1. Apakah peranan sebenar para guru atau pendidik?
2. Sejauhmanakah masalah tekanan kerja wujud di kalangan para guru ini?
3. Bagaimanakah caranya masalah tekanan kerja ini dapat diatasi agar matlamat untuk melahirkan insan cemerlang mampu dicapai?

1.2 Objektif Kajian

1. Mengenalpasti peranan guru atau pendidik secara keseluruhannya mengikut perspektif Islam.
2. Mengkaji sejauhmanakah masalah tekanan kerja wujud di kalangan para guru di Malaysia.
3. Mencadangkan beberapa kaedah berorientasikan Islam sebagai cara yang boleh diaplikasikan bagi mengatasi masalah tekanan kerja di kalangan guru.

1.3 Metodologi Kajian

Kertas kerja ini lebih menjurus kepada penelitian dan penganalisan data dan maklumat sekunder yang berkaitan yang diperolehi dari kajian-kajian lepas dan semasa. Data dan maklumat yang dirasakan relevan dikupas dan disusun mengikut kesesuaiannya agar terjawab semua persoalan dan objektif kajian sepertimana yang telah ditetapkan.

2.0 Latar Belakang Kajian

Guru dianggap sebagai aset Negara yang banyak menyumbang di dalam transformasi pendidikan. Tema Hari Guru 2011 iaitu 'Guru Penjana Transformasi Pendidikan Negara' cukup menggambarkan betapa pentingnya peranan guru dalam melahirkan generasi masa depan yang berkarisma dan berpotensi. Guru harus sentiasa membangunkan diri dan menerima segala bentuk perubahan serta pembaharuan yang berlaku dari masa ke semasa (Ibrahim Ahmad Bajunid, 1995). Dalam masa yang sama, perkembangan pelajar-pelajar juga harus dititikberatkan (Southworth, 2002).

2.1 Guru di Malaysia

Jadual 1.0 menunjukkan peningkatan jumlah keseluruhan guru yang termasuk guru sekolah rendah dan menengah dari tahun 2008 ke tahun 2011.

Secara khususnya, **Jadual 2.0** menunjukkan jumlah keseluruhan sekolah, murid dan guru di Malaysia yang disiarkan di laman web rasmi Kementerian Pendidikan Malaysia pada 30 Januari 2011.

Melalui jumlah perangkaan diperolehi pada tahun 2009, dianggarkan lebih 90 peratus dari jumlah keseluruhan guru yang dicatatkan terdiri dari guru-guru berbangsa Melayu manakala selebihnya terdiri dari kaum Cina dan India.

2.2 Modal Insan

Pembangunan modal insan jika dilihat dari perspektif Islam, merupakan proses yang menyeluruh, ia bukan sekadar memenuhi keperluan dunia semata-mata, ianya harus selaras dengan matlamat penciptaan manusia yang jelas disebutkan melalui ayat 56 dalam surah Az-Zariyat yang bermaksud, "*Tidakkah Aku jadikan jin dan manusia melainkan untuk beribadah kepadaKu*".

Perspektif Barat pula menganggap modal insan sebagai harta paling penting yang ada pada seseorang yang membawa pendapatan kepadanya. Modal insan mempunyai kaitan yang sangat rapat dengan ekonomi masyarakat dan Negara (Zahir, 2006). Barat terlalu memberi fokus kepada memberi sumber manusia pengetahuan dan, kemahiran tertentu yang dapat memberi pulangan tertentu kepada ekonomi sesebuah organisasi atau masyarakat.

Kejayaan organisasi biasanya dikaitkan dengan kecemerlangan individu di dalamnya. Individu-individu ini memiliki modal insan yang menyumbang kepada pencapaian visi, misi dan objektif sesebuah organisasi. Modal insan menjadi kunci utama kepada jatuh bangunnya sesebuah organisasi.

Pembangunan modal insan perlu digilap terus kerana ianya merupakan elemen penting dalam memastikan Negara terus berdaya saing dan berdaya tahan. Melalui RMK-9, dinyatakan bahawa modal

insan yang ingin dibina adalah modal insan yang bersifat holistik, lengkap dengan pengetahuan dan kemahiran serta mempunyai nilai moral dan etika yang teguh. Adalah menjadi tanggungjawab institusi pendidikan membekalkan pelajar bukan hanya dengan kekuatan ilmiah semata-mata malah dilengkapi juga dengan kemahiran insaniah. Ketiadaan modal insan dalam masyarakat akan memudaratkan lagi isu jenayah seperti rasuah, pecah amanah, gangguan seksual dan sebagainya (Abdul Shukur, 2011).

3.0 Peranan Guru dalam Melahirkan Modal Insan Cemerlang

Bahagian ini akan membincangkan persoalan berkaitan peranan guru. Peranan-peranan guru ini dikenalpasti melalui penelitian kepada kajian-kajian lain yang berkaitan. Peranan-peranan tersebut disenaraikan dan diterangkan satu persatu demi memberikan gambaran jelas tentang peranan sebenar guru dalam mendidik pelajar sekaligus melahirkan insan yang cemerlang.

Allah s.w.t berfirman: "*Serulah (manusia) ke jalan Tuhanmu dengan hikmah kebijaksanaan dan nasihat pengajaran yang baik*" (Surah an-Nahl: 125). Dengan ilmu yang diberikan oleh guru melalui pengajaran dan pendidikannya, maka masa depan masyarakat mampu dicorakkan dan untung nasib sesebuah bangsa dapat ditentukan (Ahmad Mohd.Salleh, 2008). Rasulullah s.a.w bersabda: "*Bahwasanya jika kamu mengajar seseorang, lalu dia mendapat kebajikan yang lebih berharga daripada dunia dan segala isinya*". Menurut Ibnu Khaldun, kekuatan ilmu bukan sahaja menjadi syarat dan pelengkap kepada kekuatan fizikal, malah memberi arah dan makna kepada manusia dan bangsa tersebut.

3.1 Peranan Guru dari Perspektif Islam

Bagi tujuan menerangkan peranan guru dari perspektif Islam ini, konsep 6M iaitu mudarris, muaddib, murabbi, mursyid, muallim, dan muballigh digunakan.

i. Muddaris

Istilah Mudarris ini secara dasarnya digunakan kepada mereka yang mengajar mata pelajaran agama Islam di sekolah, madrasah, masjid dan pondok. Peranan Muddaris adalah untuk memperkembangkan kemahiran dalaman dan luaran pelajar. Guru Muddaris membantu pelajar dalam memahami hal-hal yang tidak mereka ketahui dan faham seperti mengajar pelajar mengenali sikap peribadi dan penampilan diri.

ii. Muaddib

Maksud Mu'addib adalah hampir kepada maksud istilah mentor. Guru Mu'addib merupakan pemupuk adab, akhlak, nilai atau pembentuk disiplin, sikap dan sahsiah pelajar. Dalam proses menyiapkan mu'addab kepada nilai-nilai murni bagi mereka melaksanakan segala pekerjaan yang akan dipertanggungjawabkan pada masa hadapan, guru Mu'addib perlu sama mengamalkan nilai-nilai murni tersebut.

