

Journal of Management & Muamalah

Jurnal Pengurusan & Muamalah

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Jurnal Pengurusan & Muamalah 2010 merupakan jurnal berwasit terbitan Fakulti Pengurusan & Muamalah, Kolej Universiti Islam Antarabangsa Selangor (KUIS). Adalah menjadi hasrat jurnal ini untuk menjadi suatu wadah bagi perkembangan ilmu pengetahuan dan penyelidikan khususnya dalam bidang pengurusan dan perniagaan. Artikel di dalam jurnal ini meliputi pelbagai disiplin dalam bidang pengurusan dan perniagaan seperti pemasaran, pengurusan, kewangan, perakaunan, perbankan, ekonomi, pembangunan sumber manusia dan muamalah (transaksi perniagaan Islam) dan daripada disiplin-disiplin ilmu yang lain yang berkait rapat dengan perniagaan dan pengurusan konvensional mahu pun Islam sama ada dalam Bahasa Melayu atau pun Inggeris.

The Journal of Management & Muamalah 2010 is a refereed journal which is the second publication of the Faculty of Management & Muamalah, Selangor Islamic International University College. This journal is devoted to advancing scholarly research, knowledge and innovations in all areas of business. Contributions of articles are sought from all functional areas of business such as marketing, management, finance, accounting, economics, human resource development and muamalah (Islamic commercial transaction) and from other disciplines of conventional and Islamic business and management either in Malay or English.

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Sidang Editor merakamkan ucapan jutaan terima kasih kepada semua yang terlibat dalam menjayakan penerbitan jurnal ini.

Special thanks to all involved in the publication of this journal.

**Contract of *al-Muzara'ah*: Concept and Possibility of Its Application
in Islamic Banking.**

Muhammad Ridhwan Bin Ab. Aziz*

Abstract

The problem of land tenure system and land development has been discussed copiously in the early fiqh literary sources. This article tries to analyze one of the contracts of agriculture in Islamic Commercial law namely al-Muzara'ah as well as the possibility of its application in the financing arrangement in Islamic banks. The methodology for this research is through document analysis and interviews with relevant officers of Islamic banks as well as observance of various financing products in agriculture using various Islamic contracts that are offered by Islamic banks in Malaysia. The finding shows that there is an equal opportunity and possibility for Islamic banks in this country to initiate this contract comprehensively for helping agro entrepreneurs with their projects.

Keywords: *Al-Muzara'ah, Bay' Bithaman Ajil, Bay' al-Innah, Islamic Banks.*

Introduction.

The land tenure system and land development method in Islam are considered as one of the many ways to increase food supply and food production for the benefit of Muslim society at large. Yet, the accurate implementation of this method and contract will ensure positive effects to the social aspect in the peasant-landlord relationship as well as in the economic side by increasing *halal* source of earning to the Muslim community through the land development and agriculture attempts. Islam has mandated methods for the working of land in order to ensure that land is fully used rather than remains idle or uncultivated. As such, there are number of questions need to be solved such as what is the precise method or contract that should be used by Muslim in order

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to develop their land and what are the opportunities given to them by the Islamic banks in order for them to pursue their agro projects? All these questions will be analyzed and answered in this article based on views given by Muslim jurists and *fiqh* scholars from the perspective of Islamic Commercial law as well as data and information given by officers of selected Islamic Banks in Malaysia.

1. Contracts of *al-Muzara'ah*.

1.1 Definition.

Al-Muzara'ah (partnership in agriculture) literally means planting of something, from the root word of "zara'a"¹. From the *fiqh* terminology, *al-Muzara'ah* refers to an agricultural compact between land possessor and cultivator². This contract also means cede of land and seed to the cultivator while produce of the orchard is divided for both parties in the contract (landlord and cultivator)³.

Yet, *'ulama* from Maliki school of Islamic law define *al-Muzara'ah* as contract of sharing in agriculture⁴. Imam al-Shafi'i defines this contract as a compact between landlord others in planting and taking care of crop, whereby the landlord provides the seeds and the fruit produce will be divided between them at agreed ratio⁵. Moreover, jurists from Hanbali school refer *al-Muzara'ah* as a contract of submitting land to the cultivator and both parties are involved in the plantation project⁶.

¹ Ibn Manzur (2003), *Lisan al-'Arab*, Riyadh: Dar Alim al-Kutub, Vol.5, p.3.

² Al-Kasani (1974), *Bada'i' al-Sana'i'*, Beirut: Dar al-Kitab al-'Arabi, Vol.6, p.175; Ibn Abidin (1979), *Hashiyah Radd al-Muhtar*, Beirut: Dar al-Fikr, Vol.5, p.193; 'Abd al-Rahman al-Jaziri (n.d.), *Kitab al-Fiqh 'ala al-Madhahib al-Arba'ah*, Riyadh: Dar al-Irshad, Vol.3, p.2.

³ Ibn Qudamah (1972), *al-Mughni*, Beirut: Dar al-Kitab al-'Arabi, Vol.5, p.581; Abu al-Naja al-Hajjawi (1999), *al-Iqna' litalib al-Intifa'*, Riyadh: Dar Alim al-Kutub, p.475; Charles Hamilton (1982), *The Hedaya*, Lahore: Premier Book House, p.579.

⁴ Ibn Juzayy (1976), *al-Qawanin al-Fiqhiyyah*, Beirut: Dar al-Qalam, p.280; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.3.

⁵ Mustafa al-Khinn *et.al.* (1992), *al-Fiqh al-Manhaji 'ala Madhhab al-Imam al-Shafi'I*, Damshiq: Dar al-Qalam, Vol.3, p.33; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.4; Imran Umrani (2002), *al-Bayan fi Fiqh al-Imam al-Shafi'I*, Beirut: Dar al-Kutub al-'Ilmiyyah, Vol.7, p.241.

⁶ Ibn Qudamah, *op.cit.*, Vol.5, p.382; al-Buhuti (2003), *Kashaf al-Qina'*, Riyadh: Dar Alim al-Kutub, Vol.3, p.523; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.3.

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⁷ *The Mejelle* (2001), C.

⁸ Ibn Abidin, *op.cit.*, Vol.
Fiqh al-Islami wa Adilatuh
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⁹ Mustafa al-Khinn *et.al.*
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Kutub, Vol.3, p.9. Besides
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al-Ma'arif, Vol.30, p.116.

¹⁰ Ibn Qudamah, *op.cit.*
p.96; al-Shawkani, *op.cit.*
(*r.a.*), Ali (*r.a.*), Ibn Abas.
al-Maliyyah fi al-Islam, Q
¹¹ See for instance 'Abd
Ayub, *op.cit.*, p.262.

¹² *Sahih al-Bukhari* (19
al-Buyu'", Hadith No: 39

According to *Majallah al-Ahkam al-'Adliyyah*, contract of *al-Muzara'ah* refers to a kind of partnership, where the land comes from one, and the work from the other, i.e. a partnership to cultivate, and divide the crops⁷.

Some of the *fuqaha* have named *al-Muzara'ah* as *al-Mukhabarah* (loosening soil) or *al-Muhaqalah*. Resident of Iraq has named it as *al-Qard⁸*. In addition, 'ulama from Shafi'i school have differentiated between the term of *al-Muzara'ah* and *al-Mukhabarah*. The word *al-Muzara'ah* means sharing project between landlord and cultivator whilst seeds are provided by the landlord. Comparatively, *al-Mukhabarah* means sharing of agriculture project while seeds are provided by the cultivator⁹.

1.2 The Legality of *al-Muzara'ah* Contract.

Most of the 'ulama permit the contract of *al-Muzara'ah*¹⁰. Nonetheless, Abu Hanifah of the opinion that this type of contract is invalid. In other words, the contract of *al-Muzara'ah* with distribution ratio of 30 to 70 or 25 to 75 is unlawful¹¹. This view is justified by a *hadith* narrated by Jabir Bin 'Abd Allah. Prophet Muhammad (s.a.w.) said¹²:

"Prophet Muhammad (s.a.w.) had forbidden *al-Muhaqalah*, *al-Muzabanah* and *al-Mukhabarah*".

⁷ *The Mejelle* (2001), C.R.Tyser, B.A.L., trans., Kuala Lumpur: The Other Press, Article: 1431, p.237.

⁸ Ibn Abidin, *op.cit.*, Vol.6, p.274; Ibn Qudamah, *op.cit.*, Vol.5, p.583; Wahbah al-Zuhaili (2004), *al-Fiqh al-Islami wa Adilatuh*, Damshiq: Dar al-Fikr, Vol.6, p.4684. According to the *fuqaha*, *al-Mukhabarah* or *Khybr* and *al-Muhaqalah* or *Haql* were the pre-Islamic forms of customary tenure, which generally constituted a system of precarious landholdings. The *fuqaha* differ as to the actual meaning of these terms and the nature of tenancy forms involved. The term *al-Muhaqalah* is used in two different senses. It denotes a deal involving lease of land against corn or buying of a crop still in growth when grain is in the ear, in exchange of corn. See Ziaul Haque (1977), *Landlord and Peasant in Early Islam*, Pakistan: Islamic Research Institute, pp.14-15.

⁹ Mustafa al-Khinn *et.al.* *op.cit.*, Vol.3, p.33; al-Sharbini al-Khatib (1958), *Mughni al-Muhtaj*. Qahirah: Matba'ah Mustafa al-Babi al-Halabi, Vol.2, p.323; al-Shawkani (2003), *Nayl al-Awtar*, Riyad: Dar Alim al-Kutub, Vol.3, p.9. Besides, the forbidden type of *al-Mukhabarah* is that the contract stipulates the landlord to cultivate together with the cultivator. See Ibn Taymiyyah (n.d.), *Majmu' al-Fatawa*. Maghribi: Maktabah al-Ma'arif, Vol.30, p.116.

¹⁰ Ibn Qudamah, *op.cit.*, Vol.5, p.581; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.2; Abu Yusuf, *op.cit.*, p.96; al-Shawkani, *op.cit.*, Vol.3, p.9. The legality of the contract of *al-Muzara'ah* was approved by Umar (r.a.), Ali (r.a.), Ibn Abas, Ibn Mas'ud and Sa'ad Bin Malik. See Hasan Ayub (2006), *Fiqh al-Mu'amalat al-Maliyyah fi al-Islam*, Qahirah: Dar al-Salam, p.262.

¹¹ See for instance 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.2; Charles Hamilton, *op.cit.*, p.579; Hasan Ayub, *op.cit.*, p.262.

¹² *Sahih al-Bukhari* (1999), "Kitab al-Musaqat", Hadith No: 2381, p.383; *Sahih Muslim* (1999), "Kitab al-Buyu", Hadith No: 3908, p.681.

The term *al-Mukhabarah* here, which in the dialect of Madinah has the same significant as *al-Muzara'ah*¹³. Nevertheless, Imam Shafi'i has permitted this contract as an outcome of management effort and this type of contract is truly needed. Therefore, the sharing of crop along with management effort and relevant jobs is regarded as valid¹⁴.

The strongest view in this school has stipulated that the contract of *al-Muzara'ah* should not be separated between two contracts (contract of cultivation and contract of management) and, the management effort must always leads the cultivation effort. Besides, jurists from Shafi'i school do not permit *al-Muzara'ah* contract when the seeds are provided by the cultivator since there was no *shari'ah* proof on it¹⁵. According to Hanbali school, the contract of *al-Muzara'ah* is valid when the seeds are provided by the owner or the cultivator. But, if the seeds are provided by the cultivator, the legality of this contract is much more validated¹⁶.

Yet, Abu Hanifah and Shafi'i have forbidden the contract of *al-Muzara'ah* when seeds are provided by the cultivator based on a *hadith* of Prophet Muhammad (*s.a.w.*) narrated by Jabir Bin 'Abd Allah¹⁷. He (*s.a.w.*) said to the effect¹⁸:

"Prophet Muhammad (*s.a.w.*) has forbidden rental for sharecropping".

Now that the remuneration for the sharing does not exist when the contract is agreed or the rate of produce is unknown then, it may produce nothing. In short, every matter that is unclear and unknown automatically will revoke the contract of *al-Muzara'ah*¹⁹.

¹³ Ibn Abidin, *op.cit.*, Vol.6, p.274; Ibn Qudamah, *op.cit.*, Vol.5, p.583; Wahbah al-Zuhaili, *op.cit.*, Vol.6, p.4684; Charles Hamilton, *op.cit.*, p.579.

¹⁴ Imam al-Shafi'i (1961), *al-Umm*, Qahirah: Maktabah al-Kuliyat al-Azhariyyat, Vol.4, pp.12-13; Mustafa al-Khinn *et.al.*, *op.cit.*, Vol.3, p.33.

¹⁵ Al-Sharbini al-Khatib, *op.cit.*, Vol.2, p.324; al-Shirazi, *op.cit.*, Vol.1, p.349; Hasan Ayub, *op.cit.*, p.263. Al-Shafi'i of the view that when the seeds are provided by the landlord, the contract is called *al-Muzara'ah*. Conversely, when the seeds are provided by the cultivator, the contract is called *al-Mukhabarah*. See 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.4.

¹⁶ Ibn Taymiyyah, *op.cit.*, Vol.30, pp.103-104.

¹⁷ Al-Kasani, *op.cit.*, Vol.6, p.175; Imam al-Shafi'i, *op.cit.*, Vol.4, p.13; Imran 'Umrani, *op.cit.*, Vol.7, p.242. They forbid this kind of contract because the existence of element of uncertainty (*gharar*) and ignorance (*al-Jahalah*). See al-Shawkani, *op.cit.*, Vol.3, p.11.

¹⁸ *Sahih al-Bukhari*, *op.cit.*, "Kitab al-Harth wa al-Muzara'ah", Hadith No: 2344, p.376; *Sahih Muslim*, *op.cit.*, "Kitab al-Buyu", Hadith No: 3915, p.672.

¹⁹ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.4; Charles Hamilton, *op.cit.*, p.579.

Concerning of dealing (*Mu'amalah*) between Prophet Muhammad (*s.a.w.*) and the resident of Khaybar, the compact is regarded as *Kharaj al-Muqasamah*²⁰ such as one third or one fourth of the land produce is divided between both parties based on the friendship agreement, whereby this kind of contract is permissible²¹.

1.3 The Essence of *al-Muzara'ah* Contract.

According to jurists from Hanafi school of Islamic law, the essence for the contract of *al-Muzara'ah* is proposal (*Ijab*) and acceptance (*Qabul*)²². Landlord offers to the cultivator by saying "I submit this land to you for sharing project". The cultivator replies by saying "I accept your proposal" or "I like with your offer" or any other words that show an acceptance for the compact. When these two essences exist, the contract is effective²³.

Similarly, if the owner of the land, says to the worker, *i.e.*, to the cultivator, "I have given you this land by way of *al-Muzara'ah* on the terms that you take such a share of the crops," and the cultivator says "I have accepted" or "I have taken the land" or if he says something evidencing his assent, or the cultivator says to the owner of land "I will work by way of *al-Muzara'ah* in your land", and he assents, the contract of *al-Muzara'ah* is a concluded contract²⁴.

According to this school, contract of *al-Muzara'ah* is a form of contract that begins with hiring contract and ends with partnership. In the case when the seeds are provided by the cultivator hence, the benefit will be returned to the land and the landlord will pay for the *Kharaj*. Conversely, if seeds are provided by the landlord, the benefit will be returned to the cultivator and he will pay for the *Kharaj*²⁵.

²⁰ *Al-Kharaj* can be divided by two kinds. Firstly, working distribution tax (*Kharaj al-Wazifah*) namely the tax distribution is based on the broadness of land. Secondly, produce distribution tax (*Kharaj al-Muqasamah*) whereby the tax distribution is based upon crops produce like 50 to 50. See for instance, al-Mawardi (1973), *al-Ahkam al-Sultaniyyah wa al-Wilayah al-Diniyyah*, Misr: Mustafa al-Babi al-Halabi, pp.161-171.

²¹ Wahbah al-Zuhaili, *op.cit.*, Vol.6, p.4683. See also Ibn Hajar al-'Asqalani (1956), *Fath al-Bari*, Riyad: Maktabah al-Riyad al-Hadithah, Vol.5, p.14.

²² *The Mejelle*, *op.cit.*, Article: 1432, p.237.

²³ Al-Kasani, *op.cit.*, Vol.6, p.176; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.5.

²⁴ *The Mejelle*, *op.cit.*, Article: 1432, p.237.

²⁵ Al-Kasani, *op.cit.*, Vol.6, p.176; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.5.

Yet, 'ulama from Hanbali school view that the contract of *al-Muzara'ah* does not requires any acceptance in the form of word expression but it is enough by the starting of relevant work by the cultivator as in the case of representative (*al-Wakalah*) contract and, it is valid with the word expression of hiring contract. Besides, this school also pointed out that the contract of *al-Muzara'ah* is not a binding contract as similar to other type of partnership contract²⁶.

In addition, scholars from Maliki school of *fiqh* view that the contract of *al-Muzara'ah* is a binding contract in terms of seeds availability and other matters that related to the cultivation efforts such as seeding and planting tree for crops which are not using seeds for growing like onion. The strongest view among the 'ulama of Maliki pointed out that all kinds of partnership contracts with respect of property are bound with the contents of the contract²⁷.

1.4 Conditions for *al-Muzara'ah* Contract.

Abu Yusuf and Muhammad from Hanafi school of Islamic jurisprudence stipulate condition for *al-Muzara'ah* contract as follows:

i) Condition for Parties in the Contract.

There are two general conditions for both parties in the contract. Firstly, person who signs the contract should have sound mind. Hence, contract made by insane or child are regarded as nullify because the state of sound mind is a stipulation for managing property. Nevertheless, the age of puberty is not a condition for this kind of contract therefore, a child who gets permission from his parent or guardian is allowed to participate in this type of contract²⁸.

Secondly, the person who signs the contract is not an apostate (*Murtad*). However, this view is solely given by Abu Hanifah whereby most of the jurists from Hanafi school permit the participation of apostate in the contract of *al-Muzara'ah*²⁹.

²⁶ Al-Buhuti, *op.cit.*, Vol.3, p.528; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.15; Ibn Taymiyyah, *op.cit.*, Vol.30, p.111.

²⁷ Al-Dardir, *op.cit.*, Vol.3, p.492. Besides, some of the Maliki's jurists opine that the contract of *al-Muzara'ah* is not a binding contract by the word of expression. See 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.11.

²⁸ Al-Kasani, *op.cit.*, Vol.6, p.176; Ibn Abidin, *op.cit.*, Vol.6, p.282; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.5; Charles Hamilton, *op.cit.*, p.579; *The Mejelle, op.cit.*, Article: 1433, p.237.

²⁹ Al-Kasani, *op.cit.*, Vol.6, p.177; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

ii) Condition for Crop.

The type of crop is well known by both parties since different kind of crop needs different way of treatment and cultivation style. It should specify by whom the seed is to be supplied in the contract in order that the ground of the compact may be known. In other words, in order that it may be known whether it is founded on the use of the labor, or on the use of land, and that no source of dispute may remain³⁰. --

Nevertheless, based on juristic preference (*al-Istihsan*), the determination of crop is not a condition because it is based upon the skills of the cultivator. Thus, the most important condition for the type of crop is that the crop is able to be cultivated³¹.

iii) Condition for Crop Produce.

Firstly, type of crop produce should be clarified in the contract since the incoherent of the type of crop will nullify the *al-Muzara'ah* contract. Secondly, the crop produce should be shared between both parties in this contract. If one party only gets the entire crop produce so, the contract will be invalidated. Thirdly, the rate of crop distribution should be cleared such as 50 to 50 or 60 to 40 or 75 to 25 because in the absence of this ratio will cause an argument by both parties in the contract later on³².

Fourthly, the calculation for the crop produce should be included for the entire project. In the case when one party stipulates extra conditions in the contract such as calculating the produce in terms of seeds with specific measurement, this contract will also be nullified because there is a tendency that the seeds will not producing as planned and hoped³³.

Similarly, the contract is invalid when the crop produce is given on rotation basis because there is likelihood that different rotation will give different crop produce then, the crop distribution will not be equal whereby there is a possibility that one party will receive his portion much lower than the other one³⁴.

³⁰ Charles Hamilton, *op.cit.*, p.579; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

³¹ Ibn Abidin, *op.cit.*, Vol.6, p.280; al-Kasani, *op.cit.*, Vol.6, p.177; Charles Hamilton, *op.cit.*, p.579; *The Mejelle*, *op.cit.*, Article: 1434, p.237; Ibn al-Hummam, *op.cit.*, Vol.8, p.35.

³² 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, pp.5-6; al-Kasani, *op.cit.*, Vol.6, p.178; Charles Hamilton, *op.cit.*, p.579; *The Mejelle*, *op.cit.*, Article: 1435, p.237.

³³ Ibn Abidin, *op.cit.*, Vol.6, pp.280-283; al-Kasani, *op.cit.*, Vol.6, p.178; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

³⁴ *Ibid.*

iv) Condition for Land.

Conditions for the land uses in the contract of *al-Muzara'ah* are:

- a) The land should be suitable for the plantation purpose, whereby the cultivation on salty and swampy land are not permitted because in this contract, the crop produce becomes the remuneration for one party in the contract and the remuneration cannot be given to him if the tree not producing anything³⁵.
- b) The land should be well known. In the case when the land is not known in terms of its location, broadness and condition, the contract is regarded as invalid because it may cause of misunderstanding³⁶.
- c) The land should be fully submitted to the cultivator for the plantation purpose. If the landlord stipulates a sort of interference in the agriculture jobs, the contract becomes invalid³⁷.

v) Condition in the Content of the Contract.

It is stipulated that the content of the contract is based on the normal practices by the society. In other words, the content of the contract must clarify who is going to provide the seed this kind of contract is almost akin to hiring land contract. If both parties are shared in providing seed or in cultivating, the contract is invalid since this contract is no longer *al-Muzara'ah* contract³⁸.

³⁵ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.6; Ibn Abidin, *op.cit.*, Vol.6, pp.279-280; al-Kasani, *op.cit.*, Vol.6, p.178; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

³⁶ *Ibid.*

³⁷ *Ibid.*, Cf. Charles Hamilton, *op.cit.*, pp.579-580.

³⁸ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, pp.5-9; al-Kasani, *op.cit.*, Vol.6, pp.178-179; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

vi) Condition for Agriculture Tools.

The agriculture tools should be stated clearly in the contract either by using animal or machine and these tools couldn't be the main purpose of the contract. If so, the contract will nullify³⁹.

vii) Condition for Agriculture Period.

The period of the contract should be obvious. The period should be understood and agreed by both parties in the contract. Yet, the period must be reasonable for the cultivator to carry out his duty. Nonetheless, the strongest opinion in Hanafi school permits in making contract without specifying the period and it is considered effective starting from the first time the job is done⁴⁰.

Meanwhile, according to jurists from Maliki school of *fiqh*, the conditions for *al-Muzara'ah* contract are as below:

i) The partnership in this contract does not involve with the renting of land contract in order to avoid any payment for seed exchange. Landlord and cultivator have to provide the seed together. If the seed is provided by only one party in this contract and another party provides land, the contract is nullified⁴¹.

ii) Distribution of crop produce should be equal in terms of cost and produce. In other words, the rate of rental is similar to the jobs done by the cultivator and crop produce is divided equally namely 50 to 50. Nevertheless, any party is permitted to donate a portion of his profit to other party after the partnership is over⁴².

iii) Both parties are required to provide seed in the same type and sum such as wheat, barley and nut. In the case when one party provides seeds that are lower quality than the other one, this contract will nullify⁴³.

³⁹ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.7; al-Kasani, *op.cit.*, Vol.6, p.180; Ibn Abidin, *op.cit.*, Vol.6, p.278; Ibn al-Hummam, *op.cit.*, Vol.8, pp.34-35.

⁴⁰ Ibn Abidin, *op.cit.*, Vol.6, p.282; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.7; al-Kasani, *op.cit.*, Vol.6, p.180.

⁴¹ Al-Dardir, *op.cit.*, Vol.3, p.372; Ibn Juzayy, *op.cit.*, p.280; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.11; Malik Bin Anas (1991), *al-Muwatta*, Aisha Abdurrahman Bewley (trans.), Scotland: Madinah Press Inverness, p.288.

⁴² Malik Bin Anas (1991), *op.cit.*, p.289; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.11.

⁴³ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.12.

In addition, jurists from Shafi'i school of Islamic law do not impose any condition in this contract as they place it in the *al-Musaqat* contract. The distribution of crop produce is not necessarily 50 to 50, it may also be divided as 75 to 25 or 60 to 40 or etc. The jurists of the opinion that as this contract is a work contract related to the land therefore, the seed should be provided by the landlord⁴⁴.

