



## An Islamic Debt and Wealth Management Framework in the Context of Malaysia

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**ABSTRACT** - The study aims to develop an Islamic debt and wealth management framework based on Shariah to improve Malaysians' financial behaviour. This is a qualitative study where semi-structured interviews were conducted to collect the primary data. The target respondents were local Shariah scholars and the Credit Counselling and Debt Management Agency (AKPK). A purposive sampling technique was used to select the samples from the population, including six Shariah scholars and six AKPK officers. The collected data were analysed thematically to come up with the main findings of the study. The study reveals several Islamic guidelines to manage personal debt and wealth. The findings outline that Islam discourages debt in personal life. Moreover, it allows debt restructuring to reduce the default rate in order to prevent insolvency. Besides, Islam encourages the practice of wealth accumulation through saving and investment, wealth protection through Takaful, balanced spending of wealth to form capital, earning a decent income, avoiding debt, securing wealth and ultimately overcoming financial difficulties. This study contributes to guiding Malaysians and other individuals to improve their financial behaviours by following Islamic guidelines of debt and wealth management so that they can avoid personal financial difficulties resulting from inefficient management of debt and wealth.

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### KEYWORDS

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## INTRODUCTION

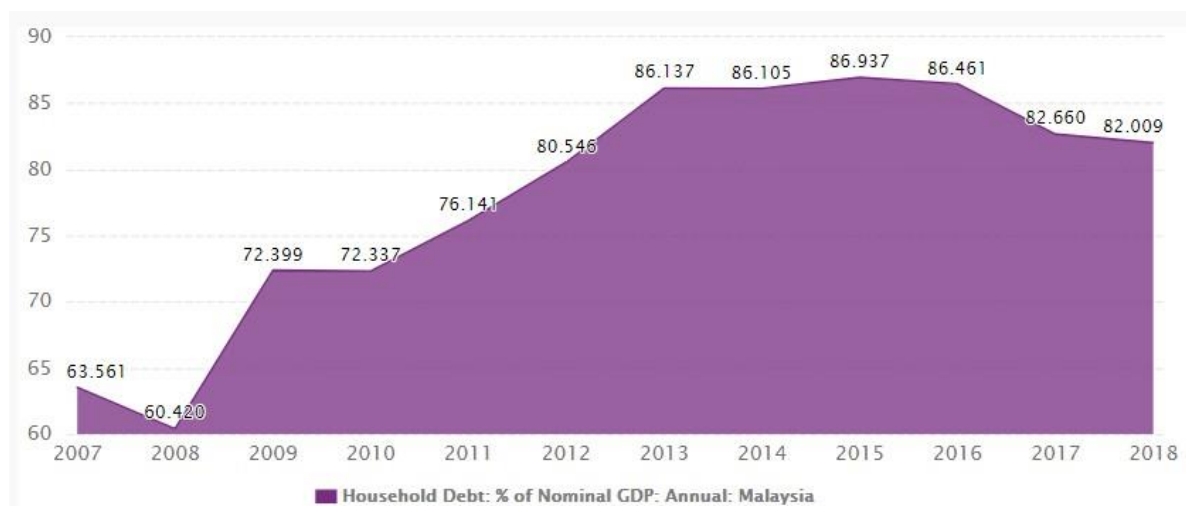
Managing personal financial affairs is significant to become financially successful in life. However, it is challenging nowadays to deal with financial affairs because of increased financial problems in the global economic system. The modern capitalist economic system has additionally reduced the authorities' intervention in the economic system. Therefore, modern investors are facing numerous financial challenges and troubles to manage their financings and investments (Ansari et al., 2022).

Lusardi (2019) reported that the main reason for increasing personal financial problems and difficulties is insensible financial behaviours. According to the author, many individuals are still inefficient in managing their personal financial dealings. A large number of employees in the US are still not satisfied with their personal financial outcomes. As a result, they often feel financially distressed (Mitchel & Lusardi, 2015). Thus, the development of financial knowledge and literacy has become a significant issue across the globe (Lusardi, 2019). Therefore, Arsyianti

and Kassim (2018) suggested financial inclusion at the national level to increase people's financial literacy so that they can manage their financial affairs efficiently.