iii. Murabbi

Peranan Guru Murabbi bukan sahaja terhadap kepada mengajarkan ilmu malah mereka juga berperanan mendidik rohani, jasmani dan mental pelajarinya agar mampu menghayati dan mengamalkan ilmu yang telah dipelajari. Guru Murabbi amat menghayati sesuatu ilmu, sekaligus membentuk keperibadian, sikap dan tabiat pelajarinya. Tugas mereka

lebih kepada membentuk hati yang bersih melalui kesedaran, keyakinan dan juga amalan.

iv. Mursyid

Guru Mursyid merupakan seorang yang pakar dalam memberi tunjuk ajar terutamanya dalam bidang kerohanian. Mereka merupakan golongan yang bertanggungjawab memimpin dan membimbing perjalanan rohani pelajar untuk sampai kepada Allah S.W.T dalam proses tarbiah yang teratur.

v. Mu'allim

Muallim merujuk kepada seorang pengajar yang mana ianya tidak terhad kepada guru sekolah sahaja. Peranan guru Muallim adalah untuk menjelaskan hakikat ilmu pengetahuan yang diajarkannya dengan memberi penekanan kepada kedua-dua aspek teori dan praktikal, serta berusaha menggalakkan para pelajar untuk mengamalkan apa yang telah diajarkan kepada mereka.

vi. Muballigh

Peranan Guru Mubaligh adalah sebagai pembawa ilmu yang berkewajipan menyampaikan semua ilmu yang dimiliki dengan memberi tumpuan kepada aspek keterbukaan, kesederhanaan, kesempurnaan, kesejagatan, dan keseimbangan dalam melaksanakan tanggungjawabnya. Guru Muballigh juga perlu mempunyai ketegasan dalam kelembutan serta bijaksana dalam menyampaikan pelajaran agar pelajar tertarik dengan ilmu yang disampaikan serta dapat memahami, menghayati dan mengamalkannya.

3.2 Peranan Guru berkonsepkan 6M dan Kecemerlangan Modal Insan

Guru yang merupakan domain penting dalam institusi pendidikan perlu menggabungkan kesemua peranan 6M yang telah diperjelaskan secara serentak dan bersepadu dalam setiap proses pengajaran dan pembelajaran demi memacu kecemerlangan modal insan. Imam al-Ghazali menggariskan secara ringkas lapan tugas utama guru yang selari dengan peranan 6M guru yang telah dihuraikan di atas:

1. Menyayangi para pelajar seperti menyayangi anak sendiri serta berniat mengajar untuk menyelamatkan mereka daripada api neraka.
2. Mengajar dengan penuh keikhlasan tanpa mengharapkan apa-apa ganjaran manusia, sebaliknya hanya mengharapkan keredhaan daripada Allah S.W.T.
3. Menasihati dan membimbing pelajar dalam segala aspek seperti pendidikan, pergaulan, sahsiah dan jati diri.
4. Menjaga disiplin pelajar dengan memberi teguran secara berhikmah dan penuh kasih sayang.
5. Menyanjung tinggi setiap matapelajaran yang diajar di sekolah.
6. Memahami kaedah dan teknik pengajaran dengan mendalam agar dapat menyampaikan pelajaran dengan berkesan.
7. Memberi perhatian yang lebih kepada pelajar yang mempunyai masalah pembelajaran dengan mengajar mengikut tahap kemampuan mereka.
8. Mengamalkan ilmu yang diajar agar percakapan selari dengan perbuatan.

3.3 Kesimpulan

Kejayaan sebenar pembangunan modal insan, adalah berpaksikan kepada persepsi dan tindakan yang tertumpu bukan sahaja kepada

pembangunan jasmani malah pembangunan rohani dan akhlak sepertimana dituntut Islam. Maka dengan pelaksanaan peranan 6M yang diperjelaskan mengikut perspektif Islam, diyakini ianya mampu membantu Negara melahirkan modal insan cemerlang.

4.0 Tekanan Kerja dikalangan Guru

Isu-isu berkaitan tekanan kerja yang wujud di kalangan para guru di Malaysia akan dibincangkan di bahagian ini. Gambaran tentang masalah tekanan kerja ini akan cuba dikupas dan dinyatakan. Ini amat penting kerana tekanan kerja di kalangan guru mampu membantutkan usaha untuk melahirkan modal insan cemerlang.

Secara umumnya, tekanan merupakan satu keadaan gangguan emosi, pemikiran dan fizikal seseorang. Tekanan timbul apabila fikiran tidak mampu menerima masalah secara positif. Tekanan kerja pula didefinisikan sebagai suatu proses yang menyebabkan orang merasa sakit, tidak nyaman atau tegang kerana pekerjaannya, tempat kerja atau situasi kerja tertentu (Beehr dan Franz dalam Dwi Retnaningtyas, 2005).

Cooper dalam kajian yang dibuat bersama rakan-rakannya (1988) menyatakan bahawa bidang kerjaya guru merupakan bidang kerjaya yang mempunyai tahap tekanan kerja yang tinggi. Terdapat pelbagai faktor yang boleh menyebabkan berlakunya tekanan kerja di kalangan guru sekolah, ini termasuklah faktor beban tugas, salah laku pelajar, penghargaan profesional, kekangan masa dan sumber, dan perhubungan interpersonal (Ahmad Shakir, 1998 dan Kamaruzaman Kamaruddin, 2007). Hasil dapatan kajian lepas membuktikan bahawa di antara kelima-lima faktor ini, faktor beban tugas dan salah laku pelajar menjadi faktor yang paling dominan dalam menyebabkan tekanan kerja guru (Boyle, J.G., Borg, M.G., Falzon, J.M., dan Baglioni, A.J. Jr, 1995).

Terlalu banyak tekanan yang dihadapi boleh mengakibatkan pelbagai kesan negatif kepada guru yang mana ianya secara tidak langsung mampu mengganggu prestasi dan kepuasan kerja guru (Ali Murat Sunbul, 2003).

Petunjuk kepada wujudnya masalah tekanan di kalangan guru boleh dilihat melalui beberapa kes yang disiarkan dalam akhbar-akhbar tempatan di Malaysia.

Jadual 3.0 menunjukkan bilangan guru di Malaysia yang menghidapi penyakit mental pada ketika kajian dibuat. Kajian yang telah dijalankan oleh Kementerian Pendidikan Malaysia ini dibahagikan kepada faktor jantina, tahap sijil, umur, dan jenis sekolah di Malaysia. Didapati dalam tempoh dua tahun kajian dijalankan, terdapat seramai 1,288 orang daripada jumlah sampel seramai 5,364 orang guru di Malaysia menghidapi penyakit mental. Daripada jumlah tersebut, terdapat seramai 169 orang mengalami penyakit mental jenis psikosis dan 1,119 orang mengalami penyakit mental jenis neurosis. Bilangan ini dikatakan terus meningkat dari tahun ke tahun.

Akhbar Berita Harian bertarikh 13 Januari 1999 mendedahkan laporan berkenaan 600 orang guru dikenalpasti mengalami tekanan perasaan atau masalah sakit jiwa yang serius. Kenyataan yang dibuat oleh bekas Timbalan Menteri Pendidikan, Dato' Aziz Samsudin melalui Sin Chew Daily bertarikh 20 Februari 2004 pula menunjukkan bahawa sehingga akhir tahun 2003 seramai 760 orang guru menghadapi gangguan psikologi dan emosi.