Furthermore, scholars from Hanbali school permit the contract of *al-Muzara'ah* with the distribution of crop produce in any portion. They do not stipulate that the distribution of crop produce be limited to only 50 to 50 ratios. Additionally, they impose three extra conditions for *al-Muzara'ah* contract as follows⁴⁵:

- i) The seed must inevitably be provided by the landlord. Still, there is a room for the cultivator to provide the seed in some circumstances. In other words, the seeds may be provided by the owner or the cultivator. In this kind of contract, the seeds are not necessarily be provided by the owner since there are jurists who view that the seeds must be provided by the owner as they use analogy (*qiyas*) upon *al-Mudarabah* contract namely only one party provides the work and another party provides property. This kind of analogy with regards of *al-Muzara'ah* contract is void (*fasid*) because the property in the *al-Mudarabah* contract will be returned to the owner (*Sahib al-Mal*) and the profit will be divided to the both parties. Conversely, the seeds in the contract of *al-Muzara'ah* will not be returned to the owner as the seeds will be disappeared⁴⁶.
- ii) The rate of distribution should be determined as early as possible such as 50 to 50, 60 to 40, 75 to 25 or etc.
- iii) Type and sum of seed should be determined and agreed by both parties before the cultivation's job is started.

⁴⁴ Imam al-Shafi'i, *op.cit.*, Vol.4, pp.12-13; al-Sharbini al-Khatib, *op.cit.*, Vol.2, pp.323-325; Mustafa al-Khinn *et.al.* *op.cit.*, Vol.3, p.34; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.16.

⁴⁵ Ibn Qudamah, *op.cit.*, Vol.5, pp.382-388; al-Buhuti, *op.cit.*, Vol.3, p.533; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.15.

⁴⁶ Ibn Taymiyyah, *op.cit.*, Vol.30, p.112.

1.5 Form of *al-Muzara'ah* Contract.

According to Abu Yusuf and Muhammad of Hanafi school, the contract of *al-Muzara'ah* has four types or forms, namely three forms are valid and one form is not valid as below⁴⁷:

- i) Land and seed are provided by one party, whereas job and tools are provided by another party. This form of *al-Muzara'ah* contract is lawful because this form of contract satisfies the status of landlord and seed provider as an employer and cultivator as a hired person.
- ii) Land is provided by one party, whereas tools, seed and work by another party. This form of contract is also lawful since it satisfies the status of cultivator as a person who will receive his remuneration based on the crop produce.
- iii) Land, tools and seed are provided by one party, whereas job is provided by the other party. This form of contract is also lawful since the status for landlord here is as an employer and his remuneration is based upon the crop produce.
- iv) Land and tools are provided by one party, whereas job and seed are provided by another party. This form of contract is regarded as unlawful. If the contract stipulates that the tools must be provided by the landlord so, this contract will nullify since creating tools for the portion of land.

1.6 Termination of *al-Muzara'ah* Contract.

The contract of *al-Muzara'ah* may be terminated either by the completion of the project or it may be terminated before the completion of the project as below:

- i) The Expiry of Period.

⁴⁷ Al-Kasani, *op.cit.*, Vol.6, pp.179-181; Ibn Abidin, *op.cit.*, Vol.6, pp.280-283; Charles Hamilton, *op.cit.*, p.580.

Contract of *al-Muzara'ah* will be terminated when the period of the contract ended. The ending of the contract happens when all the crop produce be divided corresponds with the agreement and the agreed conditions by both parties⁴⁸.

In the case when the period of the contract ended but the aim of the project still unattained (the tree still green and bears no fruit), the period of the contract should be prolonged until the tree bears fruit and ripe. This attempt tries to celebrate and satisfy both parties in the contract as much as it can be⁴⁹.

However, the cultivator should be imposed by the payment of land rental derived from the crop produce of the project, and it is calculated from the expiry date of the contract until the project produces crop. Nevertheless, all costs of plantation, taking care of and renting of the tree after the contract ends is being responsibility of both parties, based on agreed ratio. The reason is that the expiry of the contract not by itself will terminate the joint obligation of both parties since the contract is considered as a sharing property contract⁵⁰.

ii) One of the Parties in the Contract Has Deceased.

The contract of *al-Muzara'ah* will be terminated when one of the parties in the contract was dead even though the cultivation job has been started or not, or the project has borne fruit or not⁵¹. In the case when the dead person was the landlord and the project is not yet producing anything thus, the cultivator or his heir still obliged to carry on with the job they has agreed. This is because the contract has placed the responsibility upon the cultivator to complete his duty from the beginning until the end of the contract⁵².

⁴⁸ Al-Kasani, *op.cit.*, Vol.6, p.184; Ibn Abidin, *op.cit.*, Vol.6, p.282; 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.11; Charles Hamilton, *op.cit.*, p.582.

⁴⁹ *Ibid.*; Charles Hamilton, *op.cit.*, p.583.

⁵⁰ *Ibid.*

⁵¹ This view has been given by jurists from Hanafi and Hanbali schools. Nonetheless, according to Shafi'i and Maliki schools, the contract of *al-Muzara'ah* will not be terminated by the dead of one person in the contract. See al-Kasani, *op.cit.*, Vol.6, p.184; Ibn Abidin, *op.cit.*, Vol.6, p.282; Ibn Qudamah, *op.cit.*, Vol.5, p.568; Charles Hamilton, *op.cit.*, p.582.

⁵² Al-Kasani, *op.cit.*, Vol.6, p.184; Ibn Abidin, *op.cit.*, Vol.6, p.282; Ibn Qudamah, *op.cit.*, Vol.5, p.568; Charles Hamilton, *op.cit.*, p.582; *The Mejelle, op.cit.*, Article: 1440, p.238.

The contract of *al-Muzara'ah* will be continued despite the fact that one of them was dead is based on the juristic preference concept. The tree that has been grown should be allowed to be grown since the contract is not yet accomplished and the cultivator is not obliged in this manner to pay for the renting of the land⁵³.

Yet, if the owner of the land dies, when the crop has appeared, the contract is dissolved at the end of that year. In the case when a man give away a piece of land to another person for a term of three years and in the first year, the crop has begun to grow but still unfit for reaping, the man die, the land in this case remains in the hand of the cultivator until the crop be fitted for reaping, and the produce is then divided according to the conditions of the compact⁵⁴.

This contract of *al-Muzara'ah* is dissolved with respect to the remaining two years of the term since the analogy would suggest that it will not continue even for the first year as the duration of the compact depends on the duration of the parties. It is continued throughout the first year in order to preserve the rights of both parties because if it were to discontinue, the cultivator would sustain harm. With regards to the second and third years of discontinuity in the contract, no harm is sustained by the cultivator and accordingly, the compact is dissolved for these years, parallel with the analogy⁵⁵.

When the owner of the land dies after the cultivator has ploughed the land and dug rivulets for watering it, previous to the crop appearing, the compact is dissolved since in such case the dissolution of it is not injurious to the cultivator's property. Conversely, if the owner of the land dies after the crop has begun to grow and appears like grass, in this case the contract is not dissolved as the cultivator would then be injured in his property by the dissolution of it. In this regards, the cultivator is not entitled to any thing for his labor because the use of a person's service cannot be appreciated when the contract becomes null, whereby the estimation of the service no longer remains⁵⁶.

iii) Termination by Proof.

In the case when there is an annulment of the contract before the project even started hence, the contract will be terminated. *'Ulama* from Hanafi school view that the availability of one party to provide seed does not mean that he will be participated

⁵³ *Ibid.*

⁵⁴ Charles Hamilton, *op.cit.*, p.582.

⁵⁵ *Ibid.*

⁵⁶ *Ibid.*

in the joint project⁵⁷. According to Maliki's jurists, the contract of *al-Muzara'ah* is not binding unless the relevant jobs have been started. Therefore, contract that is not yet been started can be cancelled⁵⁸.

Yet, *'ulama* from Hanafi school of *fiqh* pointed out that the contract that is being run could be cancelled by the existence of proof either from the cultivator side or from the landlord⁵⁹. Among those proofs that can be accepted are as follows⁶⁰:

i) The landlord is incurred huge amount of debt whereby he must sell the land in order to settle his debt without having other sources of income. In this respect, the landlord is permitted to sell his land and then cancel the contract with this reasonable proof. Otherwise, if this contract is allowed to be continued, it may bring harm to the landlord. The method of canceling the contract is by selling the land and afterwards cancels the contract⁶¹.

The best way for the annulment of this contract is before the project is started, or after the tree bears fruit, or when the harvesting period is due. If the tree still green and bears no fruit or the harvesting period is still not due, this contract cannot be cancelled and the land cannot be sold. In other words, the annulment is only possible to be done after the crop reach at maturity and fully grown. The reason is that the sale of land will terminate cultivator's entitlement and the expecting time until the period of harvesting is an entitlement of the creditor. Thus, the deferment of the sale is for fulfilling both parties' interest⁶².

Furthermore, scholars from Hanafi school added to this matter that in order to avoid the cultivator from incurring any further losses by the selling of the land, there are two situations that should be considered by both parties in the contract. Firstly, if the annulment is done after the land has been cleared and cultivated thus, the cultivator is not entitled to get anything as a replacement for it since all jobs done are not meant anything for the landlord. The contract is only significant when the partnership gives something in return that can be expected from the produce⁶³.

⁵⁷ 'Abd al-Rahman al-Jaziri, *op.cit.*, Vol.3, p.11.

⁵⁸ *Ibid.*, p.15.

⁵⁹ *Ibid.*, p.12.

⁶⁰ Al-Kasani, *op.cit.*, Vol.6, p.183; Ibn Abidin, *op.cit.*, Vol.6, p.284.

⁶¹ Charles Hamilton, *op.cit.*, p.583.

⁶² *Ibid.*

⁶³ *Ibid.*

Secondly, if the project has been started in the half way, the landlord should not sell his land until the harvesting period is due. In this case, sale of land means canceling of cultivator's entitlement whereby it is preferable to be adjourned because of the deferment of debt is more lighten in terms of its danger than cancellation of entitlement⁶⁴.

ii) The cultivator has specific proof such as bad illness that may hinder him from continuing the project or he is forced to go abroad for some unavoidable reasons or he has to find another job for his survival. For all these reasons, the annulment of the contract is permissible without any interference by the court and in the absent of both parties consent.

2. Application in Islamic Banking.

For the time being, there is no application of the contract of *al-Muzara'ah* in Islamic Banking for financing agro project. Example of the modus operandi for *al-Muzara'ah* contract is showed in Figure 1 (See the following page). Nonetheless, this figure has excluded the participation of the Islamic Banks since the bank usually will not manage the land provided by the land provider because they have no expertise in managing them and they are more incline in managing cash term.

If they are going to participate in the contract of *al-Muzara'ah*, the Islamic banks need to find out third party, who are capable of purchasing and storing the fruits or produces before any profit can be distributed to each party in the contract. Now that the difficulty to find the suitable party who are willing and promise to buy all the produces before they existed make this contract not practically to be applied in the modern Islamic banking arrangement at least for the time being⁶⁵.

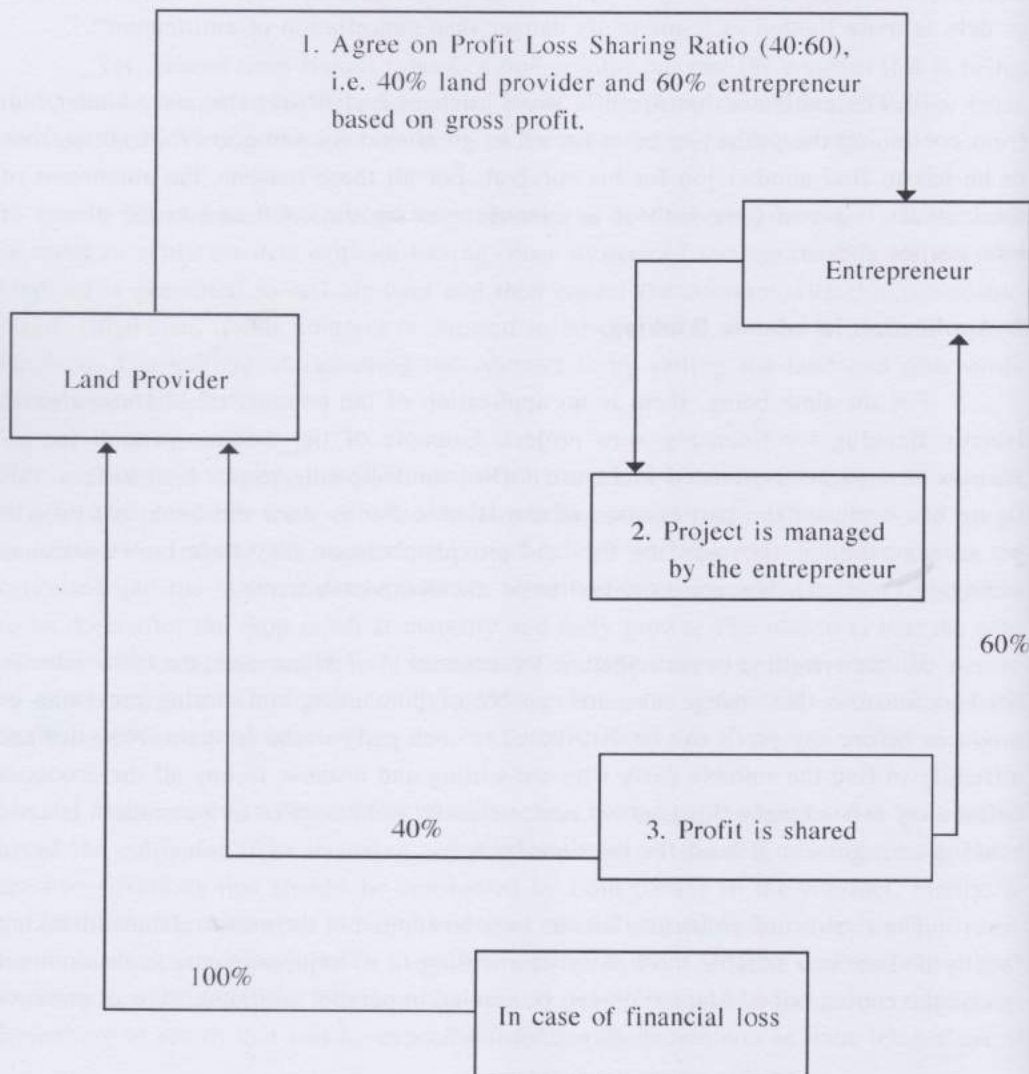
The contract of *al-Muzara'ah* can only be applied in the modern Islamic banking facility if there is a suitable third party who willing to jointly participate in the contract or else the contract of *al-Muzara'ah* can be applied in parallel with other type of contract in *mu'amalat* such as contract of *Bay' al-Salam*⁶⁶.

⁶⁴ *Ibid.*

⁶⁵ Interviewed with Associate Professor Datin Dr. Paizah Binti Ismail on 26th March 2009 at 10.10 a.m. to 10.45 a.m. at her office in Gombak. Her expertise is in the field of *fiqh* and *usul* as well as in Islamic transactions. She is also a Shariah Advisor for Agro Bank since 2005.

⁶⁶ *Ibid.*

Figure 1
Modus Operandi of al-Muzara'ah Financing



Source: Based on self interpretation on several *fiqh* literatures such as Mustafa al-Khinn *et.al.* 1992. *al-Fiqh Manhaji 'ala Madhhab al-Imam al-Shafi'i*. Damshiq: Dar al-Qalam, Vol.3, pp.33-35; al-Kasani. 1974. *Bada'i al-Sana'i*. Beirut: Dar al-Kitab al-'Arabi, Vol.6, p.175; Ibn Qudamah. 1972. *Al-Mughni*. Beirut: Dar al-Kitab al-'Arabi, Vol.5, p.581; "Islamic Modes of Financing", <http://www.islamic-financing.org/>. 30th November 2008.

For instance, Agri promote the devel types of funds for fund comes from Malaysia governm activities as well a Cash-i and Fund t

All these Buy' al-Innah. Th the sale concept a customer will not desired asset by th sales price. The r between buyer an connection is bet bank¹⁰.

Conclusion.

Although financing agro pro scholars and Islam used to finance a lot of other benef The combination

¹⁰ Interviews carri Projects Department, Siti Norngaisah Bint February 2009 at 4.0 Bank, Kota Bharu B "Financing Facilities" Mustafa al-Khinn Law: An Analysis of Wahab (2005), "Al-F Alwi Hj. Hassan *et.c* Lumpur: Utusan Pub

For instance, Agro Bank, where the establishment of this bank is to stimulate and promote the development of agriculture sector in Malaysia, this bank has provided two types of funds for financing agro projects namely commercial funds, where the source of fund comes from the depositors of the bank and secondly, special funds established by Malaysia government that can be regarded as an added incentives to promote expansion activities as well as investments in agriculture sector. Examples of these funds are Agro Cash-i and Fund for Food respectively⁶⁷.

All these funds are utilized *shari'ah* contract of *Bay' Bithaman Ajil* (BBA) and *Bay' al-Innah*. The validity of BBA and *Bay' al-Innah* contract is obvious since it uses the sale concept as mentioned in the *fiqh mu'amalat*. Through this kind of contract, the customer will not borrowing any money from the bank, instead the bank will buy the desired asset by the customer and the bank will sell it back to the customer at mark-up sales price. The relationship between customer and bank is similar to the relationship between buyer and seller in the sale contract and not as in loan contract, whereby the connection is between borrower and lender as being practiced by the conventional bank⁶⁸.

Conclusion.

Although the contract of *al-Muzara'ah* cannot fully be utilized for the purpose of financing agro projects, but the advantages of this contract can be used by the *Shari'ah* scholars and Islamic banks in order to find out the most accurate method that can be used to finance and assist agro entrepreneur with their projects that eventually bring a lot of other benefits not only for themselves, but also to the Muslim *ummah* as a whole. The combination of different contracts in *mu'amalat* is seemed to be a good method for

⁶⁷ Interviews carried out with Agro Bank officers: Ismail Tuan Ali, Executive 1, Islamic Banking, Special Projects Department, Agro Bank Head Office, Kuala Lumpur on 14th January 2009 at 3.15 p.m. to 4.00 p.m.; Siti Norngaisah Binti Aziz, Executive 11, Financing Department, Agro Bank, Shah Alam Branch on 12th February 2009 at 4.00 p.m. to 4.35 p.m.; Suhaimi Bin Yacob, Executive 2, Financing Department, Agro Bank, Kota Bharu Branch on 14th December 2008 at 11.15 a.m. to 11.50 a.m.; *Agro Bank Pamphlet* (2008), "Financing Facilities"; Agro Bank, <http://www.agrobank.com.my>, 15th December 2008.

⁶⁸ Mustafa al-Khin *et.al. op.cit.*, Vol.3, pp.37-38; Mohammad Hashim Kamali (2002), *Islamic Commercial Law: An Analysis of Futures and Options*, Petaling Jaya: Ilmiah Publishers, pp.132-133; Norazlina Abd. Wahab (2005), "Al-Bay' Bithaman Ajil: Suatu Alternatif Kepada Pinjaman Berasaskan Riba", in Abdullah Alwi Hj. Hassan *et.al. (eds.)*, *Teori dan Aplikasi Kontemporari Sistem Ekonomi Islam di Malaysia*, Kuala Lumpur: Utusan Publications & Distributors Sdn. Bhd., pp.90-91.

implementing the contract of *al-Muzara'ah* for financing agriculture sector that finally will benefit all parties, entrepreneur and Islamic banks, and the most important thing is the suitability of the arrangement with the *shari'ah* requirements and rules.

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Interview:

Associate Professor Datin Dr. Paizah Binti Ismail, Shariah Advisor for Agro Bank, 26th March 2009 at 10.10 a.m.

Ismail Tuan Ali, Executive 1, Islamic Banking Department, Agro Bank Head Office, Kuala Lumpur, 14th January 2009 at 3.15 p.m.

Siti Norngaisah Binti Aziz, Executive 11, Financing Department, Agro Bank Shah Alam, Selangor, 12th February 2009 at 4.00 p.m.

Suhaimi Bin Yacob, Executive 11, Financing Department, Agro Bank Kota Bharu, Kelantan, 14th December 2008 at 11.15 a.m.

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**Corporate Social Responsibility:
A Comparative Analysis of Perceptions of
Business Students and Business Executives.**

Norhazlina Ibrahim* &
Suhaila Abdul Hamid** &
Supiah Salleh***

Abstract

Corporate social responsibility (CSR) is the term most often used to describe an evolving dialogue that seeks to expand the role of the corporation beyond the economic frame to include social and environmental aspects of community. This paper investigates the differences and similarities between business students and business executives. The study also explores the knowledge and awareness of these two groups regarding their attitudes toward corporate social responsibility. We also examine whether occupation has significant impact on their perceived CSR. The findings demonstrate that there are differences of perceptions on CSR between these two groups and several factors that are perceived by them as vital in determining the CSR practices among companies.

Keywords: Corporate Social Responsibility, Business Students, Perception.

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INTRODUCTION.

The term Corporate Social Responsibility (CSR) defines how a company conducts its business in a socially acceptable way and that it is accountable for its effects on all of its stakeholders, including the environment. Thus, CSR is a measure of the total impact of a business's activities on the lives of individuals within and without the company (European Commission, 2001). The terms used are interchangeably, some companies used "corporate citizenship", some "the ethical corporation", while others use "good corporate governance" or "corporate responsibility".

Recent outbreaks of ethical failings and revelations about questionable or abusive practices by corporation have prompted fresh concern over the social impact of corporate activities and the extent to which managers are responsive to society's expectations. The collapse of Enron and WorldCom, due to uncertain accounting practices, has raised the level of scrutiny of large companies.

In response to numerous demands that corporations play a more energetic role in the overall welfare of society, many businesses have given considerable attention to social impact of their economic activity. This has prompted the government and companies to introduce codes of corporate governance and ethics. Additionally, the academic community has attempted to address this problem by discussing social and ethical issue in business ethic or corporate governance subjects throughout the curriculum.

In the public institutions of higher learning, entrepreneurship subject is to be made a compulsory subject for all students in higher learning institutions by Ministry of Higher Education. Obviously today's business students aspire to be tomorrow's business leader. As the nation's future managers and executives, these students' values will help to determine the course of organisations over the nest few decades in order to become responsible entrepreneurs.

The Importance of CSR to Entrepreneur.

Entrepreneur think tank, the Tenon Forum, has found that nearly three quarters (71 per cent) of UK entrepreneurs say that supporting their local community is good for business. In fact, the smaller the company turnover it seems, the bigger the commitment to local life with 71 per cent of owners of sub £1 million a year companies prioritising community support

compared to 56 per cent of those turning over £6-20 million annually¹. Such support ranges from entrepreneurs buying local products and using local suppliers to sponsoring local charity events, teams and organisations.

This research is supported by our Prime Minister in 2007 Budget, private limited companies which practise CSR are likely to attract investors, particularly locally and internationally. According to Barbara J. Krumsiek Chief Executive Officer, Calvert Group², corporate social responsibility is not just a special program but rather is a part of an integrated strategy to run business in a sustainable way. Whether the issues pertain to the environment, product safety and impact, or human rights, they are all part of the long-term thinking that is characteristic of quality management. She believes companies that are proactively addressing these issues today carry less investment risk and are better positioned to deliver value to their shareholders in future. It always believed that the company that takes community needs into account will create to business advantage and better community in the long run.

Another well known advantage is reputation. It is an asset that can contribute to or undermine a company's value. The Chairman of Lloyd's of London, Lord Leven, reported in a 2005 speech that loss of reputation is now viewed as the second most serious threat to an organization's viability after business interruption. An Economist Intelligence Unit Survey ranked reputation risk as the greatest potential threat to an organization's value. In a survey conducted among 2,000 participants at the 2004 Annual Meeting of the World Economic Forum, more CEOs rated corporate reputation over profitability as their most important measure of success.

Consumer pressure and damage to the global image of popular brands is one reason why companies may be motivated to practice social responsibility. Much recent pressure has also been centered on the protection of the environment e.g. campaigns to stop deforestation; other important issues include the protection of human and animal rights, safeguarding jobs, the inclusion of minorities and the behaviour of companies operating in the developing world. Disney recently announced it would no longer contribute to children's obesity by gracing high fat/sugar content food with its colorful characters. Lucrative licensing deals with companies such as McDonald's, Coca Cola and Kellogg will not be renewed if their products do not meet the new guidelines issued by Disney. Furthermore, Disney has set a goal to remove all trans- fat from their theme parks by 2007 and their licensed products by 2008 (Talbot, 2006).

¹ Small Businesses Leading the Way with Social Responsibility at <http://www.bizhelp24.com/news/sep-07-social-responsibility-198.php>.

² Taken from Boardroom Briefing: Corporate Social Responsibility, Winter 2006, Vol. 3 No. 4.

Other advantage of CSR is good public image. This notion is supported by several authors such as Davis (1973), Maignan and Ralston (2002) and Marimoto *et al.*, (2005). The studies suggest that especially in the United States, CSR is used as a marketing tool to influence the perception stakeholders have on the corporation. Avoidance of government regulation could be another strong motivation for companies to adopt CSR. Through implementing innovative production techniques that reduce waste disposal and pollution, companies can be seen green by the public and at the same time escape any legislative pressures by the authority.