The journey of financial knowledge and literacy advancement began in early 2002 in the US through the formation of the Office of Financial Education (OFE). In case of Malaysia, Bank Negara Malaysia (BNM) took the first initiative in 2006 by establishing Agensi Kaunseling Pengurusan Kredit (AKPK). It was established to provide free financial counselling, financial education and debt management guidelines to the local people so that they become successful in their economic life. The Ministry of Education Malaysia (MEM) included financial education in the curriculum as a part of their financial literacy development. Furthermore, Bank Negara Malaysia (BNM) organises various types of international events and occasions to promote financial education and literacy throughout the country (Murugiah, 2016).

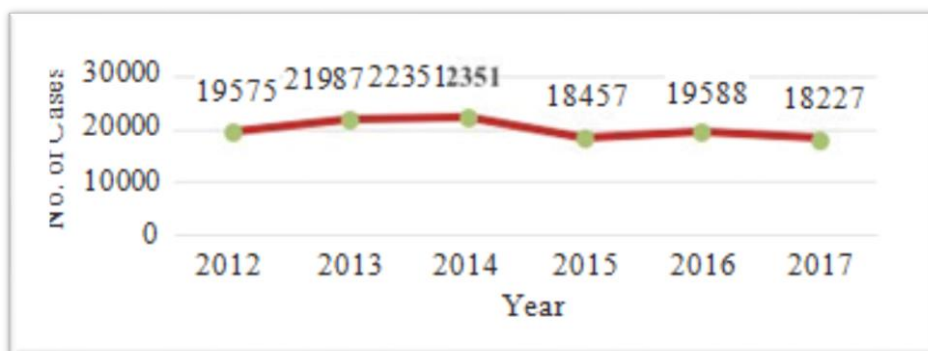
Despite these initiatives, numerous Malaysians have found themselves over-burdened with indebtedness. Malaysian households' debt has increased at an alarming rate. It has the highest private household debt among the 14 Asian nations (Othman, Rahim, & Sabri, 2015). As appeared in Figure 1, the household to Gross Domestic Product (GDP) in Malaysia was more than 80% in the last five years.



**Figure 1:** Household Debt to Nominal GDP

Unplanned spending behaviour is one of the main causes of rising Malaysian household debt, according to a survey by the Asian Institute of Finance (AIF). Due to their bad habit of reckless spending, 40% of Malaysian youths under 35 are in debt. In today's Malaysia, many young people are living beyond their means and falling into debt (Asian Institute of Finance, 2015). According to a study conducted by the Consumer Resource and Research Centre (CRRC) on over 1000 Malaysian employees, nearly 30% of their gross earnings are used to pay debt instalments, and 15% of them have no savings. According to the report, they just have a four-month savings cushion (Consumer Resource and Research Centre, 2012).

Therefore, financial difficulties have been rising in Malaysia. More than 94,000 Malaysians have been declared bankrupt between the period of 2013 to 2017 (Malaysia Department of Insolvency, 2017). Figure 2 reports that the number of those who declared bankruptcy was more than 18000 in every one of the most recent five years.



**Figure 2:** Number of Bankrupts Between the 2012-2017 Period

The current situation of bankruptcy demonstrates that the level of financial literacy among Malaysians is poor. Only 51.54 percent of Malaysians have basic financial literacy. However, very few of them have advanced financial proficiency (Selvanathan et al., 2016; Kimiyaghalam & Yap, 2017).

Several studies suggested to increase conventional financial consciousness among Malaysian to improve their financial behaviours (Biplob & Abdullah, 2019; Md & Ahmad, 2020). This is because they believe that improving conventional financial consciousness can improve Malaysian's financial behaviours. On the other hand, only a few studies have proposed that Malaysians should develop their Islamic financial literacy in order to improve their financial behaviours (Abdullah & Anderson, 2015; Ab Rahman et al., 2018). This is due to the fact that Islamic financial guidelines prohibit *usuary*, gambling and fraudulent financial behaviours. On the other hand, it encourages sensible personal spending and prudent debt management. Furthermore, the rapid growth of Malaysia's Islamic finance industry necessitates an increase in financial literacy about Islamic asset planning and debt management (Antara al., 2017; Md Nawi et al., 2018). Moreover, Islam as a religion has the potential to influence people's attitudes and behaviours (Briliana & Mursito, 2017).