Menurut kenyataan Pakar Perunding Kanan Psikiatri, Pusat Perubatan Universiti Malaya (PPUM), Prof. Nor Zuraida Zainal dalam akhbar Kosmo bertarikh 3 Oktober 2011, setiap tahun dianggarkan

22,000 pesakit mendapatkan rawatan di klinik dan wad psikiatri hospital berkenaan dan 10 peratus daripadanya adalah golongan guru.

Pelbagai faktor boleh dikaitkan dengan kes-kes tersebut tetapi tokoh-tokoh Islam seperti Imam al-Ghazali, al-Razi, Muhammad Uthman dan ramai lagi melihat isu tekanan yang wujud ini dari sudut yang berbeza. Ianya dikaitkan dengan gangguan jiwa atau emosi manusia yang wujud disebabkan oleh hati yang tidak beriman kepada Allah. Maka dengan ini, kaedah-kaedah yang sesuai perlu dicadangkan agar dapat dijadikan panduan dan dipilih sebagai mekanisme utama dalam usaha mendekatkan lagi diri kepada Penciptanya iaitu Allah s.w.t.

4.1 Kesimpulan

Kes-kes yang dinyatakan di atas membuktikan bahawa masalah tekanan kerja di kalangan guru memang wujud dan akan terus berleluasa jika tidak dipandang serius dan diatasi. Rasa kecewa, bertindak di luar kawalan dan agresif merupakan kesan yang mungkin berlaku di kalangan mereka yang mengalami tekanan yang tinggi sekaligus mampu mengganggu gugat prestasi kerja mereka. Secara umumnya, apabila individu mengalami tekanan, maka prestasi kerja dan produktiviti organisasi juga Negara akan terkesan. Apabila prestasi kerja terganggu, guru tidak dapat menggunakan kreativiti mereka sepenuhnya dan tugas dilakukan pada tahap yang paling minimum.

5.0 Daya Tindak Menangani Tekanan Kerja Berorientasikan Islam

Bahagian ini pula akan meneliti dan mengenalpasti kaedah daya tindak dalam menangani tekanan kerja di kalangan guru dari perspektif Islam. Kaedah daya tindak yang berorientasikan Islam ini dicadangkan

untuk diaplikasikan bukan sahaja di kalangan guru malah sesiapa sahaja yang merasakan dirinya berada dalam dilema tekanan.

Firman Allah s.w.t. yang bermaksud, "*Wahai orang-orang yang beriman, masuklah kamu ke dalam Islam keseluruhannya*" (Surah al-Baqarah, ayat 208). Menurut Sapora dan Roslizawati (2011), kini daya tindak bersifat keagamaan (spiritual) semakin mendapat tempat sebagai cara mengurus tekanan. Kaedah daya tindak berorientasikan Islam mempunyai keistimewaannya yang tersendiri. Ianya menggunakan teknik-teknik dan kaedah yang bertujuan membantu masyarakat menyelesaikan masalah dan menghadapi masalah dengan kaedah penyesuaian langsung, menolong memahami diri, memahami kebolehan diri dan minatnya, serta memberi galakan untuk menerima takdir Allah swt (Zainab 2006).

Banyak ayat-ayat al-Quran yang membuktikan bahawa agama mampu mengurangkan tahap tekanan. Antaranya adalah ayat 17 dari surah An'aam yang bermaksud, "*Dan jika Allah mengenakan (menimpakan) engkau dengan bahaya bencana, maka tidak ada sesiapa pun yang dapat menghapuskannya melainkan Dia sendiri; dan jika Dia mengenakan (melimpahkan) engkau dengan kebaikan, maka Dia adalah Maha Kuasa atas tiap-tiap sesuatu*". Ayat ini jelas menunjukkan bahawa hanya dengan pertolongan Allah maka segala masalah atau tekanan akan dapat diselesaikan. Individu yang mempunyai pegangan agama yang tinggi cenderung untuk memilih daya tindak yang lebih baik kerana mereka mempunyai mekanisme berdaya tindak yang tinggi.

Amalan yang dikenalpasti mampu mengatasi tekanan dengan cara Islam adalah:

- **Biasakan diri berada dalam keadaan berwuduk**

Digalakkan untuk mengambil wuduk sebelum melakukan sebarang pekerjaan kerana diyakini bila keadaan sentiasa berwuduk, kerja yang susah akan menjadi senang dan mudah diselesaikan.

- **Perbanyakkan membaca Al-Quran**

Jadikan Al-Quran sebagai teman paling akrab dengan kita. Ganjaran yang besar akan diberikan Allah bagi sesiapa yang membaca Al-Quran walaupun satu ayat. Waktu yang sesuai untuk membaca Al-Quran ialah selepas solat lima waktu dan waktu-waktu lain seperti ketika berehat dan sebelum tidur.

- **Dirikan solat dan banyakkkan solat sunat**

Setiap individu hendaklah menyempurnakan solat lima waktu serta memperbanyakkan amal ibadat lain seperti mendirikan solat sunat agar beroleh ketenangan dan kekuatan dari Allah swt. Solat sunat hajat, solat sunat taubat, solat sunat tasbih adalah antara pelbagai solat sunat yang terdapat dalam Islam.

- **Selalu berdoa kepada Allah**

Allah s.w.t. telah berpesan iaitu jangan menyembah selain daripada-Nya. Doa kepada Allah s.w.t. yang Maha Esa perlu dilakukan secara berterusan dan benar-benar ikhlas. Waktu-waktu mustajab berdoa adalah pada malam Jumaat, tengah malam, pagi sebelum waktu Subuh, malam hari raya, ketika waktu azan dan iqamah. Di samping berdoa, usaha juga perlu dibuat bagi mencapai apa yang diimpikan.

• Bersangka baik dengan Allah

Setiap kejadian yang menimpa diri merupakan ujian yang diberikan oleh Allah s.w.t. untuk menguji tahap keimanan umatnya. Sebagai manusia, bersangka baik dengan Allah tanpa menyalahkannya adalah sangat dituntut dalam Islam kerana setiap kejadian yang berlaku itu pasti ada hikmahnya.

• Zikir

Amalan berzikir merupakan amalan yang mampu menenangkan jiwa seseorang yang menghadapi tekanan. Sebagaimana jaminan Allah s.w.t. dalam surah ar-Ra'd ayat 28 yang bermaksud: "*Ketahuilah dengan 'zikrullah' itu, tenang tenteramlah hati manusia.*" Selalulah berzikir dan berselawat agar hati sentiasa tenang.

• Amalan Syura atau Bermusyawarah

Amalan syura atau bermusyawarah juga merupakan jalan terbaik bagi menangani tekanan kerja yang mana ianya mampu menjalin hubungan pekerja dan majikan yang baik dalam organisasi. Syura merupakan satu bentuk mesyuarat yang mengambil kira pandangan daripada pelbagai pihak bagi mencapai keputusan yang tepat, berkesan dan boleh diterima oleh semua pihak. Dengan bermusyawarah bersama ketua berkaitan dengan skop tugas, maka tidak akan timbul rasa tertindas, kecewa dan rasa rendah diri di kalangan mereka serta menganggap organisasi yang dinaungi itu sebagai sebuah keluarga yang mampu bergerak bersama.