Many companies regard the intangible benefits of a CSR programme, such as a better brand image, as a way of gaining the upper hand over their rivals. Most of the corporate companies in Malaysia highlights in their annual report on the practice of corporate social responsibilities. For example Telekom Malaysia Berhad (TM) focused the practiced of CSR mainly in education, sports development and community and nation building. Telekom's scope of CSR embraces a culture of good governance and accountability throughout the organisation. Other companies such as Silver Bird and Tenaga Nasional Berhad also participate in CSR programme. This encourages other firms to incorporate CSR as part of the company's agenda. It also becomes a competitive advantage to those companies who manage to inculcate CSR as part of the company's programme.

It is believed that CSR makes good business sense in the long run as it contributes towards building lasting goodwill and trust in the company. A keen awareness of its corporate responsibility towards stakeholders in line with good corporate governance has also given the edge in attracting and retaining talent, enhancing customer loyalty and retaining company's position as a leading responsible corporate citizen. In real terms, a culture of corporate responsibility has proven its worth in ensuring consistently-strong performance and delivering better returns to shareholders. With a good implementation of CSR initiatives it will leads to evident through engagement with all stakeholders including employees, customers, suppliers, investors, local communities and the host governments where the company operates.

In addition to that, a survey done by the economist intelligence unit (2005) shows shareholders constitutes one of the drivers behind the growing emphasis on CSR. Executives around the world chose three main factors that are causing firms to pay more attention to CSR: greater focus on CSR by shareholders, recent corporate scandals and greater pressure from governments and regulators. According to the survey, executives said that the strongest drivers of the increase in importance of CSR were shareholders, recent corporate scandals and greater pressure from regulators.

There are several other motives for companies to adopt CSR such as erosion of trust and globalization. Public trust in corporate management has declined, following a spate of several financial scandals that have been reported by the media. For example Megan media Holdings Bhd. reported a huge net loss of RM1.14 billion for the fourth quarter ended 30 April 2007 as a result of accounting fraud (The Edge, 2007). Transmile Group Bhd. was reported to overstate its revenue by RM 622 million for the years 2004 to 2006 (The Star, 2007). Bumiputra-Commerce Holdings Bhd. announced that it had engaged the services of auditing firm Pricewaterhouse Coopers (PWC) to look into Southern Bank Bhd. (SBB)'s financial statement for the year ended Dec 31, 2005. The audit findings for Southern Bank Berhad were a shocking to the investors because of an overstated in asset by 160 million (Accountants Today, 2007). All these issues triggers the public demands for greater transparency in financial reporting and urge the companies to take part in corporate social responsibility in the business rather than focusing on profit making only.

In terms of globalization aspect, anti-globalization groups, such as Earth First, have demanded greater accountability from governments and companies a like. Companies are increasingly adopting CSR as a form of insurance policy to circumvent or mollify outside pressure groups.

Islamic Views on CSR.

From an Islamic perspective, social responsibility is not just a matter of legal obligations and rights of stakeholders, but it is also a moral obligation and a matter of survival of both business organisations and society, as they are both dependent on each other (Parvez and Ahmed, 2004). They further argued that, if a business organisation does not fulfill its social obligations it will result on passing its costs (e.g. in the form of improper/illegal waste disposal, exploitation through false advertisement, direct exploitation of employees or customers, or by not addressing poor working conditions, high levels of stress, etc. onto society), it will come back to haunt or damage the business through different ways and forms such as sabotage by employees, poor morale, or even higher taxes, inflation, reduction in sales and profits.

The main purpose of an Islamic business, as is the case for individuals, is to worship and please God, through following the *Qur'an* and *Sunnah*, which are the main sources of *Shariah*. This does not mean that they do not seek profits, which are essential to business survival, but work Islam is considered part of the worship of God (Maali *et al.*, 2003). It is legitimate to aim to achieve profits, but this goal should be pursued according to *Shariah*. Since *Shariah* defines the

norms of human conduct, and how business has to deal with its external environment, businesses claiming to comply with Islamic *Shariah* are clearer about their roles in society. From the Islamic perspective, the perceived relationship of individuals and firms with God affects the concept of accountability. This flows from the basic Islamic concept of *Tawhid* (the unity of God).

According to this concept, the Creator is one, and everything originates from this one source, and men are deemed to follow His rules. All created things are thus elements of a single set and the whole world is one unit with a single goal, which is God's will. The concept of the unity of God implies total submission to God's will and following the religious requirements in all aspects of life. According to this concept, each Muslim is thus responsible to God for everything that he or she does (Maali et al., 2003).

Baydoun and Willett (1997) have argued that the concept of the unity of God gives rise to a different and broader concept of accountability than that implied by the Western models. In the Islamic framework, all people, and businesses, are accountable to God on the hereafter for their actions during their lives. Everyone has to follow God's will, and will be asked in the Day of Judgment about their deeds. This is clearly stated in Qur'an (*Al-Quran*, 4:38) "God takes careful account of everything" reinforces the notion that everyone is accountable to God, and this provides a different dimension to the concept of accountability beyond what has been reflected in Western theories of social reporting.

Muslims undertake a social activity not for pure financial reward, but rather to gain the paradise and avoid God's anger in the day of judgement. Accountability to God implies accountability to Islam stresses the concept of social responsibility. The wide use of the term "brotherhood" and cooperation in Islamic societies is a best example of such emphasis.

By being more socially responsible and actively striving to balance the rights of all stakeholders based on fairness, justice and dignity, and ensuring a just distribution of wealth, it will actually benefit a business organisation in the long-term.

"For those who give in charity, men and women, and a loan to God a beautiful loan, it shall be increased manifold (to their credit) and they shall have, (besides) a liberal reward" (Al-Quran, 57:18).

"God deprives usury of all blessing, but will give increase for deeds of charity" (Al-Quran 2: 276).

Individuals are expected to feel socially responsible for others in the community. One cannot enjoy life while others cannot. In general, the aim of the Islamic economic system is to allow people to earn their living in a fair and profitable way without exploitation of others, so that the whole society may benefit. Islam also emphasizes the welfare of the community over individual rights (Lewis, 2006).

Reliable information must also be presented correctly and fully, including details of all the transactions undertaken. Al-Quran, 11:84-85, for example, says '... give full measure ...'. True disclosure of financial facts, and the provision of them without any deceit or fraud in order to satisfy users' requirements, is thereby essential for accomplishing such obligations and to facilitate the making of decisions on investment and business matters.

Past Studies.

A stream of studies has examined stakeholders' perceptions and attitudes towards CSR. Most studies from this stream examine the perceptions of CSR from a specific stakeholder groups such as managers, employees, consumers, investors, students, academicians and others. Study done by Tan and Komaran (2006) in Singapore, looked at the perceptions of the public on CSR upon Singaporean companies following the Carroll's and Lawrence frameworks. Many studies argue that CSR activities can help creating strategic benefits. For instance, CSR involvements by companies could lead positive long-term financial impact (Balabanis et al., 1998). There is a detailed discussion on how CSR engagements could help companies increase sales and market share, strengthen brand positioning, improve corporate image, attract, motivate and retain employees, reduce operating costs and enhance appeal to investors and financial analysts.

Stevens (1984), there are differences on the perception of business students with practicing managers, the former manifest slightly lower ethical standards and less concern for CSR. Ibrahim and Angelidis (1993) revealed that business executives are more economically driven than business students. Students, on the other hand are more ethically and philanthropically oriented than the executives.

The Relationship between CSR and Financial Performance.

In recent years, the number of companies practicing CSR is growing and many argued that it is linked to sustainability and ensuring long term profit. Whether or not to practise CSR could be answered by reviewing the empirical studies done on this area that examine the link

between CSR and financial performance. A significant body of CSR research has been centered on the debate over whether there is a relationship between good CSR and strong financial performance, and what kind of relationship there is.

The link between these two variables has been investigated over the last few decades. However, as yet there are no conclusive findings as to the direction or strength of this link. The findings on this issue are not conclusive. Some researchers found a positive correlation between CSR and profit, others found negative and also no relationship at all between these two (Carroll and Buchholtz, 2006). One of the main problems is that it is not clear whether social responsibility leads to increased financial performance or whether better profits lead to more funds being available to devote to CSR. However, most of the findings could be summarized under three categories: positive, negative and neutral.

Chand (2006) investigated the relationship between CSR and financial performance. The study used industry type as a boundary condition. Accordingly, by controlling the industry types, will eliminate all the environmental differences that tend to hide the link between these CSR and performance. He found that by controlling for industry, a clear positive link can be shown between CSR and performance.

Curran (2005) summarised 34 papers on the effects of CSR on indicators of financial performance and to assess the quality of the studies. She indicated that 24 of the 34 studies (70%) were positive. They showed a positive and statistically significant relationship between CSR and financial performance. Two studies (5.8%) showed a negative and statistically significant relationship between CSR and financial performance.

Out of the eight studies (23%) with neutral outcomes, some of these were genuinely neutral and others were positive results but not statistically significant. She concluded that the relationship between CSR and financial performance is mostly positive, a quarter of all studies were not able to demonstrate a positive or a negative relationship (termed neutral here) and negative relationships were in the minority.

Aupperle (1985) revealed no relationship between CSR and Corporate Financial Performance (CFP). This survey adopted the questionnaire survey method to measure CSR which assessed the attitude of the CEO as a CSR variable. However, it failed to measure CSP in terms of actual behavior or performance.

Wu (2006) conducted meta-analysis of 121 empirical studies to investigate the relationships among CSR, CFP and size. The paper revealed positive relationship between CSR and CFP and supports the view that the cost of having high level of corporate social responsibility is minimal and that firms may actually benefit from socially responsible actions in terms of employee morale and productivity. The study further argued that profitability, asset utilization and growth were better predictor of CSR compared to market-based measures. Additionally, reputation index had the strongest measures with CFP and perceptually based measures will report a stronger CSR-CFP relationship than studies using performance based measures.

The linkage between corporate social responsibility and firm financial performance has received considerable research attention especially in the area of socially responsible investing (SRI). The global study by Hill et al. (2006) examined corporate social responsibility through a comparison of SRI to the broader stock markets in the United States, Europe, and Asia. In their findings show that only the European fund outperformed the larger equity market in the short term (3 years). None of these statistics was significant in the medium term (5 years); however, both the United States and European portfolios outperformed their comparison markets in the long term (10 years).

They further argued that taken together, these results suggest that being viewed as socially responsible by investors may impact positively the valuation of firms over the long run, providing them with the opportunity to "do well while doing good". European investors appear to value CSR in the short term as well as the long-term, and Asian investors may have the tendency to mirror the US investors. They concluded from the findings, the value of CSR activities to global enterprises may continue to grow in importance.

PROBLEM STATEMENT.

In recent years, students majoring in business administration have been exposed to the concept of CSR in the number of courses. The objective is to increase their awareness of the importance of this area and its impact upon both business and society. In the public institutions of higher learning, entrepreneurship subject is to be made a compulsory subject for all students in higher learning institutions by Ministry of Higher Education. Thus, this shows that the future graduates from higher learning institutions are well equipped with entrepreneurship skills. They

are trained to be an entrepreneur and not to be dependent on job market basis. Once they involved in entrepreneurship, these students should be able to inculcate CSR in their organizations since this have been exposed to them during their studies. Obviously today's business students aspire to be tomorrow's business leader.

As the nation's future managers and executives, these students' values will help to determine the course of organisations over the next few decades. Therefore, it is important to understand their attitudes and awareness towards CSR and to investigate the differences between the current business executives and the future business executives. The reason for this study to investigate on the differences between the awareness of current business executives and the future business executives is because to differentiate the impact of exposing the concept of CSR to the future business executives during their studies at the higher learning institutions through entrepreneurship subject. As for the current business executives, not all of them are being exposed on the concept of CSR during their studies, since the entrepreneurship subject is only being made compulsory to the students in higher learning institutions recently.

Many studies found that the company will benefit from practicing corporate social responsibility and conducting open dialogue with their stakeholders, to ensure that social and environmental impacts and concerns of key stakeholder groups are addressed in corporate decision making. In another word, it is important to take account the perceptions of the stakeholders on the corporate social responsibility. In this study we are going to concentrate on business executives and students as our respondents.

OBJECTIVES OF THE STUDY.

This study sought to determine whether or not business executives and business students are in agreement as to what practices are evidence of socially responsible behaviour.

The main objective of this study is to identify whether there are any significant differences on corporate social responsibilities amongst business executives and business students using Carroll's (1991) pyramid of CSR framework and also the principles of stewardship (Lawrence et al., 2005). The other objective of this study would be to evaluate the awareness of CSR amongst business executives and students.

It is hoped that this study will contribute to the body of knowledge on CSR and how the CSR concepts could be deployed more effectively by both business communities.

RESEARCH METHODOLOGY.

The research was conducted by giving out 500 questionnaires to business executives and business students around Klang Valley. Business executives comprised of executives from different types of companies and organisations, ranging from public to private sectors. On the other hand, business students participated in this study consists of private and public universities. The students selected are final year students to ensure that they have already taken or currently taking Entrepreneurship subject. However, only 296 questionnaires were collected.

The structured questionnaire was divided into four main sections. Section A was on demographic profile of the respondents. This section asked for background information about the respondents, which include personal items such as gender, age, occupation and the type of organisations.

Section B explored on the knowledge of the respondents on CSR. Each element on CSR was further investigated in Section C and to determine which element in CSR would be considered important to respondents. Lastly, Section D demonstrated which perceived motivations for employing CSR were deemed to be vital to the respondents.

In Section C, a total of 24 statements based on the elements in CSR were asked on five-point scale, which ranged from strongly agree (5) to strongly disagree (1). These items are derived directly from the definition of CSR on Carrolls' pyramid, stewardship principles and environmental friendliness comprising of 6 components of CSR.

In Section D consisted of 11 statements which represent the motivation for practising CSR. Respondents were asked to rank on a five-point scale from extremely important (1) to not important at all (5) with the particular statements. The responses were analysed by calculating the percentage of respondents who indicate mild or strong agreement with a statement. The properties of the questionnaires have been thoroughly tested for its contents and validity.

FINDINGS.

This section discusses the findings of the study and provides some conclusions based on the findings of the study. The findings will be discussed accordingly to structured questionnaires distributed to respondents. Table 1 shows the demographic profile of the final sample.

Section A: Demographic profile

Table 1: Demographic Profile of Respondents

DEMOGRAPHIC		Frequency	Percentage (%)
Gender	Male	108	36.5
	Female	186	62.8
	Did not answer	2	0.7
Age group	18 ≥ and ≤ 25 years old	119	40.2
	25 > and ≤ 35 years old	101	34.1
	35 > and ≤ 45 years old	62	20.9
	More than 45 years old	14	4.7
Nature of Organisation	Private Sector	141	47.6
	Public Sector	50	16.9
	Public Universities (IPTA)	74	25.0
	Private Universities (IPTS)	31	10.5
Occupation	Business executives	199	67.2
	Business students	97	32.8

A total of 296 respondents participated in this study. The respondents were predominantly female (62.8%). Almost three quarter of the respondents (74.3%) aged between 18 to 35 years old and 67.2% respondents are business executives. Most of the respondents are from public sector which represents 47.6%, followed by public universities (IPTA), 25%.

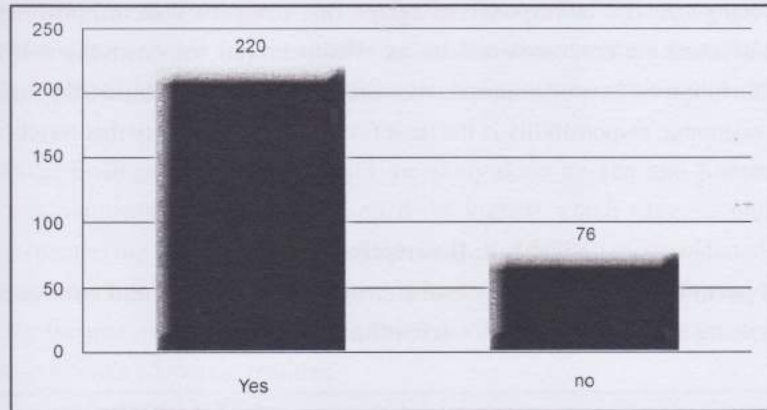
Section B: Knowledge on CSR

In this section, respondents were asked on two main issues regarding their awareness and knowledge of CSR.

Table 2: Knowledge on CSR (overall sample)

KNOWLEDGE/AWARENESS ON CSR		Frequency	Percentage
Heard of CSR	Yes	220	74.3
	No	76	25.7

Chart 1: Awareness of CSR?



By referring to table 2, almost three quarters of them (74.3%) have heard of CSR. This analysis can be seen clearly from chart 1. However when detailed analysis is done in table 3, surprisingly the percentage of students (almost 90%) having heard of CSR is more compared to business executives (almost 70%). The only logical explanation to support this view could be that universities' students are more exposed to the notion of CSR from the courses or subject taught at university level.

Table 3: Knowledge on CSR according to group

KNOWLEDGE/AWARENESS ON CSR	Heard of CSR		Total
	Yes	No	
Business Executives	135 (67.8%)	64 (32.2%)	199
Business Students	85 (87.6%)	12 (12.4%)	97
Total	220	76	296

Section C: The percentage on importance of Carroll pyramid of CSR, stewardship principles and environmental friendliness

Table 4 indicates 6 conclusive statements representing elements contains in CSR. The questions used Likert-type 5 point scale and in each statement the "neutral" response was also included. The responses were analysed by calculating the percentage of respondents who indicated mild

or strong agreement with the statement. It seems that the environmental friendliness has the highest percentage, 89.6% of respondents agreed that companies should practice more CSR strategies that based on environmental issues. Philanthropic responsibility fell into second place 83.42%, followed by philanthropic, stewardship, legal and ethical responsibility. More surprisingly economic responsibility is the least favourite responsibility that should be practised by companies.

**Table 4: Descriptive Statistics of
Carroll pyramid of CSR, charity and stewardship principles and environmental
friendliness**

Statements support CSR practices	Percentage		
	Agree and Strongly agree	Neutral	Disagree and strongly disagree
Economic Responsibility	59.8 (6)	22.3	17.9
Legal Responsibility	74.8 (4)	15.9	9.3
Ethical Responsibility	66.5 (5)	17.1	16.4
Philanthropic Responsibility	83.4 (2)	14.0	2.6
Stewardship Responsibility	82.4 (3)	14.2	3.4
Environmental Friendliness	89.6 (1)	7.5	2.9

the environmental friendliness has the
companies should practice more CSR
responsibility fell into second
legal and ethical responsibility. More
responsibility that should be practised

principles and environmental

Percentage	
Neutral	Disagree and strongly disagree
22.3	17.9
15.9	9.3
17.1	16.4
14.0	2.6
14.2	3.4
7.5	2.9

One interesting finding, the respondents believe that companies should place other responsibilities higher than economic responsibility. These findings could indicate that the respondents believe in order for companies to sustain their performance and attract more investors, the CSR policies implemented should emphasise more on environmental elements.

These findings are consistent with the study done by Tan and Komaran (2006) in Singapore, environmental responsibility is rated the highest which suggests high importance being place in preserving natural environment. However this finding is contradicted with Ibrahim et al. (2006) a study done in US, which business community placed economic responsibility first. He argued that the maturity and experience of business community provide greater appreciation of the business world's economic realities.

Another interesting area is to investigate differences on the CSR elements between different types of occupations. The respondents are divided into business executives and business students. In this case business executives participated, ranging from private to public sectors. The same method applies on choosing business students.

The result in table 5 reported that majority from business executives and business students agreed that companies should place environmental responsibilities over economic responsibilities. The percentages of business executives agreed with each elements of CSR are more than business students except for philanthropic responsibilities. However, the difference is small. The overall results are logical, indicating that business executives would perceive these responsibilities are vital in surviving business world today compared to business students who are not being exposed to the real business environment.

In term of ranking, both parties prefer environment responsibility and least favoured economic responsibility. The only difference is that business executives placed stewardship responsibility in second and philanthropic third, whilst business students vice versa.

Table 5: Descriptive Statistics of Caroll pyramid of CSR, charity and stewardship principles and environmental friendliness

Statements support CSR practices	Percentage					
	Agree and Strongly agree		Neutral		Disagree and strongly disagree	
	Business Executives	Business Students	Business Executives	Business Students	Business Executives	Business Students
Economic Responsibility	64.1 (6)	51.0 (6)	18.7	29.6	17.2	19.3
Legal Responsibility	78.8 (4)	66.8 (4)	12.1	23.7	9.2	9.5
Ethical Responsibility	70.5 (5)	58.2 (5)	14.8	21.9	14.7	19.8
Philanthropic Responsibility	83.3 (3)	83.8 (2)	13.3	15.5	3.4	0.8
Stewardship Responsibility	85.2 (2)	76.8 (3)	11.1	20.6	3.8	2.6
Environmental Friendliness	89.7 (1)	89.4 (1)	7.9	6.7	2.4	3.9

A chi-square test is used to determine if there are any significant differences between these sectors for each CSR element. This test is used because the data distribution is not normal. Table 6 shows significant differences for only 3 CSR elements which are economic, legal and stewardship responsibilities. The business executives have stronger feeling towards economic, legal and stewardship responsibilities that should be practised by companies compared to business students. Perhaps the most plausible reason can be proposed to explain the differences in the level of perceptions between these 2 groups could be their exposure the real working environment. Obviously those working in the real world would be more inclined to expect companies to practise more corporate commitments compared to business students.

**Table 6: Differences between business executives and business students
Kruskal-Wallis Test**

Variables	Chi-Square	Significance
Economic Responsibility	5.444	0.02*
Legal Responsibility	14.289	0.000**
Ethical Responsibility	0.308	0.579
Philanthropic Responsibility	3.456	0.06
Stewardship Responsibility	18.846	0.000**
Environmental Friendliness	1.811	0.178

** significant at the 0.01 level (2-tailed)

* significant at the 0.05 level (2-tailed)

Section D: Motivations for CSR

In this study, there are quite a number of benefits that business can have on account being socially responsible. Respondents were asked to indicate the reasons for companies to practise CSR. Table 7 showed some of these motivations and the responses were analysed by calculating the percentage of respondents who indicated mild and strong agreement with the statements. From the analysis, more than 65% the respondents feel that all the motivation listed in table 7 are important.

For 91.2% respondents, CSR is most relevant to improving public image and reputation. Improve employee morale, enhance investors' confidence, attract quality employees, increase customer loyalty and enhance employee loyalty are relevant between 84.1% and 88.9%. However it is very interesting to notice that improving market shares price, increasing sales and minimising regulatory problems are rated among the least favoured motivations for GLCs practising CSR. Improved share market price rank last (68.9%), followed by increased sales (73.3%) and minimised regulatory problems (77.7%).

**Table 7: Descriptive Statistics of
Caroll pyramid of CSR, charity and stewardship principles and environmental
friendliness**

Motivations for CSR	Percentage		
	Extremely Important and Important	Neutral	Somewhat Not Important and Not Important at all
Improve public image/reputation	91.2	7.8	1.0
Increase brand image	78.7	18.2	3.0
Improve employee morale	88.9	9.1	2.0
Increase customer loyalty	85.8	12.2	1.7
Lower criticism from public	76.0	19.9	4.1
Enhance investors' confidence	86.8	10.5	2.4
Attract quality employees	86.1	11.5	2.4
Enhance employee loyalty	84.1	11.8	3.7
Increase sales	73.3	22.3	4.1
Minimise regulatory problems	77.7	18.9	3.4
Improve market shares prices	68.9	26.7	4.4

CONCLUSION.

It is imperative that companies are not only accountable to the shareholders but owe an obligation to all those in the society who have a stake or interest in the company i.e. the stakeholders.

Statistics of
principles and environmental

The findings revealed that the awareness and knowledge of CSR is low especially for business executives. Respondents have rated environmental responsibility the highest which suggests high importance caring for the natural environment.

Both parties recognise similar prioritises for CSR elements that need to be practised by companies. In addition, there appears to be more expectation among business executives compared business students.

A final conclusion is that more research should be done to look at the differences of perceptions between these respondents on larger scale. This research limitation is confined on only companies and universities in Klang Valley. It is hoped that future study could refine and examine the different dimensions or components that could help companies understanding what they should incorporate in order to improve their CSR efforts. A comparison between the perceptions of accounting practitioners towards GLCs and non-GLCs might be another interesting area to look into.