As a result, research into Islamic debt and wealth management makes sense. This is due to the fact that Islam is more than a religion. In Islam, individuals are encouraged to accumulate wealth in order to improve their financial wellbeing. It also advises people to invest their money wisely in personal use, adhering to a specific expenditure structure focused on Daruriyyat (necessities), Hajiyyat (comforts), and Tahsiniyyat (embellishments). Furthermore, it places a strong emphasis on wealth preservation and purification in order to ensure personal and social wellbeing (Mahadi et al., 2019). Furthermore, it encourages people to stop taking out debts or loans for luxuries, as debts and loans can only be used to meet basic needs (Biplob & Abdullah, 2019). As a result, developing an Islamic debt and wealth management framework in Malaysia is feasible.

## LITERATURE REVIEW

### Debt Management in Islam

Biplob and Abdullah (2019) disclosed that debt is discouraged in Islam. This is because it is a burden to the debtor. Besides, debt is an obligation that is not forgiven by Allah SWT as it is the right of the creditor. However, giving free loans and showing compassion to the needy to fulfil their basic needs is a righteous deed in Islam. Zainol et al. (2016) stated that although it is acceptable to incur debt, it should be avoided as it has a negative impact on the debtor's behaviours. Moreover, the use of debt to meet wants and purchase luxurious is regarded as a negative financial behaviour.

Baele et al. (2014) stated that the religious norms influence Islamic debt settlement because it has a significant impact on the default rate. After reviewing the default rate of Islamic and

conventional loans, the authors claimed that Islamic loans have lower default rates compared to conventional loans. Hence, religious obligation somehow influences both the debtor and the creditor to make the debt settlement fast and convenient.

### **Wealth Management in Islam**

Nawaz (2019) mentioned that wealth management in Islam incorporates three dimensions. It incorporates with growth and development of wealth in a Shariah compliant way. Secondly, it consists of the expansion of wealth to build extra wealth, and thirdly, distribution and prevention of wealth to avoid financial difficulties. According to Lahsasna (2017), wealth management is the method of achieving clients' goals by properly managing their finances and current wealth. Wealth formation, accumulation, security, distribution, and purification are all part of the process. In terms of the prohibitions on *riba* (usury) and *gharar* (excessive unpredictability), Islamic wealth management differs from traditional wealth management. Thus, it is a manner of accumulating, protecting, and spending wealth based on the Shariah to achieve financial success in this world and the Hereafter.

### **Wealth Accumulation in Islam**

In Islam, there is a debate about wealth preservation. According to the first viewpoint, Islam has no sense of saving or wealth accumulation. It is because accumulating wealth can cause people to act erratically (Chaudhry, 2016). The Quran says: "*Woe to every slanderer and backbiter, who has gathered wealth and counted it*" (Al Quran, 104:1-2). According to another viewpoint, saving is not prohibited in Islam, but failing to pay Zakat on accumulated wealth is invalid (Chaudhry, 2016). It is mentioned in the Holy Quran "*And those who hoard gold and silver and do not spend them in the way of Allah, declare unto them a painful torment,*" (Al Quran 9:34). Furthermore, accumulating wealth is a means of combating extreme poverty.

Abdallah and Razzak (2015) mentioned that saving is one of the ways of wealth accumulation. Although it is permissible for individuals to save money to cover future needs, it must be Shariah-compliant. Shariah-compliant means it must not be in way that deprives others. In addition, it must be free from usury and other prohibited elements.

Dali et al. (2015) mentioned that Islam encourages wealth accumulation through the encouragement of personal investment. According to the author, investment ensures financial development by ensuring long-term return. In addition, it increases the flow of funds in the economy to promote economic development. However, such an investment must be in line with the Shariah and free from *riba*, *gharar* and gambling.

Garman and Fogue (2014) emphasised the benefit of the investment. According to them, personal investment is a desirable financial behaviour to ensure decent income as well as meet long-term financial goals. In addition, it increases long-term future consumption opportunities for investors. Therefore, individuals should focus on investment.

### **Moderate Spending of Wealth in Islam**

Khan (2020), after reviewing Islamic jurisprudence, stated that Islam focuses on wealth spending as Muslims are required to spend based on the guidance of the Shariah. Extravagance is not allowed in Islam. This is because extravagance of wealth may lead to financial distresses such as lack of liquidity. The Al-Quran mentions,

*"And give to the near of kin and the need ad wayfarer, and do not squander wastefully. Surely the squanders are the fellows of Shaytan and Shaytan is ever ungrateful to his lord"* (Al-Isra:26-27).