• Iktikad dan Harga Diri Sendiri

Dalam Islam, digalakkan bagi umatnya untuk iktikad dalam hati bahawa apa juga yang melanda itu adalah datangnya daripada Allah s.w.t. yang mahu umatnya untuk terus bermuhasabah diri dan memperbanyakkan beristighfar, di samping menjadikan al-Quran dan Hadis sebagai pegangan hidup. Kebolehan diri sendiri harus sentiasa dihargai dan diri sendiri perlu sentiasa dicintai. Sikap ini mampu membantu kita melakukan sesuatu tanpa ada keraguan dan masalah.

• Amalan-amalan Lain

Melakukan aktiviti-aktiviti luar seperti bersukan dapat menyihatkan tubuh badan dan juga mengurangkan tekanan. Beriadah bersama keluarga adalah digalakkan memandangkan aktiviti ini akan menambah erat ikatan kekeluargaan. Diet yang terkawal juga perlu diambil bagi menghalang diri dari mengalami masalah kegemukan dan penyakit kronik seperti lemah jantung, darah tinggi, kencing manis sekaligus dapat mengurangkan tekanan.

5.1 Kesimpulan

Tekanan kerja yang berlaku di kalangan guru tidak sepatutnya dipandang remeh dan ianya perlu diatasi dengan kadar segera sebaik sahaja dikenalpasti. Diharapkan agar kaedah yang lebih holistik dan berunsurkan Islam mampu membantu menangani masalah tekanan di kalangan guru yang dilihat semakin serius di Negara ini.

6.0 Rumusan

Menerusi pendekatan Islam yang dilakukan secara holistik dan efektif, diyakini bahawa hasrat untuk mempertingkatkan peradaban ummah dan melahirkan modal insan yang cemerlang di Negara ini mampu dicapai. Daya tindak berorientasikan Islam seharusnya dijadikan pilihan utama bagi mengatasi masalah tekanan yang sememangnya wujud di kalangan para guru di Malaysia. Ini seterusnya dapat membantu mereka melaksanakan tugas dan peranan yang diamanahkan dengan sempurna. Sebagaimana yang dijanjikan oleh Allah s.w.t dalam firmanNya yang bermaksud: "*Jikalau sekiranya penduduk suatu negeri itu beriman dan bertaqwa, pastilah Kami akan melimpahkan kepada mereka berkah dari langit dan bumi*" (Surah al-A'raf, ayat 96).

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Market Risk and Market Return: Study on Takaful Malaysia and Hong Leong Assurance

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Abstract

The focus of this research is to examine the relationship between market risk and stock return of Life Insurance Company. In order to estimate the market beta with care, the variance of the stock return is examined as well. As a consequence, this study employs CAPM-GARCH (1, 1) in order to estimate market beta and take the time varying volatility into consideration. Data of monthly stock return of Syarikat Takaful Malaysia as a representative of Takaful market, Hong Leong Finance Group as representative of conventional insurance market and Kuala Lumpur Composite Index as market return are obtained from Bursa Malaysia. The time period of study is from February 1997 to February 2007. The results show that there are clusters of volatile movements in both companies stock return with intervening periods of relative stability. The results also prove that for market movements, the effect varies across these two firms and these results are expected since each company will have different exposure towards the fluctuation of market movements.

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Keywords: Market risk, market return, CAPM, GARCH, Takaful Malaysia and Hong Leong Assurance.

Risiko Pasaran dan Pulangan Pasaran: Kajian keatas Takaful Malaysia dan Assurance Hong Leong

Abstrak

Kajian penyelidikan ini adalah untuk menentukan hubungan antara risiko pasaran dan pulangan pasaran untuk insurans nyawa bagi Takaful Malaysia dan Hong Leong Assurance. Untuk menentukan beta pasaran, varian pulangan pasaran mesti ditentukan. Kajian ini menggunakan kaedah CAPM-GARCH (1, 1) untuk menentukan beta pasaran dan tahap kecairan. Data yang digunakan adalah pulangan pasaran secara bulanan bagi Syarikat Takaful Malaysia sebagai wakil pasaran Takaful, kumpulan kewangan Hong Leong sebagai wakil pasaran insurans dan data pulangan pasaran KLCI diperolehi dari Bursa Malaysia. Jangka masa kajian ini bermula dari Februari 1997 sehingga Februari 2007. Hasil kajian menunjukkan kebebasan pergerakan bagi kedua-dua pasaran dipengaruhi oleh jangka masa kajian. Hasil kajian juga membuktikan risiko pasaran dan pulangan pasaran memberi kesan kepada kedua-dua syarikat Takaful Malaysia dan Hong Leong Assurance.

Kata kunci: Risiko pasaran, pulangan pasaran, CAPM, GARCH, Takaful Malaysia dan Hong Leong Assurance.

1.0 Introduction

The traditional concept of risk and return relationship applies to life insurers as it does to other investors. The market movement is considerably very crucial to the insurance companies due to the fact that the investment function is critically important subset of the overall financial management of Life Insurance Company. According to Black and Skipper (2000), investment risk is generally defined as the potential variability of returns and comprises of the insurance pricing risk and the asset-liability risk.

In general, the total investment portfolio of insurance company consists of two categories. First, an asset which is invested for providing guaranteed and fixed benefit payment. Second, other invested asset used to support the liabilities associated with investment risk through the products or lines of business. Any changes in the market can simultaneously affect the value of a company's assets and liabilities and the behavior of its customers. Because of their unique operations and balance sheet structure and also special risk profile that results, fixed income investments make up the significant majority of life insurer's assets.

In the Malaysian context, insurance market is divided into conventional insurance and Takaful. There are 8 players in both markets in 2007. Takaful markets only begin in 1984 when the first Takaful Company namely Takaful Malaysia Bhd was established. Whereas, for conventional insurance it had been established far back since 1967 or earlier year. **Table 1** shows the allocation of assets of conventional insurance and Family Takaful for 2007.

In general, the allocation of asset in each section for conventional life insurance is higher than Family Takaful except for other assets section. This is due to the addition of investment accounts and Islamic money market to other assets section for Takaful and none for conventional life insurance. The different allocation of these assets between insurance companies that focus on life insurance versus property and casualty insurance or health insurance do matter in creating different exposure towards a specific source of systematic risk (Johnston and Madura, 2002).

Instead of the importance of systematic risk in determining stock returns, the variance of stock returns must be taken into account. This is because economic agents make decisions based on their perception of the distribution of a random variable in the future, and so the measurement of variance usually has a strong influence on the cause of action that is taken (Nicholls and Tomuri, 1995).

Earlier studies have assumed this variance to be constant over time but a lot of previous studies had shown that the variance of stock return is time varying. The GARCH model provides a method of estimating the variance of such returns as it changes through time, thereby improving the information available to investors. As a consequence, GARCH model is expected to avoid the problem of mispricing especially during the time of substantially instability in financial markets when the assumption of constant variance is an inadequate approximation.