Percentage	
Neutral	Somewhat Not Important and Not Important at all
7.8	1.0
18.2	3.0
9.1	2.0
12.2	1.7
19.9	4.1
10.5	2.4
11.5	2.4
11.8	3.7
22.3	4.1
18.9	3.4
26.7	4.4

...to the shareholders but owe
...interest in the company i.e. the

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**Education Financing Scheme in Bank Rakyat:
From the Perspective of
*Maqasid al-Shariah***

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Abstract

The ultimate goal of education in Islam is to produce a Muslim personality equipped with knowledge, faith (Tawhid), dedication and virtuous attitudes (Mahmudah) based on the divine revelation of al-Qur'an and al-Sunnah. Full access to proper education that suits everyone's ability is crucial in order to produce human capital that is well mastered with specific knowledge and skills. Thus, this paper tries to explore the education scheme or facility provided by Bank Rakyat as the only Islamic bank in this country provides such facility. In addition, this paper also attempts to ascertain that the scheme provided by Bank Rakyat meets the objective of Shariah (Maqasid al-Shariah). This paper is as a result of document analysis and observation from pamphlets and websites on the education facility offered by Bank Rakyat as well as through the telephone inquiry with the relevant officers of the bank.

Keywords: *Maqasid al-Shariah, Daruriyyah, Hajiyyah, Tahsiniyyah, Bank Rakyat.*

Introduction.

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In Islam, knowledge is considered as an important prerequisite for human development. Knowledge gives the possessor higher rank in the hierarchy from the eyes of Allah (s.w.t.). *Al-Qur'an* confirms that it is the man with knowledge who fears Allah (s.w.t.) the most. Yet, Islam is a religion based upon knowledge and encouraged his follower to master all kinds of knowledge for the benefit of oneself and *ummah* as a whole as a mean to achieve Allah's (s.w.t.) consciousness (*Taqwa*)¹.

Indeed, the text of *al-Qur'an* is replete with verses inviting man to use his intellect, to ponder, to think and to know, for the goal of human life is to discover the truth, which is none other than worshipping Allah (s.w.t.) in His Oneness. It may be said that Islam is the path of "knowledge." No other religion or ideology has so much emphasized the importance of 'Ilm. In the *Qur'an*, the word 'Alim has occurred in 140 places, while *al-'Ilm* in 27 times. In all, the total number of verses in which 'Ilm or its derivatives and associated words are used is 704 times².

As Islam is for all human mankind, the importance of education is not only for Muslim, but also for other races and religion. J. Echohawk (1994) wrote, "*Encourages native youth to pursue higher education even under financial pressures, noting the importance of education for native youth and their tribes*". Education is also the key to reduce poverty and improve racial and ethnic disparities (Deborah Reed, 2003).

As such, there are a number of questions need to be solved such as what are the education scheme provided by Bank Rakyat for Muslim students to further their studies at higher learning institutions and is the scheme meets the objective of *Shariah* (*Maqasid Shariah*).

¹ A.O.Shuriye (2003), "Islamic Education: Issues in Approach and Methodology", *IKIM Journal*, Vol.11, No.2, July/December 2003, Kuala Lumpur: Institute of Islamic Understanding Malaysia, p.100; Afzalur Rahman (1995), *Islam: Ideology and The Way of Life*, Kuala Lumpur: A.S. Noordeen, p.216. *Taqwa* and the verbs and nouns connected with the root, signify: (1) the fear of Allah; (2) restraint, or guarding one's tongue, hand, and heart from evil; (3) righteousness, piety and good conduct. See *The Holy Qur-an: English Translation of the Meanings and Commentary* (1410H), Madinah: King Fahd Holy Qur-an Printing Complex, p.7.

² Afzalur Rahman, *op.cit.*, p.218. For instance, Allah (s.w.t.) says in the *al-Qur'an*: "And He taught Adam the names of all things; then He placed them before the angels, and said: Tell me the name of these if ye are right" (Surah al-Baqarah:31); "But no one knows its true meanings except Allah and those who are firmly grounded in knowledge" (Surah Ali Imran:7); "Allah will raise up, to (suitable) ranks and degrees, those of you who believe and who have been granted knowledge, and Allah is well-acquainted with all ye do", (Surah al-Mujadalah:11).

Definition of *Maqasid al-Shariah*.

The term *Maqasid*, which is plural from root word *Maqsid* can be defined as objective, principle, purpose or goal³. *Shariah* is a word that refers to the road to the watering place⁴. When combining these two words, *Maqasid al-Shariah* can be defined as the objective of *Shariah* for the realization of benefit to the people, with regard to their affairs in this world and the day after⁵. In other words, the aim of *Maqasid al-Shariah* is the attainment of good, welfare, advantage or benefits and warding off evil, injury and loss for the creatures⁶.

The majority of scholars agree that most of the injunctions of *Shariah* were revealed with certain objectives and reasons. Certainly, these objectives are rational and easy to be identified except in certain injunctions related to the worship (*'Ibadah*). The *Qur'an* describes the main purpose of *Shariah* is to secure benefit for the people and prevent them against evil or harm by using the word mercy or compassion (*Rahmatan*)⁷. Allah (s.w.t.) says in the *Qur'an*:

"And We have sent you (O Muhammad) not but as a mercy for the whole world"

Surah al-Anbiya' (21):107.

Meanwhile, the aims and objectives of *Shariah* are everlasting and unchangeable. They are set by Allah (s.w.t.) and their application or interpretation is not left to the sweet will of any person or class. These aims relate to both the worldly life and the life hereafter and to take them only for the worldly benefits at the cost of the hereafter life's benefits is prohibited and condemned. However, *Shariah* is considerate in case of *Hararah* (necessity) and hardships⁸.

³ See for instance Ibn Manzur. (n.d), *Lisan al-'Arab*, Beirut: Dar Beirut, Vol.3, pp.353-355.
⁴ Yusuf Hamid al-Alim (1997), *al-Maqasid al-'Ammah li Shari'ah al-Islamiyyah*, Misr: Dar al-Hadith, p.9.
⁵ Dr. Mohamad Akram Laldin (2008), *Introduction to Shari'ah & Islamic Jurisprudence*, Kuala Lumpur: GEM Publications Sdn. Bhd., p.14.
⁶ 'Abd al-Karim Zaydan (1986), *Majmu'ah Buhuth Fiqhiyyah*, Baghdad: Maktabah al-Quds, p.141.
⁷ Dr. Mohamad Akram Laldin, *op.cit.*, p.14. There are many verses in the *Qur'an* indicates that the originality or aim of the *Shariah* is to ease burden of mankind such as in Surah al-Haj verse 78, Surah al-Baqarah verse 185 and Surah al-Maidah verse 6. See for instance Muhammad Tahir Bin 'Ashur (2007), *Maqasid al-Shari'ah al-Islamiyyah*, Qahirah: Dar al-Salam, p.12; 'Abd al-Karim Zaydan, *op.cit.*, p.141.
⁸ Yusuf Hamid al-Alim, *op.cit.*, pp.82-83.

Shariah has set priority order for the worldly and religious affairs and the people have been enjoined upon to follow this priority order, and they are not allowed to apply their whims while following either of the two. *Shariah* has prohibited the use of some goods as well as the indulgence in certain economic activities, though sometimes or even always their use or practice may yield economic fruits or progress⁹.

Similarly, *Shariah* has permitted and sometimes required the use of certain things or the initiative of certain economic activities, though apparently they do not yield such fruits as the prohibited things do. The philosophy behind the permission or prohibition of certain goods or economic activities is known to Allah (*s.w.t.*). However, some of its parts have been revealed by Him and explained by The Prophet (*s.a.w.*). In all such commandments, *Shariah* ensures ease and it has permitted the ease of unlawful and prohibited goods and activities in case of necessity (*Darurah*)¹⁰. In this connection, in addition to the verses quoted earlier, the following references are note-worthy:

“Allah desireth for you ease; He does not desireth hardship for you”.

Surah al-Baqarah (2):158.

Classification of *Maqasid al-Shariah*.

The objective of *Shariah* or *Maqasid al-Shari'ah* can be classified as *Daruriyyah*, *Hajiyyah* and *Tahsiniyyah* as follows¹¹:

1. *Daruriyyah* (Essential/Necessities)

These are the objectives which are must and basic for the establishment of welfare in this world and the world hereafter in the sense that if they are ignored, then the coherence and order cannot be established and *Fasad* (chaos and disorder) will prevail in this world and the hereafter. The essentials are the matters on which the religion and worldly affairs of mankind depend on and any negligence will lead to total disruption and bring to evil ending. All these matters must be safeguarded individually or by government in order to protect these basic requirements of the people.

⁹ Dr. Mohamad Akram Laldin, *op.cit.*, pp.36-40.

¹⁰ 'Abd al-Karim Zaydan, *op.cit.*, pp.142-143..

¹¹ Muhammad Kamal al-Din Imam (2005), *Usul al-Ahkam al-Shar'iyah al-Fiqh al-Islami*, Iskandariyyah: Jami'ah al-Iskandariyyah, pp.200-201; Dr. Mohamad Akram Laldin, *op.cit.*, pp.18-30; Imran Ahsan Khan Nyazee (2006), *Islamic Jurisprudence*, New Delhi: Adam Publishers & Distributors, p.203.

The essential (*Daruriyyah*) can be further divided into the protection of five fundamental values (*al-Daruriyyah al-Khamsah*) namely¹²:

a. Protection of Faith (*Din*).

Al-Din (Faith/religion) is the most important value that must be protected by Muslim. The protection of religion is achieved through the observance of the different kind of worships for example, performing prayers, fasting, paying tithe and etc. Executing all these rituals will increase faith of a particular person and he is safeguarded from committing any sin or evil. In this regards, Allah (*s.w.t.*) says in *al-Qur'an*:

"And perform the Solat (prayer), verily the prayer can prevent from *al-Fahsha* (great sin) and *al-Munkar* (disobedient)"

Surah al-Ankabut (29):45.

b. Protection of Life (*Nafs*).

As life is very valuable to everyone, then protection for the life in all circumstances is essential to be upheld. In this regards, there is no different between the life of the rich and poor, between leader or folk, whereby safeguarding everyone's life is equally important to each individual. Allah (*s.w.t.*) says in the *al-Qur'an*:

"And do not kill anyone which Allah has forbidden, except for a just cause"

Surah al-Isra'(17):33.

Indeed, *Shariah* has enacted serious punishment for those who kill other especially to innocent human being. Allah (*s.w.t.*) orders in the *al-Qur'an*:

"O you who believe! Qisas is prescribed for you in case of murder: the free for the free, the slave for the slave, and the female for the female. but if the killer is forgiven by the relatives of the killed against blood money, then adhering to it with fairness and payment of the blood money, to the heir should be made in fairness".

Surah al-Baqarah (2):178.

¹² Muhammad Kamal al-Din Imam, *op.cit.*, pp.200-201; Imran Ahsan Khan Nyazee, *op.cit.*, p.202; Dr. Mohamad Akram Laldin, *op.cit.*, pp.18-30.

c. Protection of Posterity (*Nasl*).

Islam is very concerned about the posterity or dignity of a person. Protection of posterity includes the safeguarding of individual rights to privacy and not accusing others of misdeed. In fact, Islam has mandated many guidelines in order to protect the dignity of man and women and all mankind. Clearly, Islam disallows the manipulation of women and prohibits adultery between man and women. In order to prevent mankind from committing adultery, Islam has imposed severe penalty for those who commit the deed. Allah (s.w.t.) says:

"The women and the man guilty of illegal sexual intercourse, flog each of them with a hundred stripes, let not pity withhold you in their cases, in a punishment prescribed by Allah, if you believe in Allah and the Last Day"

Surah al-Nur (24):2.

d. Protection of Property (*Mal*).

Islam encourages its followers to accumulate property and wealth for their benefits, but must be done in proper and lawful ways. Islam prohibits anyone to transgress and acquire the property of others in illegitimate and improper ways. Allah (s.w.t.) emphasizes this point in the *al-Qur'an*:

"And eat up not one another's property unjustly nor give bribery to the judges that you may knowingly eat up a part of the property of others sinfully"

Surah al-Baqarah (2):188.

Islam has imposed severe punishment for those who steal the properties of other, practicing usury (*riba*) and taking the property of orphan unlawfully by the following injunctions:

"Cut off the hand of the thief, male or female, as a recompense for that which they committed, a punishment by way of example from Allah"

Surah al-Maidah (5):38.

"Those who take riba will not stand but as stands whom the demon has driven crazy by his touch. That is because they have said that trading is but like riba. And Allah has permitted trading and prohibited riba"

Surah al-Baqarah (2):275.

"Verily, those who unjustly eat up the property of orphans, they eat up only a fire into their bellies, and they will be burnt in the blazing Fire!"

Surah al-Nisa' (4):10.

e. Protection of Reason ('Aql).

Allah (s.w.t.) has ordered that everyone should protect his mind or intellect by using the mind for the benefit of all and not for any kind of evil or anything that might bring to the destruction. Protection of the mind requires safeguarding it from anything that might harm the ability and function of the mind. This includes the consumption of liquor that will disturb the proper function of brain. Allah (s.w.t.) says:

"O you who believe! Intoxicants, gambling, al-Ansab and al-Azlam (arrows for seeking luck) are an abomination of Satan handiwork, so avoid that abomination in order that you may be successful"

Surah al-Maidah (5):90.

In addition, Islam has given freedom for its followers to express their views and has tolerated the differences of views and opinions. However, the expression of views and differences of opinion must conform to the moral and ethical values that are provided by *al-Qur'an* and *al-Sunnah*.

According to al-Shatibi, these five protections are *Daruriyyah* for the establishment of welfare in this world as well as in the world hereafter. The protection of the above mentioned elements can be made possible through two types of essential elements¹³.

- i. Necessities required for bringing into and maintaining the very existence of the above mentioned elements, that is: *din, nafs, nasi, mal* and *'aql*.
- ii. Necessities required for protecting these elements from their destruction. The worships (*'Ibadah*) for example, aim at maintaining the very existence of faith.

Iman (attestations in words and intention), *Salah, Zakah, fasting and hajj* are the elements that are required for the maintenance of the very existence of faith (*din*). All such provisions of *Shariah* are said to have the aims that can be labeled as *Daruriyyah*¹⁴.

¹³ Al-Shatibi (1996), *al-Muwafaqat fi Usul al-Shariah*, Beirut: Dar al-Ma'rifah, Vol., pp.324-325.

¹⁴ Muhammad Tahir Bin Ashur, *op.cit.*, pp.302-305.

Similarly, the permission to benefit from drinkables, clothing and housing is meant to maintain life and hence fulfill the objective of necessities. Such matters and dealings that are required to maintain and protect the existence of property, reason and posterity also promote necessities from the point of view of bringing these into existence. On the other hand, such dealings or legal provisions (*Jinayat*), which are required to stop destruction of the above mentioned elements will also be said to aim at *daruriyyah* from the point of view of the objectives of *Shariah*¹⁵.

2. *Hajiyyah* (Complementary)

Shariah aims at facilitating life or removing hardships. All such provisions of *Shariah* which aim at facilitating life, removing hardship are said to fulfill the *Hajiyyah* (requirements). The complementary interests are referred to those kinds of interests whose neglect leads to hardship of the individual or community although it does not lead to the total disruption of normal life¹⁶.

A great number of the *rukhsah* (concessions) such as the shortening of the *Salah* and the forgoing of the fast by the sick and the traveler, may be classified as *Hajiyyah*. In almost all areas of obligatory worship, the *Shariah* has granted such concessions. These concessions are aimed at preventing hardship, but they are not essential, whereby people could live without them if they were obliged to¹⁷.

For example, a sick person is allowed to pray in sitting position and break his fast in Ramadan and also permission of hunting and validity of some *Muamalah* contracts such as *Ijarah* (leasing), *Musaqat* (profit sharing) and *Bay' al-Salam* (forward buying of a commodity which does not yet exist) are the examples of *Shariah* provisions that aim at facilitating life or removing hardships in the life in this world.

3. *Tahsiniyyah* (Desirable/Beautification)

Shariah beautifies life and puts comforts into it. There are several provisions of *Shariah* which are meant to ensure better utilization, beautification and simplification of *Daruriyyah* and *Hajiyyah*. *Tahsiniyyah* refer to interests whose realization lead to improvement and the attainment of that which is desirable. These interests seek to attain refinement and perfection in the customs and conduct of the people at all levels¹⁸.

¹⁵ *Ibid.*

¹⁶ Mohammad Hashim Kamali (1998), *Principles of Islamic Jurisprudence*, Kuala Lumpur: Ilmiah Publishers Sdn. Bhd., pp.398-399.

¹⁷ *Ibid.*

¹⁸ Dr. Mohamad Akram Laldin, *op.cit.*, p.30.

Thus, the *Shariah* encourages cleanliness of the body and attire for the purpose of *'Ibadah* and recommends the wearing of perfume when attending the Friday congregational prayer. In addition, permission to use beautiful, comfortable things, to eat delicious food, to have cold drinks and juices and to wear fine clothing are examples of *Tahsiniyyah*¹⁹.

The category of *Tahsiniyyah* comprises what leads to the perfection of the community's condition and social order so that it leads a peaceful life and acquires the splendour and beauty of human society in the sight of other nations. In this way, the Muslim community will become an attractive model for others to belong to it or seek friendship with it²⁰.

Education Scheme Provided By Bank Rakyat.

In Malaysia, out of 17 Islamic banks and 9 Islamic banking schemes²¹ offering Islamic banking products and services, only Bank Rakyat that offers financing for education purpose. The scheme is called Education Financing-i Falah and developed for individuals who plan to continue their education locally or abroad. This financing covers tuition fees, cost of living as well as the purchase of text books and other educational aids²².

This financing facility uses the concept of *Bay' al-Innah*, which is widely accepted among the Malaysian. The eligibility for applying this facility is the applicant must be a Malaysia citizens aged 18 and above and must not exceeding 65 years of age at the end of the financing period. The applicant should also be a working student with fixed income or full time students without income, but must apply through parents, spouses, siblings or legal guardians²³.

The maximum amount of financing is up to RM200,000 for applicant with guarantor and unlimited financing amount for applicant with specific collateral (subject to collateral value). For this type of financing, the student is required to be a guarantor and an additional guarantor is required if payment not made through Biro Perkhidmatan

¹⁹ *Ibid.*

²⁰ Muhammad al-Tahir Ibn Ashur, *op.cit.*, p.120.

²¹ Suhaimi Mohd. Yusof (2010), "Isu-isu Perundangan Dalam Kewangan Islam", Convention of Islamic Banking & Finance 2010, Masjid Sultan Salahuddin Abdul Aziz Shah, Shah Alam, 13th March 2010.

²² Bank Rakyat, <http://www.bankrakyat.com.my/pendidikanifalah>, 1st April 2010.

²³ *Ibid.*

Angkasa (BPA). The type of collateral can be either landed property or Bank Rakyat's Investment Certificates. The maximum period of repayment for this scheme is limited to 15 years²⁴.

Table 1.1 below shows the rate of Bank Financing Rate (BFR) per annum based on the period of payment.

Table 1.1 Bank Rakyat's Financing Rate

Period of Payment (year)	Rate (per annum)
1 to 5	6.45%
5 to 10	6.95%
10 to 15	7%

Source: Telephone Inquiry with Bank Rakyat's officer on 1st April 2010 at 2.30 p.m. The telephone number is 03-21179000.

Analysis from the Perspective of *Maqasid al-Shariah*.

As far as the objective of *Shariah* is concerned, the introduction and application of Islamic financing for education by Bank Rakyat is within the purpose of *Shariah*. As been explained in the earlier section, the essential (*Daruriyyah*) in the objective of *Shariah* can be divided into five fundamental values and indeed, the application of financing products for education in Islamic bank is regarded to fulfill these five values altogether.

The intention and attempt to acquire knowledge are considered not only a way to protect mind (*'aql*), but also to preserve those five fundamental values of *Daruriyyah*. Education is a way to protect one's mind and intellect. Person who has proper education and skill is able to use his mind for the benefit of others. Take for instance, a professor in university can use his ability to do research in his field of expertise and produce a new findings for the benefits of all human be it in the field of economics, science, technology, medicine and etc.

²⁴ *Ibid.*

Education is also a step to preserve one's life since with the relevant knowledge and certificates may secure a better job and salary for the person. For this reason, a person who is equipped with knowledge will try to his best to protect his life for example, by participating in activities that are less riskier and taking healthy foods for the benefit of his body. Activities that are riskier and taking harmful products such as smoking and taking drug will be avoided.

In terms of protection of property, education is the best method in guiding a person to be more rational in spending and not wasting his property for unhealthy means. Indeed, there are a lot of differences between person who has knowledge and at the same time has a lot of property with a person who has no knowledge and has a lot of property. Person who has knowledge and property are able to manage his property not only for the benefit of himself, but also for the benefits of his children.

Education is also a proper way to preserve dignity of particular person. Person who has knowledge will not involve in sinful actions such as gambling and adultery intimacy (*Zina*). Adultery is prohibited in Islam and one of the bad impacts of *Zina* is producing illegal child, which usually will bring a lot other bad consequences to the person and society as a whole. Thus, the dignity of the person will be vanished. Person who has knowledge and understand the effects of *Zina* certainly will avoid it, although there are a lot of encouraging factors to do it in current time.

Lastly, education is the best mechanism to protect one's religion (*Din*). If all the above four values able to be protected by acquiring knowledge and education then, the religion of the person is actually will be safeguarded. A person who is equipped with accurate knowledge knows how to be a good Muslim and able to practice all the compulsory and recommended acts in Islam accordingly. Doing all the good deeds in Islam certainly will increase one's religion from the eyes of Allah (s.w.t.).

On the other hand, a person who has no education will commit a lot of sinful activities, which will decreased his religion or in more harmful case will bring a person to deny Islam when the subject of theology (*Aqidah*) is not well understood by him.

Indeed, the introduction of education scheme by Bank Rakyat is regarded an essential approach in order to achieve those five fundamental values of *Daruriyyah* in *Maqasid al-Shariah*.

Nonetheless, through the observation and telephone inquiry with the bank officer of the bank, the student and parents who are interested to apply this type of scheme are encountered with a lot of requirements that can be waived accordingly and in a case to case basis if and only if the introduction of the facility is intended to help those in dire need to finance the applicant's higher education cost and so meeting the *Maqasid al-Shariah*. The rigidity imposed by the bank will burden to those who for instance, unable to find suitable guarantor to guarantee the financing. This actually will hinder the achievement of essential elements in the objective of *Shariah*.

Therefore, for the benefits of all parties, including the Islamic bank, we would like to propose some suggestions for the considerations of all parties. For the Islamic banks, hopefully a lot more Islamic banks will introduce education facility and not only for Bank Rakyat.

Islamic bank such as Bank Islam Malaysia Berhad that previously did offer education facility should reintroduce their products in the market to help those in need for financing their education. Although, the scheme will not give good return to the bank, but the reintroduction of the scheme will give a lot of advantages to the Islamic banking industry as a whole. This is also will ensure students that have minimum requirements to further their study will be able to do so.

All Islamic banks should simplify the requirements for the facility. They should also be flexible in processing the applications and waive certain requirements where appropriate to accommodate the applicants case by case. For example, students who obtain good results, but unable to provide guarantor for their application should be given the opportunity to further their studies. Another way to help the students is through the extension of payment period to 20 years and the first repayment should be given one year after the completion of the study. Such arrangements can be structured not at the expense of banks' interest.

Islamic banks also should introduce other type of contracts in *fiqh muamalah* such as *Ijarah* (leasing) or *Musharakah* (partnership) as a basis principle underlying the education financing facility. The partnership concept seems to be a good idea for financing education and a comprehensive mechanism should be carefully reviewed by the bank for the benefit of all parties.

Conclusion.

This article has touched on the aspect of education and financing opportunity given by Islamic bank for the education purpose from the perspective of *Maqasid al-Shariah*. Islam through the objective of *Shariah* has made a clear understanding that acquiring knowledge is very pivotal for achieving the *Maqasid al-Shariah*. The introduction of Islamic facility for education is within the purpose of *Maqasid al-Shariah*. The finding shows that there are only one Islamic bank in this country provides facility for education financing and a lot more Islamic banks are called to be part of this novel endeavor.

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Pembangunan Usahawan Di Kalangan Asnaf: Satu Kajian Di Lembaga Zakat Selangor (LZS)

Isma Addi Jumbri*

Abstrak

Perniagaan dan bidang keusahawanan sangat digalakkan dalam Islam. Ia bukan sahaja penyumbang kepada peningkatan pendapatan per kapita, malahan bertindak sebagai perubahan struktur sosial dan masyarakat. Berdasarkan prinsip ini, Lembaga Zakat Selangor (LZS) telah memainkan peranan yang proaktif dalam mengubah kehidupan asnaf dengan melahirkan lebih ramai usahawan yang dikenali sebagai "Usahawan Asnaf". Kajian ini bertujuan untuk melihat pembangunan usahawan di kalangan asnaf dan faktor-faktor yang mendorong mereka menceburi bidang keusahawanan serta mengenal pasti pandangan usahawan asnaf terhadap layanan dan perkhidmatan yang telah diberikan oleh pihak LZS terhadap mereka. Soal selidik telah digunakan terhadap 32 orang usahawan asnaf yang terlibat secara aktif. Dapatan kajian menunjukkan faktor utama yang mendorong usahawan asnaf menceburi bidang keusahawanan ialah faktor rangsangan daripada kejayaan orang lain dan hasrat ingin keluar daripada kepompong kemiskinan sebagai seorang usahawan. Keseluruhan usahawan asnaf yang ditemubual memberikan reaksi yang positif terhadap layanan yang telah diberikan oleh LZS.