Similarly, Muttaqin (2019) mentioned that individuals have been urged to become balanced spenders by Islam. It is because overspending is considered an act of extravagance, and miserliness is prohibited in Islam.

Neves (2016) reported the need for promoting financial literacy among the youth to prevent them from unplanned buying and spending. According to the author, youth are highly engaged in unplanned buying due to lack of financial knowledge and literacy. As a result, they often suffer from lack of saving and liquidity.

### **Wealth Purification in Islam**

In Islam, all the assets and wealth ultimately belong to God and individuals act as vicegerents. Therefore, a portion of bestowed wealth must be spent to support the needy and poor (Muhammad, 2019). This process is called wealth purification in Islam (Abdallah & Razzak, 2015). Ahmed and Salleh (2016) discussed the benefit of wealth purification through the payment of *zakat*. According to the authors, wealth spending in the form of *zakat* plays a significant role in social and economic development. This is because it reduces the income inequality between the rich and poor. Based on their analysis, the continuous flow of wealth or assets from the rich to the poor increases the income opportunities of the poor.

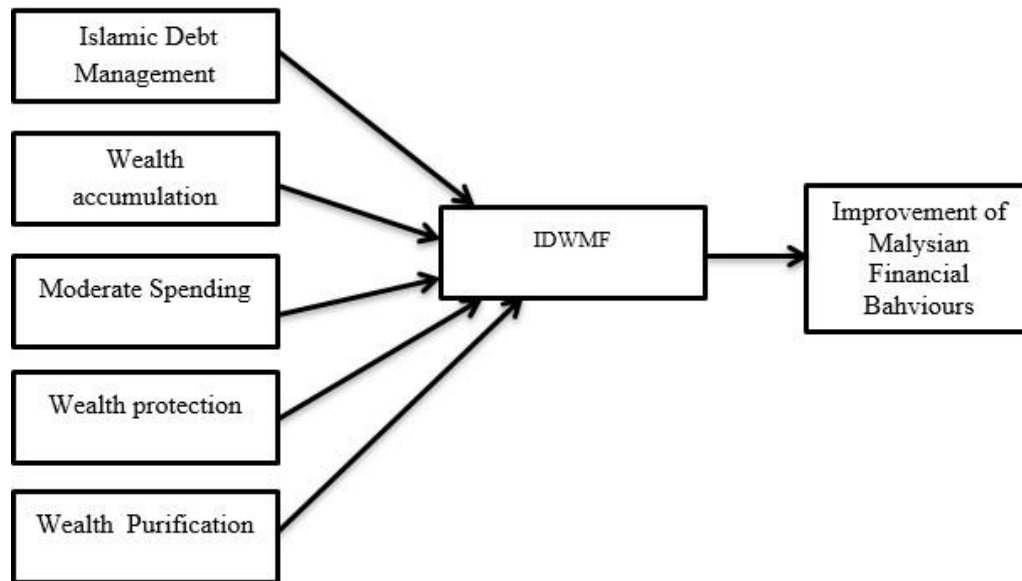
In regard to this, Kasri (2016) mentioned that the system of wealth purification reduces not only income inequality but also removes the misery and poverty from the society. The author conducted a study in Indonesia to evaluate the effectiveness of *zakat*. The findings of the study show that the severity of misery and poverty have decreased significantly due to implementation of *zakat*. The primary beneficiaries of *zakat* are the uneducated, unemployed, and single parents.

### **Wealth Protection in Islam**

Lamido (2016) mentioned that Islam has given serious concern about wealth protection as well. According to the author, one of the main purposes of the Shariah is to protect wealth. Based on his review, it is implicit that Islam not only instructs to accumulate wealth but also protect the wealth. According to Basah and Tahir (2019), Islamic Shariah emphasises the security of wealth in personal life because it is considered one of the necessities of life. Any reduction in accumulated capital can have a substantial impact on one's standard of living. Haneef et al. (2015) mentioned the importance of wealth protection in personal and social life. According to them, wealth must be protected from risks and uncertainties to ensure sustainable development of the standard of living. The authors suggested that a Muslim should adopt a Takaful policy to ensure a sense of security of living.