2.0 Related Literature

The relationship between risk and return in finance literature is never has ending story. In Gentry and Pike (1970), Markovitz (1952) defined risk as the variance of the rate of return of a portfolio. Sharpe

hypothesized a positive linear relationship between expected rate of return on an asset and the risk premium associated with that asset. Moreover, the evidence in his study implies that larger average returns are associated with larger amount of risk. Harrington (1983) in a study of life-health insurance stocks, from 1961 through 1976, found evidence of a significant relationship between mean returns and both systematic and unsystematic risk. However, his study found that no abnormal return for that study period. Pritchett and Wilder (1986) in Hoyt and Trieschmann (1991) used mean-variance and CAPM as well as accounting rate of return data in examining the relationship of risk-return of life health insurers. Their results indicated that life health insurers had higher returns and greater volatility from 1950 through 1963 than during the period from 1963 through 1980.

Earlier studies in determining the relationship between risk and return of insurer stock return employed the assumption that variance is constant over time (Harrington, 1983; Harrington, 1983; Pritchett and Wilder, 1986; Cummins and Harrington, 1988 and Hoyt and Trieschmann, 1991). However, empirical evidence rejects the notion of constant beta and points to a changing risk premium and returns variability over time (Mohammad, Griffith and Marlett, 2007).

Cummins and Harrington (1988) concluded that their results were inconsistent with CAPM between 1970 through 1980 but were consistent between 1980 through 1983. They analyzed the risk/return relationship of property-liability insurance companies during the period of 1970 through 1983. The study performed by Hoyt and Trieschmann (1991) on risk/return relationship between life-health, property-liability and diversified insurer concluded a different results. All three insurer segments provided positive excess returns relative to the market during their study period (1973-1987). Their analysis used the mean-variance

and CAPM approaches. Risk/return relationship is also examined by Hatfield (1997) and his study claimed that insurance stock returns outperform the market on a risk-adjusted basis for the period of 1973-1994.

In determining the risk/return relationship, the above studies used the traditional CAPM. In Harrington (1983) stated that CAPM imply that the proper measure of risk for an asset is its market risk as measured by beta and that diversified risk will not affect required rates of return (Sharpe, 1964; Lintner, 1965; Black, 1972). CAPM is based on a set of assumptions that includes the ability of all investors to diversify perfectly and all the market participants share identical subjective expectations of mean and variance of return distributions namely normal distributions. However, which is stated in Chong, Muhammad and Mat Yusoff (1999), following the seminal work of Mandelbrot (1963) and Fama (1965), many empirical studies into the return on investment in the stock market have shown evidence that the distribution is significantly non-normal. They found three important criteria: 1) the time series of stock returns are leptokurtic; 2) the distribution of stock returns is skewed; 3) the variance of stock returns observed to be non-constant and also appears to evolve in a predictable manner determined by the immediate history of the process. In other word, that stock returns exhibit so-called volatility clustering which means large changes in these series tend to be followed by large changes and small changes by small changes.

The technical term given to this behavior is autoregressive conditional heteroskedasticity (ARCH). Model of time-varying conditional variance with the ARCH process that uses past disturbances to model the variances of the series and allow the variance of the error term to vary over time is proposed by Engle (1982). Bollerslev (1986)

generalized the ARCH process by allowing the conditional variance to be a function of prior period's squared errors as well as its past conditional variances. Based on these reasons, the traditional CAPM is unable to describe satisfactorily the stock returns generating process (Mohammad, Griffith and Marlett, 2007).

Many researchers suggested modifications to the traditional CAPM model and came out with CAPM-GARCH which allows risk and return to vary over time. The study by Jagannathan and Wang (1996) show that CAPM-GARCH has the explanatory power far better than the traditional CAPM by the ration of 30% : 1%. This finding is supported by Durack et al. (2004) which report the same conclusion with a better ratio of explanatory power 65.31% : 7.25%.

Based on these previous studies that provide the significant relationship between risk and stock returns and given the importance of risk and return in the environment of insurance company's operations and also the importance of estimating an accurate distribution of stock return variance, this study will apply CAPM-GARCH to life insurance stock returns in examining the interaction between market risk and stock returns.

3.0 Data and Methodology

The sample data used here comprises of the monthly stock return of two life insurance companies namely Hong Leong Financial Group Bhd. (which held 100% of Hong Leong Assurance; [Hong Leong]) as representative of conventional insurance market and Syarikat Takaful Malaysia Bhd. [Takaful] as representative of Takaful market, and the Kuala Lumpur Composite Index [KLCI] as the measure of market index/risk. The time period for this data set ranging from February 1997

to February 2007. Thus there are 132 observations for this study. Data are obtained from Bursa Malaysia. Stock return is gained by taking a first difference of stock price as below:

$$R_t = \ln \left(\frac{P_t}{P_{t-1}} \right)$$

Where R_t is monthly return at time t and P_t and P_{t-1} are monthly price of an asset at two successive days t and $t-1$ respectively. Based on the fact that asset returns exhibit volatility clustering, and the approach that can take into accounts these distributional properties of asset returns is ARCH and GARCH, this study will employ GARCH model to estimate conditional volatility for insurance stock returns. Specifically, GARCH (1,1) model will be employed here as referred in literature that it is found to be excellent model for a wide range of financial data (Bollerslev et al., 1992). The following model of CAPM-GARCH is utilized:

$$R_t = \alpha_0 + \alpha_1 R_{mt} + \varepsilon_t \quad (1)$$

$$\varepsilon_t \sim N(0, h_t)$$

$$h_t = \omega + \beta_1 \varepsilon_{t-1}^2 + \beta_2 h_{t-1} \quad (2)$$

Equation (1) is CAPM equation where R_t is the rate of return of insurance company's stock at time t ; R_{mt} is market return at time t and ε_t is a random error term. α_1 is market coefficient and α_0 is constant. If α_0 is positive, the insurance stocks outperform the market and α_1 is expected to be positive which is parallel to the theory that rates of return will be positively related to risk.

On the other hand, equation (2) is GARCH (1,1) model where $\omega > 0, \beta_1 \geq 0, \beta_2 \geq 0$ to make sure that h_t to be non-negative. The stationary condition for GARCH (1, 1) is $\beta_1 + \beta_2 < 1$.

The sizes of the parameters β_1 and β_2 determined the short-run dynamics of the resulting volatility time series. Large GARCH lag coefficient β_2 indicates that shocks to conditional variance take a long time to die out, so it is said that the volatility is persistent. Large GARCH error coefficient β_1 means that volatility reacts intensely to market movement. Thus, if β_1 is relatively high and β_2 is relatively low, volatility tend to be spikier. In addition, if $\beta_1 + \beta_2$ is close to one, then a shock at time t will persist for many time period, while if $\beta_1 + \beta_2$ equal to one, any shock will lead to a permanent change in all future values of h_t .