Kata kunci : Zakat, Asnaf, Keusahawanan, Lembaga Zakat Selangor (LZS) dan Usahawan

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PENGENALAN.

Keusahawanan sangat digalakkan dalam Islam. Ia amat penting sebagai faktor asas kepada perkembangan ekonomi sesebuah negara termasuklah Malaysia. Sebelum Nabi Muhammad SAW diutuskan, masyarakat Arab telah pun menjalankan aktiviti perniagaan dan keusahawanan dengan berdagang. Kedatangan Islam yang dibawa Rasullulah SAW telah membawa sinar baru dalam bidang keusahawanan yang selama ini dicemari dengan masalah penipuan, penindasan, monopoli, kapitalis dan riba. Perkembangan keusahawanan dalam masyarakat Islam telah merencanakan lagi penyebaran dakwah Islamiah di seluruh dunia.

Islam sangat menggalakkan kepada umatnya agar menceburkan diri dalam bidang keusahawanan. Ini ini dijelaskan dengan sabda Rasullulah SAW yang bermaksud:

Daripada Rafi' bin Hadij bahawa Rasullulah ditanya mengenai apakah pekerjaan yang paling baik. Rasullulah menjawab "kerja seseorang dengan tangannya sendiri dan perniagaan yang diberkati."

(Musnad Ahmad: No. 16628)

Maksud Hadis tersebut menjelaskan kepada kita bahawa Islam sangat menggalakkan umatnya bekerja sendiri dan melibatkan diri dalam bidang keusahawanan. Islam juga turut memantapkan diri kepada golongan usahawan malah mereka dijanjikan dengan balasan yang baik di akhirat jika mereka benar-benar jujur dan ikhlas serta memahami dan melaksanakan konsep perniagaan yang telah ditetapkan dalam Islam.

Ini dijelaskan dalam hadis lain yang bermaksud:

Abi Sa'id menceritakan bahawa Rasullulah SAW berkata: "Seseorang peniaga yang jujur dan amanah akan bersama nabi-nabi, para siddiqin dan para syuhada."

(Sunan Tirmizi: No. 1130)

Islam sangat menyokong dan memberikan ruang yang luas dalam urusan perniagaan, jual beli dan aktiviti-aktiviti yang berkaitan dengan keusahawanan. Namun, masih terdapat peraturan yang perlu dipatuhi seperti mana firman Allah dalam surah Al-Baqarah, ayat 275 yang bermaksud:

"Padahal Allah telah menghalalkan berjual-beli (berniaga) dan mengharamkan riba."

Ini telah menjadikan usahawan Muslim dipandang mulia, bertamadun dan berakhlak. Amalan keusahawanan yang bersandarkan Islam menjadikan sistem dan amalan perniagaan lebih bersistematik dan beretika. Misalnya, seseorang Islam yang menjalankan perniagaan dan apabila melibatkan transaksi berhutang ia digalakkan mencatat atau menulis segala transaksi yang berlaku. Ini ditegaskan dalam firman Allah, surah Al-Baqarah ayat 282 yang bermaksud:

"Wahai orang-orang yang beriman! Apabila kamu menjalankan sesuatu urusan dengan hutang-piutang yang diberi tempoh hingga ke suatu masa yang tertentu, maka hendaklah kamu menulis (hutang dan masa bayarannya) itu. Dan hendaklah seorang penulis di antara kamu menuliskannya dengan adil (benar)."

Sejarah telah membuktikan keusahawanan mampu membentuk peribadi mulia terutama dalam menyedari akan tanggungjawab sosial di kalangan usahawan muslim. Abdul Rahman Araf yang terkenal sebagai usahawan masyhur telah sanggup menyumbangkan sebahagian keuntungan hasil perniagaan ke jalan Allah. Begitu juga Saidina Uthman Affan yang telah menyumbang barang dagangan seperti gandum, minyak dan kismis yang dianggarkan sejumlah malar 1,000 ekor unta kepada umat Islam semasa pemerintahan Saidina Abu Bakar semasa menghadapi kemelesetan ekonomi. Firman Allah dalam surah Adz-Dzaariyaat ayat 19 yang bermaksud:

"Dan pada harta-harta mereka, (ada pula bahagian yang mereka tentukan menjadi) hak untuk orang miskin yang meminta dan orang miskin yang menahan diri (daripada meminta)."

Oleh itu, pembangunan usahawan di kalangan asnaf fakir dan miskin dengan menggunakan pendekatan dilihat sangat perlu dalam mendepani arus globalisasi dan seterusnya mengeluarkan golongan asnaf ini daripada kepompong kemiskinan.

DEFINISI ZAKAT.

Zakat atau *al-zakah* dalam bahasa Arab mengandungi pelbagai maksud. Zakat dari segi bahasa bermaksud suci, rahmat, berkembang, subur, pintar, bertambah baik, damai, sedekah dan terpuji. Malah, ia juga boleh diertikan sebagai membersihkan atau menyucikan seperti mana termaktub di dalam Al-Quran. Firman Allah SWT yang bermaksud :

"Kutiplah Zakat daripada sebahagian kekayaan mereka, di mana dengan Zakat itu kamu membersihkan dan menyucikan mereka."

(At-Taubah: 103)

Menurut Yusuf al-Qaradawi (1979), zakat dari segi bahasa adalah bertambah dan tumbuh, sedangkan zakat mengikut istilah fekah adalah "sejumlah harta tertentu yang diwajibkan oleh Allah SWT dan diserahkan kepada orang-orang yang berhak menerimanya". Terdapat juga pandangan yang menyatakan zakat bererti mengeluarkan jumlah tertentu oleh diri sendiri kerana yang dikeluarkan itu akan menjadi bertambah banyak dan lebih bererti. Pandangan Ibn Taimiyyah (2003) bersesuaian dengan kenyataan tersebut di mana beliau pernah menyatakan Zakat dapat mengembangkan harta yang telah dikeluarkan oleh pembayar Zakat dan menjauhkan mereka daripada segala kerosakan, tegas beliau:

"Diri dan harta orang yang mengeluarkan Zakat menjadi suci dan bersih serta hartanya berkembang secara maknawi."

Zakat merupakan rukun Islam yang memberi kesan secara langsung bukan hanya kepada hubungan antara manusia dengan Allah SWT sebagai Pencipta, malah hubungan manusia dengan sesama manusia. Malah, zakat sering dikaitkan dengan sembahyang (Solah) seperti mana firman Allah SWT yang bermaksud:

"Dan dirikanlah oleh kamu akan solah dan tunaikanlah zakat ; dan apa jua yang kamu dahulukan daripada kebaikan untuk diri kamu, tentulah kamu akan mendapat balasan pahala di sisi Allah"

(Al-Baqarah : 110)

Sejarah Islam juga telah membuktikan melalui pelaksanaan institusi dan sistem pengagihan zakat yang sistematik dan efektif mampu untuk membasmi kemiskinan. Semasa pemerintahan khalifah Umar Abdul Aziz situasi pada masa itu boleh dianggap sebagai era yang mampan ekonomi terutama dalam pengurusan zakat apabila tiada fakir miskin yang dilayak menerima agihan zakat. Secara tidak langsung, ia memperlihatkan kepada kita bahawa zakat mampu memainkan peranan dalam menyelesaikan dan membasmi kemiskinan yang melanda. Oleh itu, institusi pengurusan zakat atau Baitulmal yang sedia ada perlu diperkasa mengikut syariat Allah SWT yang sebenarnya.

Kewujudan Baitulmal di zaman Rasullulah SAW dan Khulafa' Al-Rasyhidin bolehlah dianggap sebagai Kementerian Kewangan dan juga pemacu kepada sistem kewangan Islam. Ketika itu, Baitulmal telah menjadi institusi yang berdaya maju dan proaktif bukan hanya meliputi pengurusan dan pengagihan zakat malah Baitulmal juga mentadbirkan sistem wakaf, hibah, wasiat, bantuan dan pembangunan dan aktiviti-aktiviti kebajikan yang lain.

PERANAN ZAKAT TERHADAP INDIVIDU DAN MASYARAKAT.

Hikmah zakat antara lain akan membentuk keprihatinan dan tanggungjawab dalam jiwa pembayar atau pemberi zakat terhadap nasib golongan yang kurang bernasib baik. Ini seterusnya membersihkan diri dan jiwa pembayar zakat daripada sifat tamak dan pentingkan diri sendiri. Konsep zakat ini yang akhirnya akan mendidik pemberi zakat bahawa segala harta miliknya adalah amanah daripada Allah SWT dan mereka hanya sebagai pengurus terhadap harta tersebut dalam menuju Muslim yang sejati.

Secara umum, peranan dan konsep yang dimainkan zakat sememangnya dalam membantu dan mengeluarkan golongan asnaf terutama golongan fakir dan miskin untuk keluar dari kepompong kemiskinan. Namun adakah kita menyedari antara tujuan lain zakat diwajibkan kepada umat Islam adalah bagi memantapkan aqidah, kerohanian dan sosio-ekonomi masyarakat terutama kepada para penerima agihan zakat ini atau lebih dikenali sebagai asnaf. Rasullulah SAW pernah bersabda yang bermaksud:

"Kemiskinan dan kepapaan akan membawa kepada kekufuran dan segala bentuk kemaksiatan"

(al-Bayhaqi, Syu'ab al-Iman, No. Hadis: 6612)

Daripada Hadis tersebut jelaslah peranan zakat juga berupaya dalam membendung perlakuan jenayah seperti merompak, melacur, membunuh dan pelbagai jenayah lain yang berkemungkinan dilakukan oleh golongan miskin ini atas dasar untuk meneruskan kelangsungan hidup mereka. Jelaslah zakat dapat memandu umat Islam ke jalan yang lurus dan pada masa yang sama menunaikan tanggungjawab kepada Allah SWT.

Zakat juga berupaya dalam membantu khususnya golongan asnaf yang mengalami masalah hutang yang kritikal sehingga tidak mampu untuk membayarnya. Keadaan ini boleh berlaku lebih-lebih lagi apabila suasana ekonomi yang merundum dan kadar pengangguran yang semakin meningkat sehingga menambahkan lagi bilangan fakir dan miskin, kemelaratan, berhutang dan terdapat antara juga mereka yang terpaksa menghadapi situasi gulung tikar (*bankrupts*). Oleh demikian, peranan zakat pada masa itu boleh dianggap sebagai penyelamat kepada mereka yang berhutang dan tidak mampu untuk membayarnya mengikut syarat-syarat tertentu.

Selain itu, zakat juga akan dapat merapatkan jurang di antara yang miskin dan golongan kaya. Ini kerana, sebahagian harta milik golongan yang kaya telah diberikan kepada yang berhak menerimanya. Dengan kata lain, dalam sistem zakat lagi bertambah kaya seseorang itu, maka bertambahlah bahagian akan diberikan kepada yang miskin. Ini secara tidak langsung akan dapat mengurangkan perasaan hasad dengki dan iri hati yang mungkin wujud dalam sanubari golongan miskin terhadap golongan kaya ini. Maka, masyarakat yang harmoni dan saling hormat-menghormati serta saling membantu akan wujud dalam masyarakat Islam keseluruhannya.

Menurut Sadeq, AHM (1991), objektif utama bagi zakat ialah membasmi kemiskinan di kalangan masyarakat Islam. Islam menganggap kemiskinan sebagai satu masalah yang serius. Kemiskinan merupakan salah satu punca berlakunya jenayah dalam masyarakat. Kemiskinan juga membawa kepada rasa benci dan permusuhan di antara golongan kaya dan miskin, yang akan membawa kepada konflik sosial dalam masyarakat.

Nabi Muhammad SAW memberi perhatian yang berat terhadap isu kemiskinan. Baginda telah menjelaskan kepada para Sahabat bahawa zakat perlu dibelanjakan untuk membantu golongan miskin. Imam Abu Hanifah telah mengikut langkah ini dan mengisytiharkan bahawa zakat hanya digunakan untuk kebajikan golongan miskin. Sehubungan dengan itu, para ulama Islam telah bersependapat bahawa keutamaan dalam agihan zakat ialah untuk membasmi kemiskinan.

Menurut Imtiaz I.A. *et. al.*(1989) zakat juga telah dikenal pasti sebagai komponen utama dalam sistem keselamatan sosial Islam. Zakat didapati mampu mengurangkan kemiskinan (walaupun tidak membasminya) dan mengurangkan jurang agihan pendapatan (walaupun tidak menghapuskannya), serta mempunyai potensi untuk menggalakkan pertumbuhan ekonomi.

Manakala, menurut Kahf Monzer (1999), dalam mengaplikasikan zakat kontemporari, setiap negara Islam perlu ingat bahawa zakat sahaja tidak mampu mengatasi masalah kemiskinan di kalangan negara-negara Islam. Menurut beliau, zakat adalah merupakan alat agihan semula, sedangkan kemiskinan di kalangan negara-negara Islam berpunca dari produktiviti dan tahap pembangunan ekonomi yang lemah. Beliau mencadangkan supaya asas zakat diperluas dan dengan itu dana zakat akan meningkat.

Menurut Ataul-Haq, Pramanik (1993), zakat boleh berperanan untuk meningkatkan taraf hidup, pendapatan dan seterusnya membasmi kemiskinan dan mengurangkan jurang agihan pendapatan melalui kesan pengganda daripada zakat. Projek-projek yang dibiayai menggunakan dana zakat dalam bidang pendidikan, kesihatan, kebajikan sosial, dan lain-lain akan meningkatkan produktiviti golongan miskin dengan memenuhi keperluan asas mereka. Pendapatan golongan miskin akan meningkat sebagai kesan daripada peningkatan produktiviti.

Anwar Muhammad (1995) pula, melihat pembangunan ekonomi golongan fakir dan miskin ini sebagai satu isu yang serius, dan tidak boleh ditangani secara bermusim. Oleh itu, perlu ada perancangan projek jangka pendek dan jangka panjang dalam program-program pembangunan golongan miskin. Beliau mengkaji tentang potensi sumbangan zakat dalam membiayai projek-projek pembangunan jangka panjang untuk meningkatkan taraf hidup golongan miskin. Menurut beliau, selain daripada digunakan untuk penggunaan jangka pendek dan semasa, dana zakat juga boleh digunakan untuk membiayai projek-projek pembangunan jangka panjang yang akan mendatangkan faedah jangka panjang kepada golongan fakir dan miskin dalam masyarakat. Oleh itu, penggunaan dana zakat dalam membangunkan golongan *asnaf* sebagai usahawan adalah dibenarkan dalam Islam.

ZAKAT DAN EKONOMI.

Institusi zakat yang ditadbir urus dengan berkesan dan memastikan hanya mereka yang benar-benar layak menerima agihan zakat akan dapat menghasilkan impak yang optimum terhadap mikro dan makro-ekonomi. Kesedaran untuk membayar zakat terhadap harta yang wajib dikeluarkan zakat secara langsung memupuk kesedaran menyimpan dan seterusnya

meningkatkan simpanan khususnya simpanan individu. Pendapat ini disokong oleh Choudhury (1983), beliau menyatakan kesedaran terhadap zakat dijangka akan meningkatkan simpanan. Ini kerana, umumnya zakat diambil daripada lebih simpanan terutama simpanan sebagai langkah berjaga-jaga sekiranya berlakunya musibah atau sesuatu yang tidak dijangka.

Sebagai contoh, apabila seseorang itu menjangkakan pendapatan mereka akan berkurangan kesan daripada faktor-faktor tertentu, maka secara tidak langsung akan mendorong individu tersebut untuk menyimpan lebih sebagai tindakan berjaga-jaga. Begitu juga, apabila semakin tinggi jangkaan pulangan terhadap sesuatu pelaburan. Maka, semakin tinggi sesuatu simpanan atau pelaburan akan dibuat dan kesannya juga akan turut meningkatkan dana zakat. Walau bagaimanapun, konsep jangkaan (*uncertainty*) perlu dikenal pasti dan dikaji sama ada ia sesuai dilaksanakan dalam ekonomi Islam atau tidak.

Zakat turut berperanan kepada pertumbuhan ekonomi dan memandu ke arah kitaran kekayaan yang sihat dalam memastikan perkembangan ekonomi Islam dan kekayaan yang berterusan. Pengagihan zakat yang berkesan dengan memastikan hanya mereka yang benar-benar layak menerima agihan zakat akan dapat menghasilkan impak yang besar dan optimum khususnya terhadap kebajikan umat Islam sejagat. Walau bagaimanapun, ini hanya akan dapat dicapai sekiranya sistem ekonomi Islam dilaksanakan secara menyeluruh (Awan, 1980). Misalnya, sekiranya wujud unsur-unsur riba maka akan menyebabkan pelaksanaan ekonomi Islam ini kurang berkesan.

Menurut Mannan, zakat turut menyumbang dan merancakkan lagi perkembangan pengeluaran produk dan perkhidmatan sesebuah negara (Mannan, 1989). Ini kerana, pengagihan zakat kepada golongan asnaf memberi kesan kepada peningkatan permintaan terhadap sesuatu produk khususnya kategori barangan keperluan. Oleh kerana wujudnya permintaan yang tinggi kesan daripada penambahan permintaan golongan fakir dan miskin ini.

Ia secara tidak langsung membuka kepada peluang pekerjaan terutama dalam industri pengeluaran barangan keperluan yang memerlukan tenaga buruh yang intensif. Begitu juga, pengagihan zakat kepada golongan asnaf akan meningkatkan taraf hidup dan seterusnya meningkatkan tahap kesihatan dan kemahiran mereka. Kesannya, sudah pasti akan membantu kepada produktiviti tenaga buruh dan perkembangan positif ini turut menyumbang kepada pertumbuhan ekonomi sesebuah negara.

Namun hakikatnya, kesemua ini hanya dapat dicapai sekiranya institusi pengurusan ditadbir urus dengan sistematik, amanah, jujur, telus dan tiadanya sedikit pun ketilisan dalam pengagihan zakat. Selain itu, sistem agihan zakat kontemporari dan lebih dinamik perlu dikaji.

dibentuk, disesuaikan dan dilaksanakan dari semasa ke semasa agar dapat memacu ke arah pembangunan zakat yang lebih baik dan berkesan. Pengagihan zakat bukan hanya meliputi pemberian bantuan bersifat material semata-mata. Sebaliknya turut meliputi aspek pembangunan modal insan, pembangunan pendidikan, pembangunan ekonomi asnaf dan juga membangunkan usahawan di kalangan asnaf yang dikenali sebagai usahawan asnaf.

USAHAWAN.

Penggunaan istilah usahawan asnaf masih kurang meluas kerana ia merupakan satu bidang kajian yang baru. Secara umumnya, istilah ini terhasil daripada dua perkataan yang utama iaitu usahawan dan juga asnaf. Menurut Kamus Dewan (2007), usahawan ialah orang yang mengusahakan sesuatu perusahaan atau pengusaha. Ia lahir daripada perkataan usaha yang membawa maksud daya upaya termasuk ikhtiar, kegiatan dan lain-lain perkara untuk melaksanakan sesuatu pekerjaan.

Terdapat juga pandangan yang mendefinisikan usahawan mengikut peranan yang dimainkan oleh mereka dalam aktiviti ekonomi. Misalnya Baretto (1989) mendefinisikan usahawan sebagai penanggung risiko, spekulator, pemilik, pembuat keputusan, koordinator, inovator dan penimbangtara (*arbitrageur*). Kuratko dan Hodgett (1996) pula, menghuraikan definisi usahawan sebagai penciptaan usaha niaga baru melalui empat dimensi utama iaitu individu, organisasi, persekitaran dan proses yang dibantu oleh rangkaian kerjasama dalam kerajaan, pendidikan dan institusi.

Usahawan merupakan satu kumpulan individu yang mampu mempamerkan tahap keyakinan yang tinggi dalam membuat keputusan (Teal dan Carrol, 1999). Menurut Kuehl dan Lambing (2000), perkataan *entrepreneur* berasal daripada bahasa Perancis iaitu *entreprende* yang bermaksud 'perantara' atau 'pengambil'. Usahawan dilihat sebagai perantara bagi pembekal dan pelanggan di samping menjadi pengambil risiko untuk berjaya dalam perniagaannya.

Menurut Zimmerer dan Sacrborough (1998), usahawan merupakan individu yang mewujudkan perniagaan baru, berhadapan dengan risiko dan ketidakpastian untuk mendapat keuntungan dan pertumbuhan melalui peluang dan sumber-sumber di sekelilingnya. Usahawan sering dikaitkan sebagai pengasas. Perkara ini menurut Manimala (1999), usahawan merujuk kepada satu proses apabila manusia, wang, pasaran, kelengkapan pengeluaran dan pengetahuan digabungkan bersama untuk mencipta perusahaan yang tidak pernah wujud sebelum ini. Selain itu, usahawan juga didefinisikan sebagai seorang individu yang mempunyai satu keperluan atau keupayaan untuk membina dan mencipta sesuatu yang baru (Corman dan Lussier, 2001).

Moha Asri (1999) mendefinisikan usahawan sebagai golongan yang bekerja kuat, mempunyai idea-idea baru, mempunyai daya cipta dan kreativiti yang tinggi, sanggup menghadapi risiko kehilangan harta benda dan berusaha meningkatkan operasi perniagaan mereka. Definisi di atas adalah hampir sama dengan kenyataan oleh Zaidatol dan Habibah (1997). Menurut mereka, usahawan merupakan seorang yang memulakan, memiliki dan mengurus perniagaannya sendiri serta sanggup menanggung risiko perniagaan. Selain itu, usahawan juga dikenali sebagai seorang yang inginkan kebebasan dalam perniagaan, membuat keputusan sendiri dan seterusnya ingin berjaya atas usaha sendiri.

Khairuddin (1996) mendefinisikan usahawan sebagai seorang individu yang merancang, menerajui dan mengurus sebuah perniagaan atau perusahaan. Beliau juga menyatakan usahawan merupakan seorang individu yang berorientasikan tindakan, bersifat kreatif, inovatif, bercita-cita tinggi dan mempunyai wawasan.

Mengikut Corman dan Lussier (2001), usahawan berbeza daripada individu lain. Perbezaan yang menjelaskan seorang usahawan ialah mereka merupakan seseorang yang sukakan kebebasan dan mempunyai keupayaan untuk mengawal, suka mencipta dan membina sesuatu yang baru dan mereka juga berkebolehan untuk menyelesaikan masalah yang kompleks. Mereka juga kuat bekerja dan bersedia untuk memikul tanggungjawab yang berat. Malahan, mereka turut optimistik dan mempunyai keinginan yang kuat untuk mencapai apa-apa yang diinginiya sehingga berjaya.

Untuk berjaya, ia perlukan kebolehan, mempunyai perasaan yakin diri dan percaya kepada kebolehan diri sendiri. Juhary dan Ishak (2001) mengatakan usahawan ialah seseorang yang membentuk dan menghasilkan sesuatu daripada keadaan yang tidak wujud. Dengan kata lain, usahawan merupakan seorang individu yang kreatif.

Menurut Zaidatol dan Habibah (1997) usahawan adalah individu yang menubuhkan perniagaan baru. Usahawan perlu mengambil risiko, melaburkan sejumlah wang, usaha dan masa serta menggunakan kreativiti untuk menguruskan perniagaannya. Biasanya, usahawan dikatakan sebagai pengurus yang mempunyai tingkah laku yang positif dan dapat merancang serta mempraktikkan pengurusan yang strategik dalam perniagaan.

Usahawan adalah seorang yang mengamalkan sikap ketekunan didalam melaksanakan kerja. Mereka mempunyai keyakinan diri terhadap apa yang dihayati serta keupayaan meletakkan arah kepada destinasi yang dituju (Sabri, 2002). Dalam konteks kajian ini, usahawan adalah merujuk kepada sesiapa yang melibatkan diri dalam apa-apa jua bidang perniagaan dan menggunakan kreativiti mereka dalam mengurus serta menjayakan perniagaan tersebut. Untuk

menjadi usahawan, seseorang itu haruslah memiliki beberapa ciri-ciri tertentu yang dapat mendorong mereka untuk menerokai bidang keusahawanan seperti mempunyai daya usaha untuk menceburi dunia perniagaan dan sanggup mengambil risiko.

KEUSAHAWANAN.

Perkataan keusahawanan muncul daripada perkataan usahawan yang bermaksud pengusaha. Usahawan ini juga boleh didefinisikan sebagai mereka yang bekerja sendiri. Mereka mempunyai perniagaan sendiri sama ada secara kecil-kecilan atau sederhana atau perniagaan berskala besar. Secara umumnya, keusahawanan yang didirikan secara kecil-kecilan kerana pemilik juga merupakan pengurus perniagaan, pemilik yang menggunakan wang sendiri untuk pembentukan perniagaan dan pasaran dihadkan kepada tempatan sahaja (Hutt, 1994).

Keusahawanan merupakan satu seni atau proses memasuki, mengurus perniagaan sendiri (Hutt, 1994). Mereka muncul sebagai peniaga atas usaha sendiri dengan mempunyai sifat, sikap dan minat untuk bekerja sendiri, maka mereka di katakan mempunyai semangat keusahawanan iaitu mahu meneruskan kerjaya sebagai seorang usahawan. Terdapat juga pandangan yang menyatakan bahawa keusahawanan juga merupakan proses mencipta sesuatu yang baru (kreatif) atau sesuatu yang berbeza (inovatif) yang memberi kebaikan dan menambah nilai kepada individu dan masyarakat (Low & Tan, 1996). Ini melibatkan ciptaan nilai melalui pembentukan sesebuah organisasi (Bird, 1989).

Yep Putih (1985), keusahawanan adalah tenaga atau kualiti manusia yang bertanggungjawab membentuk dan mewujudkan usaha atau kerja dengan menggunakan faktor-faktor pengeluaran. Keusahawanan dapat ditafsirkan sebagai kualiti manusia bukan sahaja mendatangkan faedah kepada dirinya sendiri, tetapi juga dapat membangunkan ekonomi dengan pesat serta memberikan sumbangan kepada orang lain. Beliau mengaitkan keusahawanan sebagai satu bidang kegiatan ekonomi yang mempunyai keindahan, kemegahan, kemuliaan dan keunikan yang tersendiri. Keusahawanan seharusnya dianggap sebagai satu bidang yang mempunyai nilai estetik yang tersendiri. Nilai-nilai inilah yang disedari dan dihargai oleh insan yang bergelar usahawan. Nilai tersebut telah membawa kepada kemakmuran masyarakat dan negara bukan sahaja dari segi ekonomi bahkan juga kemajuan negara.

Kao dan Stevenson (1984) pula mendefinisikan keusahawanan sebagai usaha untuk mencipta nilai melalui pengiktirafan dalam bidang perniagaan, pengurusan dalam pengambilan risiko yang sesuai terhadap peluang dan melalui kemahiran komunikasi dan pengurusan untuk menggerakkan individu, kewangan dan keperluan sumber bahan untuk menghasilkan projek. Menurut Ronstadt (1984), keusahawanan adalah sebagai satu proses yang dinamik dalam

mengumpul harta kekayaan dan harta kekayaan tersebut dikumpul oleh seseorang yang berisiko besar dalam terma seperti ekuiti, masa, kerjasama dalam kerjaya ataupun memenuhi nilai sesetengah produk atau perkhidmatan.

Morrison (2000), menyatakan bahawa keusahawanan berpunca daripada gerak hati dan dalam diri seseorang itu sendiri, masyarakat serta budaya. Ia merupakan sesuatu yang lebih penting berbanding fungsi mudah ekonomi serta mewakili satu gabungan material dan bukan material, pragmatisme dan idealisme. Asas keusahawanan merujuk kepada pengaplikasian proses inovasi serta penerimaan terhadap suatu fungsi menanggung risiko, berorientasikan perubahan terhadap kedua-dua aspek sosial dan ekonomi. Ringkasnya, hasil daripada inovasi tersebut akan memberikan kesan yang positif. Barjoyai Bardai (2000) pula menyatakan bahawa keusahawanan merujuk kepada sikap, nilai, pengetahuan dan kemahiran yang membolehkan seseorang itu mampu dan cekap untuk mencari, mengenal, merebut peluang dan menterjemahkannya kepada strategi dan usaha perniagaan bagi mendapatkan keuntungan.

Menurut Ab. Aziz (2000) pula, keusahawanan merupakan aktiviti yang unik yang dijalankan secara bersendirian atau berkumpulan sebagai satu kerjaya atau mempunyai matlamat lain yang tersendiri. Bagi menjayakan matlamat ini, usahawan perlu menggabungkan aset ketara (*tangible*) seperti modal, kemudahan fizikal, teknologi maklumat dengan aset tidak ketara (*intangible*) iaitu jaringan dengan pelanggan, pembekal, peminjam, pengedar, pekerja, pemasar, pesaing dan pihak-pihak lain yang ada kaitan dengan perniagaan yang dijalankan.

Left (1982) mendefinisikan keusahawanan sebagai ruang untuk inovasi, pelaburan dan pengembangan pasaran, pengeluaran produk dan teknik baru. Aspek keusahawanan melibatkan tugas-tugas seorang usahawan iaitu menanggung risiko dan membuat pelaburan terhadap sumber-sumber untuk mengeluarkan sesuatu yang baru atau pun membentuk pasaran dan cara baru terhadap sesuatu yang telah ada.

Manakala Gallaway dan Brown (2000) menjalankan kajian tentang potensi perkembangan perniagaan kecil dan sederhana. Mereka mengkaji individu yang turut serta melibatkan diri dalam keusahawanan, kesannya terhadap motivasi dan cita-cita untuk membuka perniagaan dan berjaya dalam perniagaan adalah tinggi. Hasil kajian menunjukkan bahawa keinginan individu boleh berubah mengikut peredaran masa, tetapi sebahagian individu menunjukkan keinginan untuk membuka perniagaan sebaik sahaja mendapat pendedahan tentang keusahawanan. Walau bagaimanapun kebanyakan mereka ingin bekerja dan mencari modal dahulu sebelum menimbangkan untuk menjadi usahawan (Gallaway & Brown 2000; Matlay 2002). Kajian oleh

Moore (2004) juga mendapati bahawa pendidikan mempengaruhi keputusan untuk menjadi usahawan. Faktor penting yang lain ialah keadaan industri yang diceburi, kekayaan dan sikap terhadap risiko (Moore 2004).

Satu lagi kajian terhadap literatur pendidikan keusahawanan, pendidikan syarikat dan pendidikan bagi pengurusan perniagaan kecil dijalankan oleh Gorman et al. (1996) ke atas literatur yang diterbitkan sepanjang 10 tahun dari tahun 1985 hingga tahun 1994. Hasil kajian terhadap literatur ini menunjukkan persetujuan ramai bahawa keusahawanan boleh diajar dan kaedah pengajaran adalah secara penglibatan bersama dan ciri keusahawanan dapat dipengaruhi secara positif melalui program-program terutama dalam menimbulkan kesedaran terhadap kerjaya keusahawanan. Pendidikan keusahawanan dapat membentuk sikap, memberikan pengetahuan, kemahiran dan kompetensi keusahawanan (Dana 2001; Henry et al. 2003).

Conduras et al. (2008) mengenal pasti hubungan signifikan antara sokongan badan-badan tertentu dan tahap aktiviti keusahawanan di Sepanyol dengan penumpuan untuk mengetahui sejauh mana sokongan pihak bertanggungjawab mempengaruhi kecenderungan keusahawanan dalam kalangan penduduk dan pelajar di universiti. Hasil kajian menunjukkan bahawa kecenderungan keusahawanan dalam kalangan penduduk dan pelajar universiti mempunyai hubungan secara signifikan dengan sokongan pihak yang bertanggungjawab dan universiti. Hal ini membuktikan bahawa pendidikan dan latihan menjadi antara faktor penting menggalakkan keusahawanan dalam kalangan masyarakat, pelajar dan graduan universiti termasuklah golongan asnaf ini terutama golongan fakir, miskin dan muallaf yang miskin.

ASNAF DAN USAHAWAN ASNAF.

Manakala Asnaf pula merujuk kepada lapan golongan yang berhak menerima agihan dana zakat. Ini secara jelas diterangkan dalam firman Allah SWT yang bermaksud:

“Sesungguhnya sedekah (zakat) itu hanyalah untuk orang fakir, orang miskin, amil-amil yang menguruskannya, orang muallaf yang dijinakkan hatinya, hamba-hamba yang hendak memerdekakan dirinya, orang yang berhutang untuk jalan Allah SWT, orang musafir (yang keputusan) dalam perjalanan. (Ketetapan hukum yang demikian itu) sebagai satu ketetapan (yang datangnya) daripada Allah SWT dan (ingatlah) Allah SWT Amat Mengetahui Lagi Amat Bijaksana”

(At-Taubah: 60)

Berdasarkan huraian tersebut, *usahawan asnaf* boleh didefinisikan sebagai:

“Individu yang melalui proses penciptaan usaha niaga, mampu memikul tugas, tanggungjawab dan mencuba sebagai peniaga yang dirangsang dengan dorongan dan bantuan daripada institusi zakat”

Definisi ini merujuk individu kepada golongan asnaf zakat terutama mereka dalam kategori asnaf fakir, miskin dan muafak yang miskin. Manakala, proses penciptaan usaha niaga yang dimaksudkan dalam definisi tersebut merujuk kepada fasa atau peringkat tertentu yang perlu dilalui sebelum golongan ini menjadi usahawan dengan bantuan, dorongan dan bimbingan daripada institusi zakat.

MODEL PEMBANGUNAN USAHAWAN ASNAF (MPUA).

Di Malaysia, terdapat pelbagai pendekatan dan model yang dilaksanakan oleh pelbagai pihak dalam membangunkan usahawan. Ini termasuklah Kementerian Pembangunan Usahawan dan Koperasi dan agensi-agensi dibawahnya seperti Perbadanan Nasional Berhad (PNS), Perbadanan Usahawan Nasional Berhad (PUNB), Perbadanan Industri Kecil dan Sederhana (SMIDEC), Institut Pengajian Tinggi Awam dan Swasta (IPTA/S) serta lain-lain lagi. Ini termasuklah peningkatan bilangan dan jenis program keusahawanan yang ditawarkan terutama di universiti, agensi kerajaan mahu pun swasta di Malaysia.

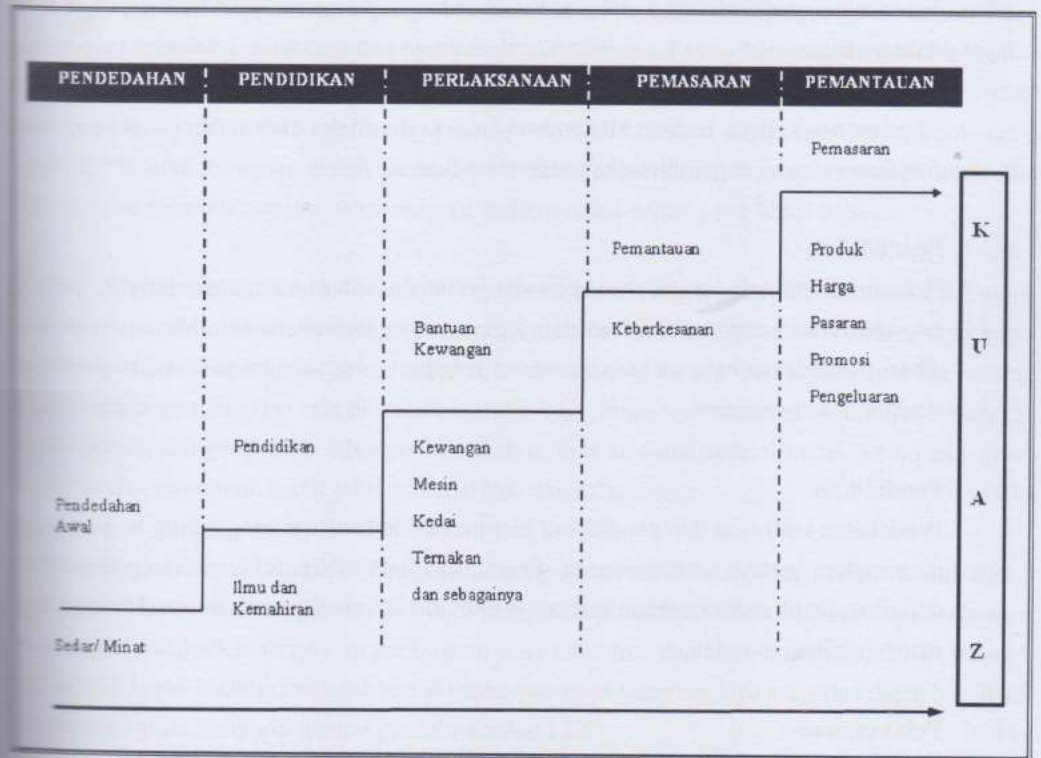
Namun, masih belum terdapat kajian dan model pembangunan usahawan yang dirangka khusus kepada golongan asnaf terutama asnaf fakir, miskin dan muafak miskin yang produktif serta berpotensi untuk dijanakan menjadi usahawan.

Pembangunan usahawan di kalangan asnaf juga dianggap sebagai satu proses latihan dan pendidikan. Ini kerana, kepentingan pendidikan keusahawanan adalah ketara dalam meningkatkan kualiti dan kuantiti bakal usahawan (Hynes, 1996; Caravan dan O’Cinneide, 1994). Ia juga dapat membantu usahawan memenangi kelebihan bersaing (*competitive advantages*) dalam ekonomi global (Huang, 2001).

Oleh itu, Model Pembangunan Usahawan Asnaf (MPUA) yang menekankan prinsip 5P dirangka sebagai asas dan panduan dalam membangunkan usahawan di kalangan asnaf. Prinsip 5P dan fasa yang terlibat adalah seperti berikut:

PRINSIP	FASA	PROSES
1	I	Pendedahan
2	II	Pendidikan
3	III	Perlaksanaan
4	IV	Pemasaran
5	V	Pemantauan

Jadual 2: Prinsip 5P dalam Model Pembangunan Usahawan Asnaf (MPUA).



Rajah 1: Model Pembangunan Usahawan Asnaf (MPUA)

Rajah 1 merupakan Model Pembangunan Usahawan Asnaf (MPUA) yang diperkenalkan dan menekankan pendekatan pembangunan usahawan asnaf mengikut konsep latihan dan pendidikan keusahawanan. Melalui latihan dan pendidikan keusahawanan ini akan dapat memastikan usahawan yang dilahir akan terus bertahan, mempunyai daya saing, menjangka

risiko dan seterusnya mengurangkan kegagalan atau kecundangan dalam perniagaan. Misalnya Ibrahim dan Saufani (2002), menyatakan bahawa latihan dan pendidikan yang berkesan mampu mengurangkan kegagalan perniagaan. Bukan itu sahaja, latihan juga sangat penting bagi seseorang usahawan untuk berjaya dalam persaingan dan membangunkan strategi perniagaan (Webster, B., Walker, E., dan Brown, A., 2005).

Kelima-lima fasa yang menekankan konsep 5P ini saling berkaitan dan memerlukan komitmen yang tinggi terutama pegawai-pegawai zakat LZS di berada di Jabatan Pembangunan Asnaf dan juga Jabatan Agihan dan Pembangunan Ummah, LZS yang dipertanggungjawabkan dalam memastikan pelaksanaan agihan zakat khususnya dalam melahirkan usahawan asnaf dapat dilaksanakan.

Secara ringkasnya, konsep 5P dan fasa yang perlu dilalui oleh setiap asnaf yang bakal bergelar usahawan asnaf dapat dijelaskan seperti berikut:

a) Pendedahan

Fasa ini memberi pendedahan kepada golongan asnaf mengenai aktiviti, peluang keusahawanan yang terbuka luas dan juga motivasi keusahawanan. Mereka juga perlu diberi pendedahan bahawa keusahawanan juga bertindak sebagai pemangkin perubahan struktur sosial-ekonomi.

b) Pendidikan

Pendekatan keilmuan dan pendidikan merupakan mekanisme yang paling berkesan bagi menerapkan budaya keusahawanan. Pendidikan juga meliputi kemahiran, pengetahuan dan sikap untuk membolehkan seseorang individu merancang masa depan dan kemahiran menyelesaikan masalah.

c) Pelaksanaan

Golongan yang mampu menjadi usahawan akan diberikan bantuan modal yang merupakan mekanisme penting dalam merancang dan menjana ekonomi asnaf ke arah menjadi usahawan dan seterusnya keluar dari kepompong kemiskinan.

d) Pemantauan

Fasa ini sangat ditekankan bagi memastikan usaha melahirkan lebih ramai usahawan serta mengeluarkan golongan asnaf daripada kepompong kemiskinan menjadi kenyataan.

e) **Pemasaran**

Ia merupakan fasa yang penting bagi memastikan usaha usahawan asnaf tidak terhenti di pertengahan. Kebanyakan golongan ini mampu menghasilkan produk dan perkhidmatan yang berkualiti tinggi setanding dengan produk lain. Namun pendekatan pemasaran perlu ditingkatkan agar produk mereka setanding dengan produk pesaing lain.

PEMBANGUNAN USAHAWAN ASNAF DI LZS.

Program keusahawanan yang dilaksanakan oleh LZS merupakan jalan keluar bagi menangani masalah kemiskinan dan mengubah mentaliti asnaf yang berterusan mahu menerima bantuan agar mereka dapat terus maju mengembangkan perniagaan mereka dan mampu “duduk sama rendah, berdiri sama tinggi” dengan usahawan lain. Ia bukan sahaja memberikan golongan asnaf pendapatan lumayan, malah mendidik mereka menjadi Muslim yang berjaya di dunia dan akhirat serta membuka ruang untuk mereka melihat masa depan yang lebih cerah.

Sepanjang tahun lalu, hampir 70 usahawan asnaf yang telah dilahirkan oleh LZS yang berpotensi untuk lebih maju dalam perniagaan mereka. Usaha LZS telah membuahkan hasil apabila usahawan asnaf kini telah mampu berdaya saing dalam perniagaan mereka setaraf dengan usahawan lain dan ada di antara mereka lebih maju serta mampu membayar zakat. Di antara perniagaan yang telah dibangunkan oleh usahawan asnaf seperti kedai dobi, gerai-gerai makanan dan minuman, kedai jahitan, kedai kek dan sebagainya.

Bagi memastikan perkembangan perniagaan asnaf ini, LZS juga telah menubuhkan Kumpulan Usahawan Asnaf Zakat (KUAZ) yang bersifat sebagai sebuah konsortium usahawan asnaf bagi mewujudkan rangkaian perniagaan yang lebih luas dan kuat. Pada tahun 2009, sasaran LZS adalah untuk melahirkan lebih ramai usahawan asnaf yang berdaya maju dan dapat berdikari seterusnya keluar daripada senarai penerima zakat LZS.

OBJEKTIF KAJIAN.

Kajian ini bertujuan untuk melihat pembangunan usahawan di kalangan asnaf dan faktor-faktor yang mendorong mereka menceburi bidang keusahawanan serta mengenal pasti pandangan usahawan asnaf terhadap layanan dan perkhidmatan yang telah diberikan oleh pihak LZS terhadap mereka.

METHODOLOGI.

Kajian ini dibuat terhadap 70 orang usahawan di kalangan asnaf yang aktif dalam senarai penerima bantuan perniagaan dana zakat LZS. Daripada populasi tersebut, 32 orang usahawan asnaf telah dipilih secara rawak sebagai sampel kajian melalui persampelan secara rawak. Kuota sampel telah ditetapkan mengikut 9 daerah utama di negeri Selangor iaitu Petaling, Klang, Gombak, Hulu Langat, Sepang, Kuala Langat, Kuala Selangor, Hulu Selangor dan Sabak Bernam.

DAPATAN KAJIAN.

Keberkesanan Pembangunan Usahawan di Kalangan Asnaf.

Berdasarkan maklum balas yang diterima daripada responden, data tersebut telah dianalisis dan dikategorikan. Secara umum dapatan kajian menunjukkan bahawa program pembangunan usahawan di kalangan asnaf boleh dikatakan agak berkesan. Melalui Jadual 3, dapat dilihat bahawa kebanyakan daripada responden menjalankan perniagaan/perusahaan lain-lain seperti membawa teks sendiri, kedai bakeri, penternakan, pertanian, lori bergerak, membuka bengkel kereta dan membuka taska/nurseri iaitu seramai 11 orang.

Kemudian diikuti oleh perusahaan kecil seperti mengusahakan kedai dengan makanan dan minuman (7 orang), jahitan (5 orang). Hanya sebilangan kecil sahaja daripada usahawan asnaf yang terlibat dalam mengusahakan kedai dan pakaian, ubat tradisional dan kosmetik (2 orang) serta kedai dobi (1 orang). Ini memperlihatkan kepada kita bahawa LZS berjaya membangunkan usahawan di kalangan asnaf (Jadual 3).

Manakala jika dilihat daripada aspek prestasi perniagaan mereka berbanding tahun lepas (2009) selepas menerima bantuan zakat menunjukkan peningkatan yang positif. Hasil kajian menunjukkan majoriti perniagaan yang dijalankan oleh golongan asnaf ini mengalami peningkatan dan hanya 9 orang (28.12%) daripada keseluruhan responden tidak mengalami perubahan dalam prestasi perniagaan mereka. Berdasarkan analisis, didapati sebahagian besar daripada responden mendapat untung bersih bulanan sebanyak RM1000 – RM2000 iaitu seramai 18 orang (56.25%) dan hanya seramai 14 orang (43.75%) yang mendapat pendapatan bulanan RM1000 ke bawah.

Menurut responden, mereka tidak dapat menjana pendapatan yang lumayan kerana mereka masih baru dalam bidang keusahawanan ini. Mereka juga menyatakan bahawa mereka masih dalam tempoh mempelajari bidang perniagaan dan faktor pesaing dalam perniagaan yang mereka ceburi juga menjadi faktor penyumbang terhadap perkara tersebut. Kebanyakan respon yang berupaya dan mampu menjana pendapatan bulanan bersih RM1000 – RM2000 dan ke atas adalah mereka yang telah berkecimpung dalam bidang perniagaan melebihi 3 tahun. Ini memperjelaskan kepada kita bahawa usaha yang berterusan daripada pihak LZS adalah sangat penting dalam merangsang usahawan asnaf agar terus maju dalam perniagaan.

Jadual 3: Jenis perniagaan/perusahaan

	Kekerapan	Peratus	Peratus Sebenar	Jumlah Peratus
Makanan dan Minuman	7	21.9	21.9	21.9
Kain dan Pakaian	2	6.2	6.2	28.1
Ubat tradisional dan kosmetik	2	6.2	6.2	34.4
Kedai dobi	1	3.1	3.1	37.5
Kedai runcit	4	12.5	12.5	50.0
Jahitan	5	15.6	15.6	65.6
Lain-lain (nyatakan)	11	34.4	34.4	100.0
Jumlah	32	100.0	100.0	

Hasil kajian Jadual 4, juga menunjukkan majoriti responden mengatakan modal yang diberikan oleh pihak LZS mencukupi dengan kekerapan seramai 30 orang (93.75%) dan selebihnya seramai 2 orang (6.25%) mengatakan modal yang diberikan oleh pihak LZS tidak mencukupi selepas menjalankan perniagaan. Responden mengatakan modal yang diberikan oleh pihak LZS mencukupi jika mereka membuat perancangan yang terbaik sebelum memulakan perniagaan dan tidak menggunakan modal yang diberikan untuk perbelanjaan yang tidak sepatutnya. Adalah dimaklumkan, modal yang diberikan kepada usahawan asnaf ini adalah berbeza mengikut keperluan dan jenis perniagaan yang bakal atau sedang dijalankan.

Oleh itu, jelaslah bahawa usaha LZS dalam melahirkan golongan usahawan asnaf ini boleh dikatakan berkesan dan pendekatan yang digunakan oleh LZS bukan sia-sia bahkan jika ditadbir urus dengan cekap tanpa ketilisan pastinya usaha ke arah pembasmian kemiskinan di negeri Selangor akan dapat direalisasikan.

Jadual 4: Adakah modal yang diberikan oleh LZS mencukupi sebagai permulaan perniagaan?

	Kekerapan	Peratus	Peratus Sebenar	Jumlah Peratus
Ya	30	93.8	93.8	93.8
Tidak	2	6.2	6.2	100.0
Jumlah	32	100.0	100.0	

Faktor-Faktor Pendorong Menceburi Bidang Keusahawanan.

Dapatan kajian menunjukkan elemen yang paling mempengaruhi kejayaan usahawan asnaf berdasarkan persepsi responden ialah elemen rangsangan daripada kejayaan orang lain yang mencatatkan nilai min tertinggi iaitu 3.72. Ia diikuti dengan kehidupan yang sederhana (3.53), galakan yang diberikan oleh pihak LZS untuk menjadi usahawan sebagai sumber pendapatan (3.50), ingin keluar daripada belenggu kemiskinan dan (3.47) dan ingin mencapai cita-cita sebagai seorang usahawan dan tidak layak bekerja makan gaji (3.41).

Hasil kajian yang telah dijalankan terhadap 32 orang usahawan asnaf dan dapatan yang diperolehi adalah seperti yang terdapat dalam Jadual 4. Nilai min untuk semua soalan berkaitan faktor-faktor penglibatan usahawan asnaf dalam bidang perniagaan ialah 3.50. Hampir keseluruhan responden melibatkan diri dalam bidang perniagaan kerana melihat kejayaan orang lain dan menginginkan kejayaan tersebut juga menjadi milik mereka.