4.0 Estimation Results

Summary statistics of R_t for Hong Leong and Takaful are shown in **Table 2**. The average returns of both companies are negative implying the fact that the price series have decrease over the period. The skewness gives a negative value that is the return distributions of the shares traded have the probability of negative return. The value of the kurtosis is greater than 3, meaning that they have heavier tail than the standard normal distribution. This shows the leptokurtosis. Thus, the monthly stock returns of both companies are not normally distributed and this is confirmed by Jarque-Bera test. The null hypothesis of normalcy is rejected at the 1 percent significance level. **Figures 1 and 2** exhibit the return series for Takaful and Hong Leong respectively. From the figures, it is clear that there are stretches of time where the volatility is relatively high and relatively low which suggests an apparent volatility

clustering in some period. Further evidence on volatility clustering in the series can be ascertained from ARCH LM test (from Table 1) where the null hypothesis is rejected at 1 percent significant level. Thus, the conditional variance is autocorrelated. Therefore, a CAPM-GARCH application is more appropriate than the standard model.

Table 3 presents the results for the CAPM-GARCH model for both insurance companies' stock return. From Table 3 (Panel A), it is shown that β_1 and β_2 are both statistically significant for Hong Leong but only β_1 is statistically significant for Takaful at 1 percent. These results indicate that the constant variance model can be rejected for both Hong Leong and Takaful. The relatively small value of error coefficient β_1 implies that large market surprises induce relatively small revisions in future volatility.

However Takaful is more reactive in volatility compare to Hong Leong. The value of lag coefficient β_2 for Takaful is statistically not significant, thus the volatility in future is not affected by volatility in the past. On the contrary, the value of lag coefficient β_2 for Hong Leong is relatively large, meaning that GARCH volatilities are persistent. In other words, if there is a new shock, it will have the implication on the price for a larger period. The market will take some time to digest the information fully into the price (Karmakar, 2005).

It is appropriate to examine how well the GARCH (1,1) models fits the data. The Lagrange Multiplier test proposed by Engle (1982) to evaluate the specification of a GARCH process will be used. The result reports that LM (6) (Table 3: Panel B) is not statistically significant at 1% level and the null hypothesis that there is no additional ARCH effect cannot be rejected. This suggests that the GARCH (1,1) model is an

adequate description of the volatility process and no higher lags are needed to capture autocorrelation.

As mention earlier, CAPM-GARCH is a better model in determining the relationship between market risk and stock return. From Table 3 (Panel A), for both Takaful and Hong Leong the value of α_0 (measure of abnormal return) are negative and statistically not significant. This result is not consistent to Lown, Osler, Strahan and Sufi (2000) in Najand, Griffith and Marlett (2007) which claim that life insurance companies are among those companies that can be more profitable if they offer both bank and insurance products (in the case of Hong Leong).

However, the measure of market risk, α_1 are positive and highly significant at the 1 percent level for both Takaful and Hong Leong. In terms of magnitude, the market betas are all below unity with Takaful having a higher market beta (0.919945) as compared to Hong Leong (0.807611). Using this beta as measures of market risk, the insurers in the sample, considered collectively are less risky than the average market portfolio. Both models have R^2 of 0.261256 (Takaful) and 0.504317 (Hong Leong), indicating that the model explains approximately 26% and 50% respectively the variation in the monthly stock return.

5.0 Conclusion

The main objective of this research is to investigate the risk/return relationship for Syarikat Takaful Malaysia Bhd. and Hong Leong Finance Group Bhd. First of all, the distribution of the monthly return is examined. The distribution of the data suggests the non-normal distribution and the conditional variance exhibit volatility clustering.

Previous study such as Jagannathan and Wang (1996), Durack et al. (2004) and Mohammad, Griffith and Marlett (2007) show CAPM-GARCH model is more appropriate due to time-varying volatility of monthly return for both companies. For this study, the results also indicate that the constant variance model (CAPM) can be rejected for both Hong Leong and Takaful. From the context of stability and volatility, Takaful is more reactive in volatility compare to Hong Leong, however, the value of lag coefficient β_2 for Takaful is statistically not significant, and thus the volatility in future is not affected by volatility in the past. On the contrary, the monthly stock return of Hong Leong is persistent. According to Nicholls and Tonuri (1995), high levels of volatility can lead to a general erosion of investor confidence and a flow of capital away from equity markets.

The results proved that for market movements, the effect varies across these two firms and these results are expected since each company will have different exposure towards the fluctuation of market movements. This is related to the composition of the product offered and the investment policy (asset-liability management) practiced by the insurers. Greater investment link and variable products offered by the companies will lead to greater sensitivity towards market movements. This is due to investment policy towards the separate accounts portfolio that might be comprised of only common stock, only bonds, any mortgages, or any combination of these or other investments. However, due to syaria'h compliance, Takaful is quite careful in offering the guaranteed and fixed benefit payments to the consumer as compared to Hong Leong. As a conclusion, our results manage to shed some light on the risk/return relationship on the insurance stock return after considering the time varying volatility of a particular stock return.

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The Perceptions of Competent Development between Employer and Graduate on Transferable Skills

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Abstract

This study investigated the perceptions of fresh graduates on the skills and competencies acquired during their studies and whether these were sufficient for graduate future careers. Employers' perceptions were also being investigated in knowing about skills required during the graduate recruitment and selection processes. A set of 300 questionnaires were distributed to the participating companies and fresh graduates. 200 copies of questionnaires were distributed to the graduate students of Fakulti Pengurusan dan Muamalah (FPM), KUIS and the other 100 copies were distributed to the local organizations. Local organizations were selected from various industries within Malaysia. The objectives of the study were to examine the perceptions of competent development between employer and graduate on transferable skills. This study identified five selection criteria namely communication skills, personal attributes, social skills, mind skills, IT and numeric skills, which were found to be important factors in contributing to the employment. The outcomes from graduates and employers were compared where the findings showed that there was a significant fit between employer expectation and graduate skills possession.

Keywords: Employer, graduates, transferable skills, recruitment, KUIS

Abstrak

Kajian ini meneliti persepsi graduan terhadap kemahiran-kemahiran dan kecekapan-kecekapan yang diperolehi semasa pengajian mereka sama ada ianya mencukupi atau tidak untuk masa depan kerjaya mereka. Persepsi para majikan juga disiasat bagi mengetahui akan kemahiran yang diperlukan semasa proses-proses perekrutan dan pemilihan para siswazah. Satu set soal selidik yang mengandungi soalan-soalan berstruktur diagihkan kepada syarikat-syarikat terlibat dan graduan baru. 200 set soal selidik telah diagihkan kepada pelajar lepasan ijazah Fakulti Pengurusan dan Muamalah (FPM), KUIS dan 100 set lagi diagihkan kepada organisasi-organisasi tempatan. Organisasi-organisasi tempatan dipilih dari pelbagai industri dalam Malaysia. Objektif kajian adalah untuk menyelidik persepsi berkaitan pembangunan kecekapan di antara majikan dan graduan ke atas kemahiran-kemahiran insaniah. Kajian ini mengenal pasti lima kriteria pemilihan iaitu kemahiran komunikasi, sifat-sifat peribadi, kemahiran sosial, kemahiran berfikir, kemahiran-kemahiran IT dan angka, yang telah didapati penting dalam menyumbang kepada pekerjaan. Hasil dapatan yang diperolehi dari para graduan dan para majikan telah diperbandingkan. Secara keseluruhannya, dapatan kajian menunjukkan bahawa terdapat penyesuaian yang signifikan antara jangkaan majikan dan kemahiran-kemahiran yang dimiliki oleh graduan.