Jadual 4: Faktor-Faktor Pendorong Menceburi Bidang Keusahawanan

Bil.	Faktor-faktor penglibatan	Nilai min
1	Ingin mencapai cita-cita sebagai seorang usahawan.	3.41
2	Ingin keluar daripada belenggu kemiskinan.	3.47
3	Saya diberi galakan oleh pihak LZS, untuk menjadi usahawan.	3.50
4	Saya tidak layak bekerja makan gaji.	3.41
5	Membantu menyara keluarga.	3.47
6	Kehidupan yang sederhana.	3.53
7	Rangsangan daripada kejayaan orang lain.	3.72
Jumlah Keseluruhan Min		3.50

Layanan dan Perkhidmatan LZS Terhadap Usahawan Asnaf.

Jadual 5: Penilaian Terhadap bantuan daripada pihak LZS

Bil.	Penilaian terhadap bantuan daripada pihak LZS	Nilai Min
1	LZS memberi dana yang cukup sebagai modal.	3.62
2	LZS turut memberikan bantuan berbentuk kemahiran yang diperlukan oleh bakal usahawan di kalangan asnaf.	3.59
3	LZS turut melaksanakan program keusahawanan sebagai aktiviti tambahan untuk usahawan asnaf.	3.53
4	LZS turut memberikan pendidikan awal sebagai pendedahan tentang keusahawanan kepada golongan asnaf.	3.44
5	LZS menjalankan pemantauan terhadap usahawan asnaf sepanjang masa untuk melihat perkembangan mereka.	3.44
6	LZS turut meningkatkan karnival dan ekspo bagi memudahkan asnaf memasarkan produk mereka.	3.28
7	LZS memberikan layanan dan perkhidmatan yang terbaik kepada usahawan asnaf yang memerlukan khidmat mereka.	3.56
8	LZS turut memberi pendedahan terhadap '4P' (Produk (<i>Product</i>), Harga (<i>Price</i>), Tempat (<i>Place</i>) dan Promosi (<i>Promotion</i>)) kepada usahawan asnaf sebagai langkah awal bergelar usahawan.	3.44
Jumlah Keseluruhan Min		3.49

Hasil dapatan berkaitan dengan penilaian terhadap bantuan daripada pihak LZS meliputi persepsi responden terhadap tahap lapan soalan yang dikaji iaitu LZS memberi dana yang cukup sebagai modal, LZS memberikan bantuan berbentuk kemahiran yang diperlukan oleh bakal usahawan di kalangan asnaf, LZS melaksanakan program keusahawanan sebagai aktiviti tambahan untuk usahawan asnaf, LZS memberikan pendidikan awal sebagai pendedahan tentang keusahawanan kepada golongan asnaf, LZS menjalankan pemantauan terhadap usahawan asnaf sepanjang masa untuk melihat perkembangan mereka, LZS meningkatkan karnival dan ekspo bagi memudahkan asnaf memasarkan produk mereka, LZS memberikan layanan dan perkhidmatan yang terbaik kepada usahawan asnaf yang memerlukan khidmat mereka dan LZS memberi pendedahan terhadap '4P' (Produk (*Product*), Harga (*Price*), Tempat (*Place*) dan Promosi (*Promotion*)) kepada usahawan asnaf sebagai langkah awal bergelar usahawan.

Berdasarkan Jadual 5, kebanyakan responden menyatakan bahawa pihak LZS memberikan dana yang secukupnya sebagai modal dengan nilai min sebanyak 3.62 dan kekerapan yang mempunyai nilai min terendah 3.28. Majoriti responden bersependapat bahawa ialah LZS turut meningkatkan karnival dan ekspo bagi memudahkan asnaf memasarkan produk mereka. Oleh itu, pihak LZS perlu meningkatkan lagi ekspo dan karnival agar usahawan asnaf mudah memperkenalkan dan memasarkan produk mereka.

Dapatlah dirumuskan bahawa daripada penilaian responden terhadap layanan dan perkhidmatan pihak LZS keseluruhannya adalah terbaik dan responden memberikan pandangan yang positif. Hasil mendapati nilai keseluruhan min untuk penilaian terhadap bantuan yang diterima daripada pihak LZS ialah sebanyak 3.49. Dengan nilai min yang diperolehi, hampir keseluruhan responden berpuas hati dengan layanan dan perkhidmatan yang telah diberikan oleh pihak LZS kepada mereka.

KESIMPULAN.

Sebagai rumusannya, satu pendekatan yang lebih komprehensif perlu dirangka bagi membantu dan memantau aktiviti keusahawanan di kalangan asnaf. Berdasarkan hasil analisis yang telah dikemukakan, didapati bahawa penglibatan dan minat golongan usahawan asnaf terhadap bidang perniagaan adalah tinggi. Umumnya, majoriti di kalangan mereka menceburi bidang perniagaan kerana ingin mendapatkan pendapatan bagi menyara kehidupan dan keluar daripada kepompong kemiskinan serta sebagai pendapatan sampingan untuk meningkatkan taraf hidup.

Kajian juga menunjukkan selain pinjaman kewangan, khidmat latihan dan nasihat yang diberikan oleh pihak LZS sangat membantu dan diperlukan oleh golongan usahawan asnaf. Ini kerana dengan adanya latihan dan nasihat yang diberikan, pengetahuan dan kemahiran usahawan asnaf dalam bidang keusahawanan dapat ditingkatkan dan seterusnya menjadikan mereka lebih berdaya saing dalam pasaran perniagaan yang semakin global dan mencabar. Pendekatan yang dibuat oleh LZS ini sepatutnya diberikan pujian dan boleh diibaratkan seperti "*jangan berikan ikan untuk membantu seseorang, tetapi hendaklah berikan jala atau pancing*". Namun, penambahbaikan terhadap pendekatan yang digunakan oleh LZS perlulah ditingkatkan dari semasa ke semasa agar usaha dan tindakan yang dilaksanakan bukan sahaja dicontohi di dalam negara malah turut menjadi rujukan dari negara luar di seluruh dunia.

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Role of Financial Development and Financial Globalization in Promoting Economic Growth: Case of Malaysia

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Abstract

This study examines the role of financial development and financial globalization in promoting economic growth in Malaysia. This analysis is conducted using the Bounds testing approach suggested by Pesaran et. al. (2001). The data was taken from 1970- 2007 quarterly basis. The empirical results demonstrate that both the financial development and financial globalization give positive effect in promoting economic growth in short-run and long-run causality. The result also suggested that trade openness, rule of law and real interest rate give the positive effect in promoting economic growth.

Keywords: Financial development, financial globalization, economy growth and ARDL bound test.

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1.0 INTRODUCTION.

In recent years, the field of economic development has come to the conclusion that "institutions rule" are critical to economic growth. An extensive literature focuses on financial development as a significant force driving economic development. However, developing good institutions that foster financial development is not easy, it takes time for institutions to evolve and adapt to local circumstances. In addition, vested interests in poor countries often oppose the necessary reforms because they believe that such reforms will weaken their power or allow other people to cut into their profits. How can poorer countries overcome these obstacles? How can they change the distribution of power to forge the political will to promote institutional reform? The answer is globalization (Mishkin 2007).

Globalization refers to the process of global integration of the economies of nations by allowing the unrestricted flow of goods, services, investments and currencies between countries. Globalization could bring an agricultural modernization, industrialization, urbanization and hyper consumerism resulting in increasing of gross domestic product per capital (GDPC). The process of globalization is having unprecedented impacts either positive or negative.

The term of financial globalization refers to the process by which financial markets of various countries of the globe are integrated as one. Financial globalization may also be defined as a free movement of finance across national boundaries without facing any restrictions. Some economist argues that financial liberalization is not alone sufficient condition for financial globalization. Financial globalization requires the introduction of a worldwide single currency managed and regulated by a single international monetary authority.

To promote financial development and economic growth, the elements must be taken to build institutions infrastructure that will ensure the well functional financial system is the institutional must have the strong develop property rights, strengthen the legal system, reduce the corruption, improve the quality of financial information and improve the corporate governance. Globalization is the most powerful weapons to stimulating institutional development. The lower income country would do better by embracing globalization, which is opening their financial markets to other nations. The inflow can help the nation achieve reforms that build productivity and wealth that will benefit the citizen. Along with financial globalization, it can encourage emerging market economies to develop the institutional that foster financial development. However, an

interesting question remains, if financial markets development is so good for growth, why have so many countries remained financially under-developed?. More broadly should globalization be a one of the highest priority for countries?

2.0 OBJECTIVE OF STUDY.

The objective of this study is to evaluate the role of financial development and financial globalization in promoting economic growth. These objectives are to see whether the financial development and financial globalization bring the impact on gross domestic product in the short-run and long-run relationship. The controls variables are included are trade openness, rule of law and real interest rate. These variables are included in this research because past studies and economic theories have pointed out the importance of these variables as a stimulant for the economic growth.

3.0 REVIEW OF RELATED LITEATURE.

The result obtained by (Stefani, 2007) that investigates the relationship between financial development and economic growth using a cointegrated VAR model and finds that there exists a positive and significant relationship between these phenomena, with the measures of financial development being the driving forces.

Shan and Morris (2002) use the (Toda and Yamamoto, 1995) causality testing procedure to investigate the relationship between financial development and economic growth. They also consider the impact of financial development leads economic growth, either directly and indirectly. The debate on the causal links between financial development and economic growth has both theoretical and policy implication.

From the theoretical perspective, economists including (Levine & Zervos, 1998), (McKinnon, 1993) and (Shaw, 1973) argued that more developed financial system promote or lead economic growth because they assists in mobilizing savings and facilitate investment. Financial development may increase economic growth rates by helping to improve the marginal productivity of capital and increasing the proportion of savings allocated to investment.

(Levine, 1997) suggested that financial development might stimulate economic growth via the "channels" or investment and productivity growth. The Levine channel focuses attention on how economic growth might be brought about by investment and productivity; there are very clearly several other factors that might increase in economic growth.

Based on (Kose *et. al.*, 2005) developing countries can benefit from financial globalization, but with many nuances, little systematic evidence to support widely-cited claims that financial globalization by itself leads to deeper and more costly developing country growth crises. (Stigliz, 2002) find that financial globalization is thus far from complete. Although globalization of trade in goods and services is not controversial among economists, polls of economists indicate that one of few things they do agree on is that globalization of international trade is desirable, financial globalization is highly controversial even among economists.

According to (Mishkin, 2005) financial globalization is not necessarily always a force for good: it can go very wrong. Opening up the financial system to foreign capital flows can and has led to disastrous financial crises, which have resulted in great pain, suffering and even violence. (Mishkin, 2005) also said that financial globalization can play an important role in encouraging development of institutions so that financial markets can effectively perform the crucial function of getting capital to its most productive uses which is key to generating growth and reducing poverty.

(Prasad *et. al.*, 2003) discusses on the welfare implications of financial globalization without financial development and they conclude that countries can reap large gains from liberalizing their capital accounts if financial globalization is accompanied by the development of domestic institutions and financial markets. However, if liberalization does not lead to financial development, globalization can result in adverse effects on social welfare and the distribution of wealth.

According to (Martin and Rey, 2006) show that financial and trade globalizations have different effects on asset prices, investment and income in the emerging market and in the industrialized country. Whereas trade globalization always has a positive effect on the emerging market, financial globalization may not, especially when trade costs are high.

4.0 METHODOLOGY.

4.1 The Economic Growth Model.

In this study, the real per capita Gross Domestic Product (RGDPC) growth is used as a measurement of economic growth (dependent variable), with the financial development, financial globalization, trade openness, rule of law and real interest rate

as the independent variables. An autoregressive distributed lag (ARDL) model, more explicitly bound test as approach as introduced by (Pesaran *et al.*, 2001) is used to test and examine the variables.

To examine the role of financial development and financial globalization in promoting economic growth, the model developed as follow:

$$RGDPC = f(FD, FGLOB, ROL, TO, RR)$$

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

$$\ln RGDPC_t = \beta_0 + \beta_1 \ln RGDPC_{t-1} + \beta_2 \ln FD_{t-1} + \beta_3 \ln FGLOB_{t-1} + \beta_4 \ln ROL_{t-1} + \beta_5 \ln TO_{t-1} + \beta_6 \ln RR_{t-1} + \varepsilon_t$$

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

$$\begin{aligned} \Delta LNRGDPC_t = & \beta_0 + \beta_1 RGDPC_{t-1} + \beta_2 FD_{t-1} + \beta_3 FGLOB_{t-1} + \beta_4 ROL_{t-1} \\ & + \beta_5 TO_{t-1} + \beta_6 RR_{t-1} + \sum_{i=1}^3 \beta_{7i} \Delta LNRGDPC_{t-i} + \sum_{i=1}^3 \beta_{8i} \Delta LNFD_{t-i} \\ & + \sum_{i=1}^3 \beta_{9i} \Delta LNFGLOB_{t-i} + \sum_{i=1}^3 \beta_{10i} \Delta LNROL_{t-i} + \sum_{i=1}^3 \beta_{11i} \Delta LNTO_{t-i} \\ & + \sum_{i=1}^3 \beta_{12i} \Delta LNRR_{t-i} + \mu \dots \dots (1) \end{aligned}$$

Where the RGDPC is the real Gross Domestic Product per capita, FD is financial development, FGLOB is financial globalization, TO is the level of openness which is the ratio of total trade (export plus import) over real GDP, ROL is rule of law, RR is real interest rate and Δ is the 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 the null and alternative hypotheses are as below:

- H0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$ (no long-run relationship)
- H1: $\beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq \beta_5 \neq 0$ (has a long-run relationship)

4.2 Description of Sources of Data.

This study focus on Malaysia country and data collected from 1970 – 2009 quarterly data. The main sources of our data series obtained from the World Development Indicators (WDI). The RGDP used as a proxy to measures growth and as the dependent variable. The independent variables are financial development (FD), financial globalization (FGLOB), real interest rate (RR), rule of law (ROL) and trade openness (TO).

5.0 DISCUSSUON OF EMPIRICAL RESULTS.

A unit root test was done for the dependent variable that is real gross domestic using Augmented Dickey-Fuller (ADF) test to satisfy 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).

5.1 Result of the Unit Root test for the dependent variable (DF/ADF)¹

Table 1: Result of the Unit Root Test for the dependent variable (DF/ADF)

Variables	Level		1st difference	
	Constant	Trend	Constant	Trend
RGDPC	1.5671	0.3288	-9.9179***	-10.8081***

Note: Asterisk *** indicates the statistically significant at 1%.

The results of the DF/ADF test at level and first difference are reported in **Table 1**. Based on the ADF test, the results of level at constant and trend indicate that real gross domestic product per capita(RGDPC) as a proxy of growth are failed to reject that null hypothesis of non-stationary at 0.10, 0.05 and 0.01 marginal levels, respectively. This indicates that these series are non-stationary at their level form. Therefore, these variables either contain a unit root process or they share a common stochastic movement. On the other hand, the result of stationary indicated by real gross domestic product per capita at first differences both at constant and trend. This indicates that these series are stationary and it is integrated of order 1.

¹ Dickey - Fuller test/Augmented Dickey- Fuller test.

The determination of Financial Development

In order to examine both short run and long run relationships between financial development and its determinants, the bound test was applied to estimate the model, and the result are reported in Table 2. As reported, the value of R-squared is 0.9690 that means 96% variation of the determinants variables can explain the financial development. The validity of the model has been confirmed by several diagnostic tests such as Breusch- Godfrey serial correlation LM test, ARCH test, Jacque-Bera normality test and Wald test. All these tests revealed that the residuals are serially uncorrelated, normally distributed, homoscedasticity and have a correct functional form.

**Table 2 : The Estimated ARDL Model Based On Equation (1)
Dependent Variable : Real Gross Domestic Product Per Capita**

Variable	Coefficient	T- Statistic	Probability
C	-0.9109	-0.2306	0.8324
LNRGDPC(-1)	-0.0539	0.1836	0.8660
LNFD(-1)	0.1059	0.5550**	0.0476
LNFGLOB(-1)	0.0060	0.0949**	0.0304
LNROL(-1)	0.5655	-0.4981	0.6526
LNTO(-1)	0.0330	-0.3689	0.7366
LNRR(-1)	0.0209	-0.0750	0.9449
D(LNRGDPC(-1))	-0.0615	-0.1433	0.8951
D(LNRGDPC(-2))	-0.3250	-0.4552	0.6798
D(LNRGDPC(-3))	0.0595	0.1223	0.9103
D(LNFD)	0.0897	0.6611	0.5157
D(LNFD(-1))	-0.0973	-0.5325	0.6313
D(LNFD(-2))	-0.0695	-0.7279	0.5193
D(LNFD(-3))	-0.0830	-0.8931	0.4376
D(LNFGLOB)	-0.1351	-0.8536	0.4560
D(LNFGLOB(-1))	0.0190	0.2132	0.8448
D(LNFGLOB(-2))	-0.1426	-0.7497	0.5078
D(LNFGLOB(-3))	-0.0826	-0.7355	0.5153
D(LNROL)	-0.2352	-0.4041	0.7132
D(LNROL(-1))	0.2876	0.6098	0.5851
D(LNROL(-2))	0.2119	0.8507	0.4574
D(LNROL(-3))	0.0673	0.3115	0.7758
D(LNTO)	-0.0131	-0.9128	0.4286
D(LNTO(-1))	0.0191	0.2070	0.8492
D(LNTO(-2))	0.0242	0.3457	0.7523
D(LNTO(-3))	0.0188	0.4213	0.7019
D(LNRR)	0.0105	0.0534	0.9607
D(LNRR(-1))	-0.0475	-0.5276	0.6343
D(LNRR(-2))	0.0819	1.5499	0.2189
D(LNRR(-3))	0.0762	1.0721	0.3622

R-squared	0.977602	Mean dependent var	0.051742
Adjusted R-squared	0.761084	S.D. dependent var	0.061347
S.E. of regression	0.029986	Akaike info criterion	-4.755892
Sum squared resid	0.002697	Schwarz criterion	-3.395431
Log likelihood	108.4722	F-statistic	4.515107
Durbin-Watson stat	2.213325	Prob(F-statistic)	0.119316

D denotes first difference

Note : ***,** and * denote significant at 1%, 5% and 10% levels

In order to examine relationships between economic growth and its determinants, the bound test was applied to estimate the model, and the result are reported in Table 2. As reported, the value of R-squared is 0.9776 that means 97% variation of the determinants variables can explain the economic growth.

5.2 Diagnostic checking.

Table 3:

DIAGNOSTIC CHECKING	
i) Autocorrelation (Breusch-Godfrey Serial Correlation LM Test)	
-	F-statistic = 2.5741
-	Probability = 0.4032
ii) ARCH Test	
-	F-statistic = 0.5790
-	Probability = 0.4526
iii) Jacque- Bera Normality Test	
-	F-statistic = 0.3845
-	Probability = 0.8250

The validity of the model has been confirmed by several diagnostic tests such as Breusch-Godfrey serial correlation LM test, ARCH test, Jacque-Bera normality test and Wald test. All these tests revealed that the residuals are serially uncorrelated, normally distributed and have a correct functional forms as shown in Table 3.

5.3 Short-run and Long-run Estimated Coefficient-Wald Test

Table 4:

Variables	Malaysia	
	Short Run Coefficient	Long Run Coefficient
Test of short run and long run coefficient		
Financial Development (FD)	5.7026*	1.9647**
Financial Globalization (FGLOB)	4.5186*	0.1113**
Real Interest Rate (RR)	0.9569	0.38856
Trade Openness (TO)	0.5579	0.6140
Rule of Law (ROL)	0.4065	10.4917

Table 4 shows the result of the short run and long run relationship between economic growth and its determinants. The long run relationship can be written as below:

$$RGDP_t = -0.9109 + 1.9647FD_t + 0.1113 FGLOB_t + 0.38856 RR_t + 0.6140 TO_t + 10.4917 ROL_t$$

The equation indicates that the entire variables are positive relationship with the economic growth. The estimation result in Table 4 shows that financial globalization and financial development has a significantly impact on real gross domestic product per capita and is significant at 0.05 marginal level and show that there has a long run relationship between this variables an economic growth and all the variables give the positively effect to economic growth. As shown in Table 4 also, in short run there is only financial globalization and financial development has the causal effect running from the determinants to real GDP per capita. As in the long run elasticity, all the determinants gave a positive relationship towards real gross domestic product per capita.

This finding also support by the other researchers. According to (Shaw, 1973), (McKinnon, 1993), (Levine and Zervos, 1998), (Shan and Morris, 2002) and (Stefani, 2007), they found that financial development bring the positive impact to promote economic growth. According to (Mishkin, 2005) and (Martin and Rey, 2006), from their research they also conclude that financial globalization bring the positive impact on economic growth.

6.0 CONCLUSION AND DISCUSSION.

This study examines the role of financial development and financial globalization in promoting economic growth. The results show that all the independent variables chosen: FD, FGLOB, RR, TO and ROL are positive relationship with the economic growth. Financial development and financial globalization give the positive sign to economic growth and significant in the long-run and short-run causality.

The results are concurrent with the most of the literature reviews and theoretical framework. This supports that (Mishkin, 2005) that financial globalization can play an important role in encouraging financial development. Financial development and financial globalization is significant influence real gross domestic product per capita in the long run in promoting economic growth.

The positively significant sign of financial development and financial globalization, both in the short run and long run may also signal its impact on increasing a nation's income and, as the finance-led growth hypotheses explains that financial development and financial globalization contributes positively to economic growth by facilitating the exploitation of economics of scale.

Future studies could consider including more variables such as financial institutions and capital account liberalization in the specification. Through improving institutions will promote economic development. There are various theoretical and empirical studies attest to the important linkage between financial system progress and economic development. The evolvement of the financial institutions and markets in terms of their relative sizes, activity and efficiency will be importance to the economy. Trends in the indicators reveal that while commercial banks have continued to develop and grow in importance to economy, other financial institutions have also gathered pace in terms of increases in their relative size and activity. This financial sector has grown in size and activity and become more important to the economy.

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The Relationship between Capital Market Development and Economic Growth in Malaysia and Singapore: The Stock and Bond Market Perspective.

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Abstract

The understanding of the casual relationship between the financial system development and economic growth is important to enhancing the economy of the nation. This study uses the autoregressive distributed lag (ARDL) bound test approach that covers from 1995-2007 quarterly basis. The results show that capital markets have strong relationship with economic growth. In Malaysian, stock market development has positive relationship with economic growth, but in the case of Singapore, both stock and bond market developments have positive relationship with the economic growth. Hence, this study provides robust empirical evidence in linking of finance-led growth hypothesis for the Malaysian and Singapore economy.

Keywords: Stock market development, bond market development, economy growth and ARDL bound test.

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1.0 INTRODUCTION.

The capital market refers to all institutions in long-term financial instrument. Capital market is the broad term used to describe the market in which corporation, governments, and government institutions raise medium and long term funds. Long term means that having maturity periods that extend beyond one year. This market consists of two key components that are stock and bond markets. These two components of the capital market play an integral part in any financial system as they encourage savings by facilitating the transfer of funds from parts of the economy with surplus funds, to parts of the economy in need of capital to invest, and they reduce intermediation cost by increasing competitions in the financial system (Wright *et. al.*, 1995).

Since the Asian financial crisis in 1997-1998, countries in Asia made continuous efforts to promote financial operation with a focus on developing the bond market in the region. Development of bond market in Asia has become one of the most important policy issues since then. Bond market development is essential to avoid the double mismatches of maturity and currency the exacerbated financial crisis in East-Asia and to recycle huge Asian saving without having any channel through financial market. The well functioning bond market foster financial stability, improves intermediation, restrain the potential volatile effects in the international economic and financial system, and also can reduce the inflationary funding. The well functioning of bond market development also provides fundamental solutions to expand resource base to strengthen the foundations of economic development.

Stock market is an indicator of an economy financial health. It indicates the mood of investor in a country or the other side, stock market development is an important ingredient for growth. The growing stock market development in the world has reinforced the belief that finance is an important ingredient for growth. For instance, Levine and Zervos (1998) argued that various measures of stock market development have explained part of the variation of economic growth.

An organized and managed the stock market development stimulate investment opportunities by recognizing and financing productive projects that lead to economy activity, mobilize domestic saving, allocate capital proficiency, help to diversify risks and facilitate exchange of goods and services (Miskin, 2001 and Caporale *et. al.*, 2004). The stock market development is measure by size and liquidity. Size is denoted by market capitalization as a percentage of GDP. The assumption of the measurement is the overall

market size is positively correlated with the ability to mobilize capital and diversify risk on the economy. Then liquidity is calculated as volume of share on the stock market exchange divide by GDP.

The objective of this study is to examine the relationship between capital market developments with the economic growth. This objective are based on long-run and short-run relationship among the economic growth for both stock and bond market in Malaysia and Singapore. The choosing of two countries based on the two perspectives that are based on high income and upper middle income countries to see the development of capital market on economic growth. Singapore is one of the high income countries and Malaysia is upper middle income countries.