Kata kunci: Majikan, graduan, kemahiran insaniah, perekrutan, KUIS

1.0 Introduction

The fierce competition among the graduates for the limited job vacancies increased when the supply is more than the demand. This requires graduates to possess more skills in order to have advantages in job seeking for today's competitive marketplace.

Many studies suggest that fierce competition for limited job vacancies have required the fresh graduates to possess more skills in order to become outstanding in the competitive job market. (Court et.al., 1994; Nabi, & Bagley, 1998; Nabi, 2003; Skinner et al., 2004). Fresh graduates are believed to have good work habits, the ability to learn new things and have acquired basic skills (Salzman, 1998; Uchitelle, 2000). The question is, do they really have sufficient skill as required by employers. Employers desire problem solving, teamwork, oral and written communication, adaptability, interpersonal and analytical skills from fresh graduates (Oblinger & Verville, 1998; Mc Bride, 2000).

Thus, there is a need to examine the perception of graduates transferable skills which to be important requirements for employment. Past studies have been conducted to examine the perception and expectation of employers on fresh graduates' transferable skills (Raybould, Wilkins 2005; Stewart, Knowles, 2000; Love, Haynes, Irani, 2001) but, there is still a gap in the existing literature. Therefore, it is necessary to conduct more research to understand graduates' transferable skills for their future careers and the quality of their provision. Most of the previous studies focused only on the employers' perspective (Nabi, Bagley, 1998) with little emphasize were done to determine the fit or misfit of those skills.

The objectives of this study is to investigate the significant fit between employer and graduate expectation on communication skills, personal attributes, social skills, mind skills, IT and numeric skills to meet recruitment expectation.

2.0 Literature Review

Raybould and Sheedy (2005) defined transferable skills as certain personal abilities of an individual, which can be taken from one job role to another, used within any profession and at any stage of their career. Meanwhile, McKay (2005) stated that the transferable skills are the skills that one gathered through various jobs, volunteer work, hobbies, sports, or other life experiences that can be used in the next job.

Various studies have produced useful indicators of varieties of skills and abilities that graduate need in addition to knowledge, namely: Personal attributes consists of motivation, organizational ability, teamwork, interpersonal skills; Leadership communication consists of written, verbal and nonverbal skills; and Problem solving consists of initiative, creativity, and decision making (Nabi et al., 1998; McLarty's, 1998; Stewart et al., 1999):

However, different studies have different views about the most sought after skills by the companies, such as:

- Some studies mentioned that communication skills feature in the entire recent employer based research projects and generally accepted as the most important transferable skill (Abbott, 1993; Williams & Owen, 1997; Nicholson & Moss, 1990).
- According to Gabb (1997), from the research conducted, it

has been found that skills man most highly valued by companies such as ICI, Shell and Unilever, were motivation and enthusiasm.

- More specifically, Williams and Owen (1997) stated that within Small and Medium Sized Enterprises (SME) recruiting graduates, the most common perceived graduate qualities were an ability to learn, intelligence, ideas and imagination, and good communication skills.
- Skinner, Saunder, and Bereford (2004) conducted a research in automotive manufacturing industry found more technical skills were required than transferable skills due to the nature of the job.

The above reflect the fact that employers are still looking for vital soft skills in graduates, which were obtained during study and periods of work experience, rather than degree-specific knowledge. The skills and competences of individuals, whether developed through formal education, training or experience, are essential for economic growth and activity. However, the question of how to develop human capabilities to meet the current and future needs of organizations has become an important issue at national, organizational and individual levels (Skinner, Saunder, & Bereford, 2004).

Mismatches between Expectations and Skills Possession

Gush(1996) have found that there was a mismatch between the employers' requirements and skill possession of the graduates. The Higher Education Institutions should be more aware on this deviation. Furthermore, in Dickinson's (2000) studies, she reported that a number of employers no longer perceived academic competence alone to be sufficient and began calling for higher education to produce graduates with highly developed and recognizable transferable skills.

The employers consider skills and knowledge at university have limited applicability to the work environment (Gush, 1996). Due to that, several organizational training and education centers have been established by corporate to address this problem. For example, GE, Motorola, and others have since established their own universities to provide degree course and they have succeeded in aligning the curriculum with their organizational objectives (Tay, 2001). It is not surprising; therefore, that the issue of creating an appropriately skilled workforce has been the focus of concern in a number of developed countries, and much attention has been paid to issues of skills shortages and mismatches.

3.0 Methodology

This study employed two types of data collection procedure. First, primary data of this research was gathered directly from the original sources, which are from FPM's graduates of KUIS and organizations. Two different sets of questionnaires were designed to compare the opinion of both target groups on the criteria of employees' selection. A total of 300 set of questionnaires were distributed that comprised of 200 FPM-KUIS graduates and 100 employers. Second, secondary data was gathered from enormous number of articles, academic and managerial and business journals and academics database.

Both versions of the questionnaires are divided into three sections: Section A is fact-based questions to obtain the demographic information such as gender, age, and ethnicity. Section B consists of academic performance and Section C of non-academic performance. Five Point Likert Scale was use as response mode ranging from 1 to 5 (from 1: Not important to 5: Very important).

4.0 Findings and Results

The reliability test was used and has indicated cronbach alpha before inferential analysis to test for consistency and stability of the items. Analysis of Reliability is shown in **Table 1**.

The breakdown of demographic profile of graduates and demographic profile of employers for this study is shown in Table 2 and Table 3.

Table 2 shows the demographic profile of the respondents that participated in the study according to the gender, age and ethnicity. It shows that the majority of the respondent are age from 20-25(86%) followed by the age 25-30(10%). The respondent consists of female (64%) and male (36%). Out of 100 students, mostly are Malay (75%) followed by Chinese (20%) and Indian (5%).

Table 3 shows the demographic profile of employers. Almost 33% of the respondents are between the age of 20 to 30, 27% are between 31to 40, and 20% of them are from the age of 41 to 50 and the remaining 20 % is from the age of 50 and above. In terms of ethnicity, 70% of respondents from organizations are Chinese, almost 17% are Indian, and 13.3% are Malay. Most of the company involved in business, financial or insurance service, which consists 50% followed by 30% involved in professional services, 13.3% involved in manufacturing and only 6.7% is from other fields. For the job position, 30% of the respondents hold a position as an executive, 27% are supervisors, and 23% are managers and 20% are from other position.

Table 4 shows the result of mean for five variables according to graduates and employers responded in this study. From the result, it showed that the employers and students both were having a very high expectation on personal attributes.

The Significance between Employer and Graduate Expectation on the Studied Transferable Skills towards Recruitment Expectation.

The significance between employer and graduate expectation on communication skills, personal attributes, social skills, mind skills, IT and numeric skills towards recruitment expectation can be seen in Table 5.

Referring to **Table 5**, t-test results revealed that there is a significance fit between employer and graduate expectation on communication skills, personal attributes, mind skills, IT and numeric skills. The two-tail significance indicates that and it is significance. Therefore, is accepted for communication skills, personal attributes, mind skills, IT and numeric skills. The study can concludes that there is a significance fit between employer and graduate expectation on communication skills, personal attributes, mind skills, IT and numeric skills. However, that there is no significance fit between the employer and graduate expectation on social skills ($p > 0.05$).