The control variable in the specification are, trade openness and real effective exchange rate. The measurement of trade openness is by total export and import divided by gross domestic product (GDP) and real effective exchange rate is measured by the changes in competitiveness of a country by taking into account the changes in the relative prices. This variable is included in this research because past studies and economic theories have pointed out the importance of these variables as stimulant for economic growth and to get a more accurate result. The question are remain in this paper are, why the previous literature ignore the bond market, they just focused on two key sectors that are bank and stock market.

The stock market has been associated with economic growth through its role as sources for new private capital. On the other hand, the economic growth will be catalyst for the stock market growth. The debate issues from the past scholar economic were whether the stock market can be served an important indicator for the prediction of future economic growth or the otherwise. The large decrease in stock price may were reflective of future recession, whereas large increase in stock price may be reflect the expectation towards in future economic growth. There were controversy issues to doubt the stock market's predictive ability such as the 1987 stock market crashed followed by world recession and 1997 Asian financial crisis.

The study for the past decade mostly focus on the role of in stimulating the economic growth, without taking account to the stock market development, mostly of them are relatively wrong because the stock market are important determinant to the financial development and economic growth.

Based on empirical evidence from (Atje and Jovanovich, 1993), (Demirguc-Kunt and Levine, 1996), (Korajczyk, 1996), (Levine and Zervos, 1996) shows clearly that there has existence of the strong positive correlation between stock market development and economic growth. In the emerging economies, the evaluation of the stock market has great impact on the operations of the banking institutions (Levine and Zervos, 1998). Beside that, Paudel (2005) state that stock market due to liquidity, enable firm to enquire much needed capital quickly, hence facilitating capital allocation, investment and growth. Thus the domestic stock market is expected have significant relationship with the economic growth.

The role of bond market on economic growth is important to ignore, this because since the Asian Financial crisis and 1997 crisis, the development of bond market had become high priority to policymakers in Asia. The development of the local currency of bond market has been seen a way to avoid the crisis, with these markets helping to reduce potential currency and maturity mismatches in financial system. As the 1997 crisis, the short term credit markets are move towards the creditor's runs, but a corporate bond market can provide the economy with an important backup form of intermediation. According to Greenspan's (2000), a functioning capital market might have provided the Asian countries with a "spare tyre" rendering the crisis more begin. This is a reason why in this study we combined both the stock and bond market, to see the relationship with the economic growth with each other difference countries based on two groups of countries.

The capital markets in Malaysia include conventional market and Islamic market for the long term and short term assets. Conventional market is dividing for two that is stock market and bond market that have long term maturity. The functions of stock and bond market are as the financial intermediation and it become more important to economy in period 1988 until now. The development of the capital market in Malaysia has been facilitated by a strong infrastructure and a comprehensive legal, regulatory and administrative framework.

The development of capital market is the basic prerequisite of political stability and soundness macroeconomic policies which create an advantage of environment for economic growth with price stability. Equally important have been the high saving rate and large domestic investor base.

The capital market in Malaysia has developed significantly in terms of market size, range of instrument and efficiency. This progress has enhanced capital market roles as supporting economic growth and the transformation. These developments of capital

market were geared towards nurturing the capital market to fill the institutional gap in the financial system and complement the role of traditional lenders. The Capital Market Master Plan launched in February 2001 provides the framework for the development of the Malaysia capital market in new decade. The efforts will be directed at increasing the competitiveness of the capital market and at providing an effective mechanism for the mobilization of funds to economic growth.

The development capital market in Malaysia has been facilitated by a strong infrastructure and a comprehensive legal, regulatory and administrative framework. Underlying its development are the basic prerequisites of political stability and soundness macroeconomic policies which create a favorable environment for economic development with price stability. The efforts to promote an active secondary market as well as to promote a more dynamic and performance based dealer system.

The Singapore stock market was operated jointly with Malaysia until 1973 and until year 1989 Malaysian companies were listed on both stocks exchanges. Later Malaysian and international shares were traded through electronic trading in Central Limit Order Book (CLOB) which was closed after 1998. The growth is gradual; the increase in market capitalization is high through dominated by a small number of enterprises of the statutory boards. Therefore, Singapore had a large companies but fewer than those listed in Malaysia.

The majority of the shares in this Singapore of Exchange (SOEs) were held by one of the four government holding companies. End of 1999, there were 370 companies listed on the stock market with total market capitalization of \$434 billion, 3.4 times the GDP for that year. World stock market crash in 1987 cause down the shares in Singapore, but after that the stock was shift. The high growth between 1993 and 1994 were shift the share, but in year 1994-1995 it dipped against. In 1995-1996, the shares well develop because of the continuing privatization with IPO issues and secondary floatation.

In the mid 1960s, after the country became independent from Malaysia, the government bond were issues to meet the demand for risk free and liquid securities by banks and government agencies such as newly-formed Central Provident Fund, a superannuation body. Holding Singapore Government Securities (SGS) as assets also served the minimum liquid assets requirement for financial institutions. The Monetary Authority of Singapore (MAS) that establish in 1999, embarked on the fundamental review of its policies in regulating and developing Singapore's financial sectors.

One component was the development of a liquid bond market. The monetary authorities of Singapore, MAS that compensate the SGS market in May 1987 by introducing scrip less book entry system for SGS, many countries had moved in this way, and Malaysia followed one year thereafter. At the same time, MAS introduced a Primary System for market makers.

2.0 REVIEW OF RELATED LITEATURE.

The economist and policy makers have a high expectation to the development of the capital market in the Asia countries. They expect this development will improve the economic growth. In the recent financial literature on endogenous growth, the relationship between capital markets development and economic growth has received much attention (see King and Levine, 1993; Levine, 1997; Rajan and Zingales, 1998; Filler, Hanousek, and Campos, 1999; Arestis, Demetriades, and Luintel, 2001; Calderon and Liu, 2002, Carlin and Mayer, 2003).

In this context, King and Levine (1993a) state that the level of financial intermediation is a good predictor for economic growth rate, capital accumulation and productivity. In the same context, Carlin and Mayer (2003) concluded that there is a strong relationship between the structure of countries' financial system and economic growth. Tuncer and Alovsat (2001) found out a causal relationship between economic growth and financial markets development: a 1% improvement of economic growth determines a 0.4% rise of market capitalization/GDP ratio.

Surya and Suman (2006) also found a positive correlation between capital market development (measured by a dummy variable computed to reflect if the market capitalization exceeds 13.5% of GDP) and economic growth. Comincioli (1996) offers a theoretical financial model that explains the positive correlation between stock market development and economic growth; the model is based on the hypothesis that for levels of GDP per capita higher than a certain threshold the information costs become lower than bankruptcy costs, determining the development of capital markets.

A growing literature argues that the stock market development will give positive effect to the economic growth. According to Nowbutsing and Odit (2009), they analyze the relationship the stock market development and economic growth. They measure the stock market development with using indicator of size and liquidity, and they found that stock market development is an important determinant for the economic growth. Both in the short and long run dynamic of stock market development gives the positive relationship to the economic growth.

In the principal a well develop of the stock market can increase the saving and efficiency allocate capital to productive investment, which leads to an increases in the rate of economic growth. Stock markets contribute to the mobilization of domestic savings by enhancing the set of the financial instrument that are available to the saver to diversify their investment portfolio. According to Dailami and Aktin, 1990, they provide an important source of investment capital at relatively low cost. The well developed of the stock market will provide individuals with a relatively liquid means of risk sharing when they do an investment. Stock markets help investor to overcome with liquidity risk by allowing those who are hit by a liquidity stock to sell their share to the other investors.

Numerous studies have been conducted to examine whether the stock market development give positive or negative effect to the economic growth. The studies by Levine and Zervos (1998), who are the first that ask, whether stock market have link with the economic growth. Thus in their studies, they find a positive and significant correlation between stock market development and economic growth. They measure the stock market development along the various dimensions, first, aggregate stock market capitalization to GDP and the number of listed firms (size). Second, domestic turnover and value traded (liquidity). Third, integration with world capital market, and lastly, the standard deviation of monthly stock return (volatility).

In an early study involving bonds, Harvey (1989) finds that in the U.S, the bond market is a better predictor of economic growth than the stock market. From the previous literature, there are evidence that negative relationship between stock market and economic growth. Ritter (2005) reports a negative relationship between inflation-adjusted stock returns and real economic growth, measure in per capita terms, suggesting that the phenomenon of a fast growing economy with expending stock market transitory, and once the valuations of a country's stock market reach high, the role of stock market on economic growth likely to show a negative relationship.

The bond markets worldwide are increasingly recognize as an important component of financial development and they analyze that bond market as an integral part of any well functioning financial market. Thus, bank and bond market should compile each other. A well functioning of bond markets sets the bench mark interest rate for all debt with varying maturities and risk will promote efficient uses of resources for economic growth.

Braun and Briones (2005) examined the development of corporate bond market and find that impact of bond market development on real output in 13 highly developed economists over period 1950-2000 influence the real economic activity.

According Thumrongvit *et.al* (2008), they find that the relationship between government bond market and economic growth is significantly negative. This means that an increase in government spending is not accompanied by a contemporaneous expansion of the economy measured in per capita GDP. Second the relationship between corporate bond market and economic growth is statistically insignificant, is also puzzling in view of the fact that corporate bond markets have expanded steadily worldwide and that the expanded bond markets were thought to have contributed to economic growth enhances labor productivity in the private sectors.

3.0 METHODOLOGY.

3.1 The Economic Growth Model.

$$GDPC_t = f (MC_t, SGDP_t, TO_t, REER_t)$$

$$GDPC_t = \beta_0 + \beta_1 GDPC_{t-1} + \beta_2 MC_{t-1} + \beta_3 SGDP_{t-1} + \beta_4 TO_{t-1} + \beta_5 REER_{t-1} + \varepsilon_{t-1}$$

Where:

$GDPC_t$ = gross domestic product per capita (GDPC)

MC_t = Market Capitalization (% GDP)

$SGDP_t$ = Size of bond market (% of total)

TO_t = trade openness (in millions)

$REER_t$ = real effective exchange rate

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

$$\ln GDPC_t = \beta_0 + \beta_1 \ln GDPC_{t-1} + \beta_2 \ln MC_{t-1} + \beta_3 \ln SGDP_{t-1} + \beta_4 \ln TO_{t-1} + \beta_5 \ln REER_{t-1} + \varepsilon_{t-1}$$

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

$$\begin{aligned} \Delta \text{LNGDPC}_t = & \beta_0 + \beta_1 \text{GDPC}_{t-1} + \beta_2 \text{MC}_{t-1} + \beta_3 \text{SGDPT}_{t-1} + \beta_4 \text{TO}_{t-1} + \beta_5 \text{REER}_{t-1} \\ & + \sum_{i=1}^3 \beta_{6i} \Delta \text{LNGDPC}_{t-1} + \sum_{i=1}^3 \beta_{7i} \Delta \text{LNMC}_{t-1} + \sum_{i=1}^3 \beta_{8i} \Delta \text{LNSGDP}_{t-1} \\ & + \sum_{i=1}^3 \beta_{9i} \Delta \text{LNTO}_{t-1} + \sum_{i=1}^3 \beta_{10i} \Delta \text{LNREER}_{t-1} + \mu \dots (1) \end{aligned}$$

Where $LNGDPC$ is Log of GDP per capita and $\Delta LNGDPC$ is equal to $LNGDPC - LNGDPC (-1)$, $LNMC$ is Log market capitalization and $\Delta LNMC$ is equal to $LNMC - LNMC (-1)$. $LNSGDP$ is Log of size of bond market and $\Delta LNSGDP$ is equal to $LNSGDP - LNSGDP (-1)$. $LNTO$ is Log of trade openness and $\Delta LNTO$ is equal to $LNTO - LNTO (-1)$. $LNREER$ is Log of real effective exchange rate and $\Delta LNREER$ is equal to $LNREER - LNREER (-1)$.

For the examination of long-run relationship the bound cointegration test based on critical values taken from Pesaran (2001) will be used the null and alternative hypotheses are as below:

H0: $\beta_1 = \beta_2 = \beta_3 = \beta_4 = 0$ (no long-run relationship)

H1: $\beta_1 \neq \beta_2 \neq \beta_3 \neq \beta_4 \neq 0$ (have long-run relationship)

3.2 Description of Sources of Data.

The main sources of our data series obtain from the World Development Indicators (WDI), Asian bond online and International Financial Statistic (IFS). In order to address the factors that influence the economic growth will be choose sample of 2 countries, based on their specification of income group, which have a complete quarterly data set. This paper will used time series data from 1995 to 2007. To measure the economic growth with using the GDP per capita (GDPC) that is GDP divide by midyear population, the control variables are trade openness (TO) and real effective exchange rate (REER).

Beside that, proxy for the stock market development is market capitalization. Size is denoted as market capitalization as percentage in gross domestic product (GDP). For the stock market development, the good proxy is market capitalization that is the value of listed share divided by GDP (MC). Market capitalization is a good proxy because it is less arbitrary than the other individual measure. The assumption behind this measure is that overall market size is positively correlated with the ability to mobilize capital and diversify risk on the economy. Then the proxy for bond market is size of bond market for GDP. The proxy to measure the development of bond market is size of bond percentage of GDP. This indicator shows the size of foreign currency bond obligations issued by residents (government and corporate issuers) relative to a market's nominal GDP. As nominal GDP is a broad proxy for the size of an economy, the ratio is a useful reference for cross-market comparison.

4.0 DISCUSSION OF EMPIRICAL RESULTS.

A unit root test was done for the dependent variable using Augmented Dickey-Fuller (ADF) test to satisfy 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).

5.1 Result of the Unit Root test for the dependent variable (DF/ADF)

Table 1 Result of the Unit Root Test for the dependent variable (DF/ADF)

Country	Variables	Level		1st difference	
		Constant	Trend	Constant	Trend
Malaysia	GDP	-5.7241***	-5.8845***	-12.1464***	-12.0335***
Singapore	GDP	-4.8527***	-5.7719***	-8.6244***	-8.5831***

Note: Asterisk ***, ** and * indicates the statistically significant at 1%, 5% and 10% level.

Table 2 : The Estimated ARDL Model For the Effect of Stock and Bond Market Development on Economic Growth- Malaysia
Dependent Variable : Economic Growth

Variable	Coefficient	T- Statistic	Probability
C	1.7247	0.1422	0.8881
LNGDPC(-1)	-0.9553	-1.4956	0.1483
LNMC(-1)	-0.5391	-1.5086	0.1450
LNSGDP(-1)	-1.2736	-1.5515	0.1344
LNTO(-1)	0.0257	0.0376	0.9703
LNREER(-1)	2.5030	1.1644	0.2562
D(LNGDPC(-1))	-0.2014	-0.3875	0.7019
D(LNGDPC(-2))	-0.3105	-0.7619	0.4538
D(LNGDPC(-3))	0.1921	0.5830	0.5655
D(LNMC)	-0.5153	-0.8738	0.3912
D(LNMC(-1))	-0.2523	-0.4247	0.6750
D(LNMC(-2))	-0.2997	-0.7245	0.4760
D(LNMC(-3))	-0.1215	-0.3638	0.7193
D(LNSGDP)	-3.2743	-1.8136	0.0828
D(LNSGDP(-1))	0.4860	0.3198	0.7520
D(LNSGDP(-2))	-1.1551	-0.7487	0.4616
D(LNSGDP(-3))	-1.3579	-0.9541	0.3500
D(LNTO)	3.8333	2.3430	0.0281
D(LNTO(-1))	1.8303	0.9909	0.3320
D(LNTO(-2))	1.6235	0.9045	0.3751
D(LNTO(-3))	2.7535	1.5777	0.1283
D(LNREER)	0.0857	0.0246	0.9806
D(LNREER(-1))	2.9839	0.7802	0.4432
D(LNREER(-2))	-2.4326	-0.7603	0.4548
D(LNREER(-3))	6.9214	1.9124	0.0683
R-SQUARED		.7778	0
ADJUSTED R-SQUARED			0.5459
SE OF REGRESSION			0.3184
II. Diagnostic Checking			
i) Autocorrelation (Breusch-Godfrey Serial Correlation LM Test)			
- F-statistic = 4.3031			
- Probability = 0.0010			
ii) ARCH Test			
- F-statistic = 12.0817			
- Probability = 0.0011			
iii) Jacque- Bera Normality Test			
- F-statistic =69.0651			
- Probability = 0.0000			

Table 3: The Estimated ARDL Model For the Effect of Stock and Bond Market Development on Economic Growth- Singapore
 Dependent Variable : Economic Growth

Variable	Coefficient	T-Statistic	Probability
C	16.1569	0.8859	0.3848
LNGDPC(-1)	-1.9865	-4.7534	0.0001
LNMC(-1)	-1.2803	-2.6862	0.0132
LNSGDP(-1)	-2.5535	-3.1517	0.0045
LNT0(-1)	0.6857	1.2084	0.2392
LNREER(-1)	2.4634	1.0957	0.2845
D(LNGDPC(-1))	0.5099	1.6184	0.1192
D(LNGDPC(-2))	0.3623	1.6420	0.1142
D(LNGDPC(-3))	0.2015	1.3773	0.1817
D(LNMC)	-0.4280	-0.8894	0.3829
D(LNMC(-1))	1.5733	2.9219	0.0077
D(LNMC(-2))	0.2448	0.4382	0.6653
D(LNMC(-3))	-0.3038	-0.5770	0.5695
D(LNSGDP)	0.7146	0.8356	0.4120
D(LNSGDP(-1))	4.3808	3.6353	0.0014
D(LNSGDP(-2))	0.7579	0.6458	0.5247
D(LNSGDP(-3))	-0.8558	-0.8790	0.3884
D(LNT0)	0.9162	0.7583	0.4560
D(LNT0(-1))	-2.1651	-1.9964	0.0579
D(LNT0(-2))	1.1584	1.0461	0.3064
D(LNT0(-3))	2.2371	1.7633	0.0911
D(LNREER)	-0.5252	-0.0971	0.9235
D(LNREER(-1))	-13.377	-2.6372	0.0147
D(LNREER(-2))	-16.4968	-2.6958	0.0129
D(LNREER(-3))	-5.2364	-0.8596	0.3989
R-SQUARED			0.7976
ADJUSTED R-SQUARED			0.5865
SE OF REGRESSION			0.3022
II. Diagnostic Checking			
i) Autocorrelation (Breusch-Godfrey Serial Correlation LM Test)			
- F-statistic = 1.6155			
- Probability = 0.1272			
ii) ARCH Test			
- F-statistic = 0.3190			
- Probability = 0.5750			
iii) Jacque - Bera Normality Test			
- F-statistic = 11.74865			
- Probability = 0.0000			

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 previously in this paper the computed F- statistic (Wald Test) is 5.2090; show that greater than upper critical bound value of 5.06 that have enough evidence to reject the null hypothesis of no cointegration at 1 percent significant level for Malaysia. For the Singapore the computed F- statistic (Wald Test) is 4.7328; show that greater than upper critical bound value of 4.01 that have enough evidence to reject the null hypothesis of no cointegration at 5 percent significant level. Thus, we can easily reject H0 and conclude that there is a long run relationship between the dependent variables and economic growth.

F-Statistic	Probability
0.8859	0.3848
-4.7534	0.0001
-2.6862	0.0132
-3.1517	0.0045
1.2084	0.2392
1.0957	0.2845
1.6184	0.1192
1.6420	0.1142
1.3773	0.1817
-0.8894	0.3829
2.9219	0.0077
0.4382	0.6653
-0.5770	0.5695
0.8356	0.4120
3.6353	0.0014
0.6458	0.5247
-0.8790	0.3884
0.7583	0.4560
-1.9964	0.0579
1.0461	0.3064
1.7633	0.0911
-0.0971	0.9235
-2.6372	0.0147
-2.6958	0.0129
-0.8596	0.3989
	0.7976
	0.5865
	0.3022

5.2 Short-run and Long-run Estimated Coefficient-Wald Test

Table 4 : Long Run coefficient and Short Run coefficient for the Effect of Stock and Bond Market Development on Economic Growth for Malaysia and Singapore

Variables	Malaysia		Singapore	
	Short Run Coefficient (Std. Error)	Long Run Coefficient (Std. Error)	Short Run Coefficient (Std. Error)	Long Run Coefficient (Std. Error)
Market Capitalization of GDP (MC)	0.0153 (0.4697)	0.2832* (0.3037)	0.2825** (0.4213)	0.1326 (0.3992)
Size of bond in GDP (SGDP)	-1.8440* (1.3242)	-0.3784 (0.9151)	0.6207* (0.4970)	0.6904* (0.4805)
Trade Openness (TO)	2.5934* (1.5869)	1.3587* (1.0913)	-0.1283 (0.2932)	0.1591 (0.3045)
Real Effective Exchange Rate (REER)	2.9649* (3.1463)	1.5331* (2.3857)	10.231** (6.0560)	10.0878** (10.0788)

Note: The asterisks indicate the following levels of significance: ***1%, **5% and *10%.

The long run relationship can be written as below:

Malaysia

$$GDPC_t = -1.06106 + 0.2832MC_t - 0.3784SGDP_t + 1.3587TO_t + 1.5331REER_t$$

Singapore

$$GDPC_t = -1.4700 + 0.1326MC_t + 0.6904SGDP_t + 0.1591TO_t + 10.0878REER_t$$

The equation indicates that variables such as MC, TO and REER are positively related while SGDP has an inverse relation with economic growth for the Malaysia. For the Singapore all the independent variables are positive related with the economic growth.

For the Malaysia, stock market development is more effective with the economic growth than the bond market development because of this variable are significant at 10% in the long run but the variable for bond market development it does not significant and give the negative relationship with the economic growth. Thus it is similar with the past finding, Odit (2009), that found the stock market development are positively affect with economic growth in both short run and long run in case of Malaysia. The implication of the finance led growth as indicate by the stock market and bond market that is value of market capitalization and size of bond, implies that the stock market are effective effect the economic growth than the bond market.

Different result for the Singapore, bond market development is more effective than the stock market, the coefficient for the bond market are significant at 10% significant level. The stock and bond market both give positive relationship with the economic growth, but the bond market are more effective than stock market because in short and long run SGDP are significant at 10%. Result for the stock market is not significant at the long run coefficient level, just significant at the short run coefficient. So, bond market is effective in improving economic growth. Bond market can constitute a transmission channel of monetary policy and perform an information function. The interest rates structured are determined by the development of bond market, and are in turn a prerequisite for the development of derivative. For the individuals an efficient bond market can increase welfare, since the possibilities of diversification increase with a broader variety of investment.

The increase of the welfare can leads to a higher incentive to invest saving into bonds and as a result may increase the capital for the real sector (Hering/ Chatusripitak, 2000). As the bond develop, the cost of external debt financing may fall. Thus the potential for growth of corporation can be fostered and economic growth effects achieved (De Bondt, 2000).

6.0 CONCLUSION AND DISCUSSION.

This study examines the relationship of economic growth with the capital market development namely stock and bond market at Malaysia and Singapore. The empirical study used the formal ARDL bound test and quarterly data for the period 1995-2007. The results indicate that the proxy of the stock market is more effectiveness with the economic growth than the bond market proxy in Malaysia. These results are consistent with the Atje and Jovanovic (1993), that find the stock market are positive relationship with the economic growth.

The well develop of stock market can promote economic growth and also with well-functioning financial sectors and banking sectors can give a big boost to the economic growth. Stock market give lender immediate access to their funds while offer the borrowers a long-term supply of capital. By facilitating diversification, financial intermediaries allow the economy to invest relatively more in risky productive technology. Without stock market, investor facing liquidity shocks are forces to withdraw funds invested in long-term investment project. Investors also want to diversify productivity risk associated with individual investment project. This is spurring the economic growth.

In the case of Singapore, both the stock and bond market give positive relationship with the economic growth, but the stock market indicator are insignificant with the economic growth. So, can conclude that the bond market indicators are more effectiveness effects the economic growth. The Singapore bond market has grown in mass; depth and liquidity are result of the ongoing efforts of government and the corporation and hard work of the financial industry. Looking forward, Regional Corporation will be a key factor in ensuring the sustainable growth of the region's bond market. Bond market development in Singapore more effective effect the economic growth, but the stock market also effective effect the economic growth.

In order to promote the stock market and bond market, there are several suggestions for this. First, government could be liberalized stock market and bond market regulations towards the foreign direct investment (FDI) involve the domestic equity market. By doing this it will help to attract more FDI flow into Malaysia and also Singapore and providing portfolio diversification and enabling the individual firms to engage in specialized production with efficiency gain. The Government must also has to develop the domestic capital market as there were evidence showed that a more develop capital market may provide the liquidity that lowers the cost of the foreign capital essential for development, thus nation with greater development of capital market tends to generate more domestic savings for the economic growth.

For the example, in order the higher the confident of foreigner to invest in Malaysia, government must ensure that all public information which provided by all those public listed companies must accurate and transparent. Government also must improve the liquidity of stock and bond market by providing more capital services such as derivative markets, thus it will enable firm to acquire need capital quickly to facilitate the capital allocation of greater investment and will affect the economic growth.

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