5.0 Discussion

The finding shows that there is a significant fit between the employer and graduate expectation on communication skills, which obviously indicated that graduates and employers viewed similarly the importance of communication skills on the jobs. Most of the companies perceived that the ability of the graduates to communicate well both verbally and in writing are one of the main factors contributing to organization success.

The study also shows a significant fit between the employer and graduate expectation on personal attributes. Personal attributes that consist of the positive attitude and behavior, continuous learning, tolerances to stress, time management and leadership are necessary in the working place. In addition, *Usrah* activities in KUIS serve as a platform to sharpen students' personal attributes.

Third, there is no significant fit between the graduates and employers' expectation on social skills. Social skills include teamwork, interpersonal skills, networking and influencing other. This may attributes to the increasing use of team structure in organizations due to the effect of globalization that are required to interact and persuade customers, develop network and relationship with overseas colleagues or client.

Most of the universities concern on the matter of working in a team and therefore, they are now trying hard to create this awareness among students. However, students seem like not ready to share their effort in completing task assigned with others. They are not prepared to spend time to discuss and finish their group assignments together.

Fourthly, this study reveals a significant fit between the graduates and employers expectation. This is true because mind skills, such as analytical ability, critical thinking, creative thinking and problem solving are rising in their importance in work field and are deeply needed to perform daily tasks.

Finally, this study finds a significant fit in the expectation of employers and graduating students in IT and numeric skills. IT and numeric skills are the ability of student application on hardware and software and application of numbers at an appropriate level of accuracy.

The graduates' skills are developing through the involvement in coursework, which require the students to acquire a certain degree of computer literacy. For the numeric skills, generally students are well trained in using number since there is certain accounting, business math, business statistics and finance that compulsory for the students to take during their study.

6.0 Conclusion

Overall, the findings of this study shows that there is significant fit between the employers and fresh graduates on all of the four skills namely: communication skills, personal attributes, mind skills and IT & Numeric skills; except for social skills. Generally, it is found that KUIS, FPM graduating students' transferable skills possession fitted with the expectation of the employers.

This result might help graduating students and fresh graduates to find out the areas that concern most employers and make improvement on those skills to become more employable in the job market.

7.0 Limitations

Several limitations affected the quality of the study were identified. First, the sample size is relatively small that might reduce and affect the generalizability of the findings and conclusions. Second, since the sample in this study covered a mixture of industries, this might also affect the accuracy because different industries may have different perspectives toward the fresh graduates. Finally, the samples of graduates are limited only for FPM graduates of KUIS.

8.0 Direction for Future Research

For future research, firstly, it is suggested that a larger sample size should be employed. Secondly, a similar research should be done for other courses and other universities to represent Malaysian Islamic higher education institutions. Thirdly, comparative studies also can be done among the Islamic institutions to acquire different result for the study. Fourthly, different industries may have different perspectives toward the fresh graduates. Finally, in term of research methodology, this study used only quantitative methods. Given the respective shortcomings of employing purely quantitative or purely qualitative (interviewing and observations), it is suggested that future research employs a combination of these two approaches in obtaining measures that are more reliable.

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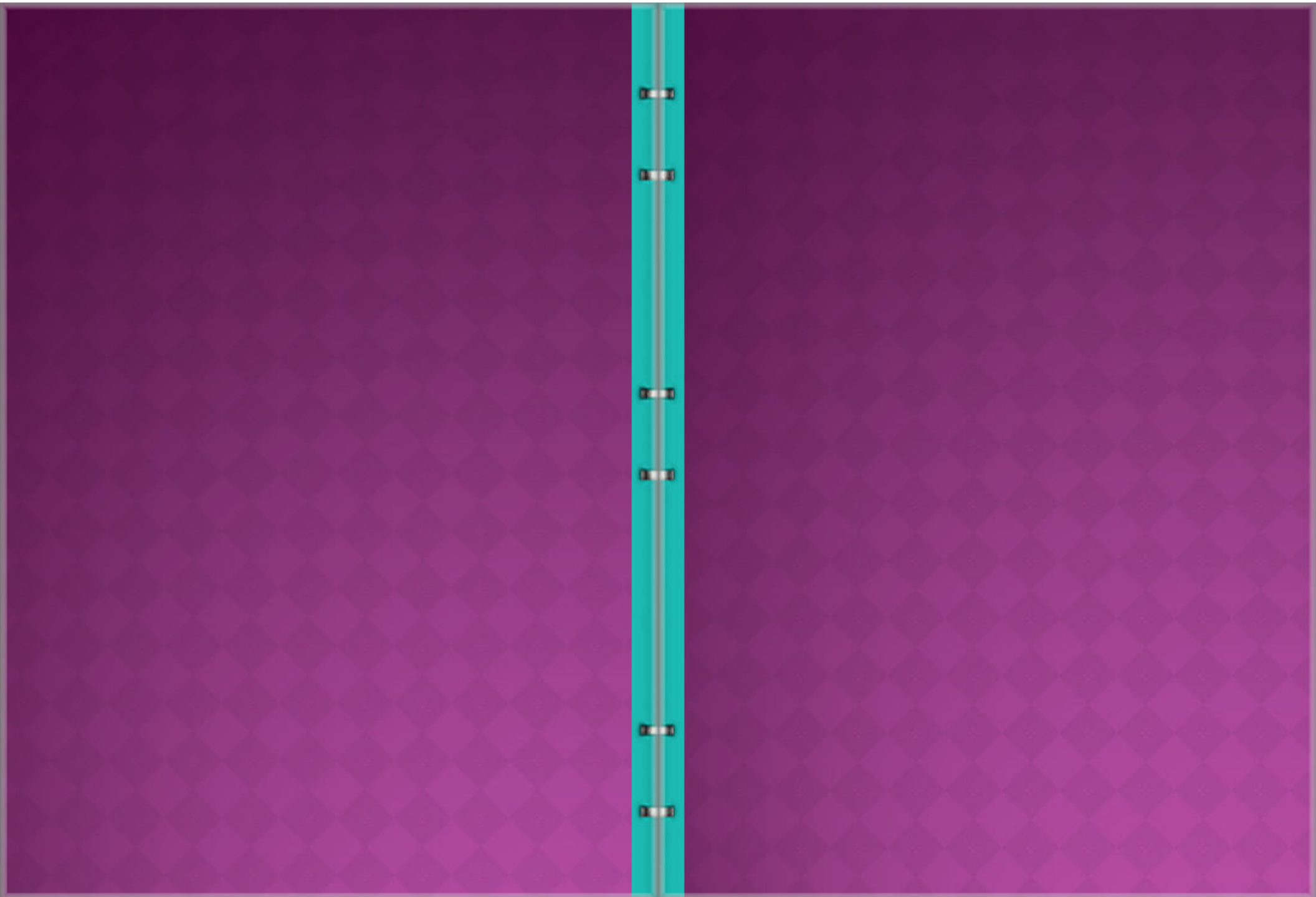
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