Zuliani and Ab Rahman (2018) stated that Takaful is useful for the less fortunate. According to them, Takaful is based on mutual cooperation and joint guarantee as any loss of the Takaful policyholder is jointly covered by all the policyholders' contributions. Therefore, those who are less fortunate get benefit from Takaful.

Ahmed (2016) focused on micro-Takaful. According to him, the concept of micro-Takaful is more effective for wealth protection as it is a good option for the underprivileged. Based on his analysis, wealth protection is essential for underprivileged people because they often face financial difficulty. Therefore, the adoption of micro-Takaful at affordable cost is significant.



**Figure 3:** Conceptual framework of the study

The conceptual framework of the study has been developed based on the review of articles where it is found that Islam has given several guidelines regarding personal debt and wealth management. Firstly, it discourages debts but allows only if there is a lack of basic needs. Moreover, it encourages wealth accumulation in personal life to cover future necessities and emergencies. Apart from that, it suggests becoming moderate spenders to become financially successful. Moreover, it gives focus on the matter of wealth protection and wealth purification for personal and social development. To improve the financial behavior of the Malaysians, all these debt and wealth management guidelines are important (Biplob & Abdullah, 2019; Ali et al., 2015).

## **METHODOLOGY**

This study adopted the qualitative method. The target population was small, rendering the adoption of other methods, i.e., quantitative or mixed mode, challenging (Creswell et al., 2007). The research design is based on the grounded theory approach to develop the Islamic debt and wealth management framework. This required rich data regarding Islamic debt and wealth management. This research design is conducted to construct a theory that is grounded within data. It begins with the preoccupied concept of the researcher and ends with the development of a theory or framework (Glasser, 1992). Moreover, the study adopted an inductive research strategy as it did not intend to test or prove any hypothesis but to develop a theory or framework (Blaikie, 2010).

The target populations were the Shariah scholars and employees of Malaysian Credit Counselling and Debt Management Agency (AKPK). Shariah scholars were chosen to acquire Shariah guidelines (related debt and wealth management) to develop the framework of Islamic financial literacy. Officials of the AKPK were selected for their opinions on the framework of Islamic financial literacy. The study used purposive sampling to choose the informants. The characteristic of purposive sampling was mixed, where the researcher selected samples from diverse backgrounds. The study had planned to conduct 15-20 interviews. However, only 12 interviews were arranged with six scholars and six AKPK employees.

At the end of the data collection, the study analysed the collected data thematically. The study followed six steps of thematic analysis to analyse the collected data thematically (Braun &

Clark, 2006). Nvivo 12 pro software was used to code and analyse the data. Then, the study generated several meaningful themes of the analysed data. The developed themes include Islamic debt management, wealth accumulation, moderate spending of wealth, wealth purification and wealth protection.

**Table 1: Newly Developed Themes**

<b>Newly Developed Themes</b>	
<p><b>Theme 1: Islamic Debt management</b></p> <p>Sub-theme: Debt Discouragement</p> <ul style="list-style-type: none"> <li>✓ Debt should be ignored in normal situation unless there is an emergency.</li> <li>✓ Debt for luxurious items is not desirable, but in case of need, individuals can take it.</li> <li>✓ The debt must be within the capacity of the debtor</li> <li>✓ The use of debt for luxuries is an example of poor financial behaviour. Therefore, it must be avoided. The use of debt for luxuries should be ignored, and we suggest so to our client to avoid this</li> </ul> <p>Sub-theme: Debt Restructuring</p> <ul style="list-style-type: none"> <li>✓ In the case of debtor hardship, the concept of the rebate can be used, Besides, the creditor extends the period to make payment.</li> <li>✓ Yes, rebate and extension of the debtor can be used to facilitate debt repayment.</li> <li>✓ We already used these two concepts the concept.</li> </ul> <p><b>Theme 3: Moderate Spending of wealth</b></p> <p>Sub-theme: Balance in Spending</p> <ul style="list-style-type: none"> <li>✓ Islam encourages individuals to practice balanced spending as overspending leads to financial distress.</li> <li>✓ Balance in spending is important in Islamic finance because it covers the basic needs. At the same time, it creates the chance of saving.</li> <li>✓ It helps an individual to save some money at the end of a month.</li> <li>✓ Excessive spending is one of the reasons of increasing credit card</li> </ul>	<p><b>Theme 2: Wealth Accumulation</b></p> <p>Sub-theme: Need of Saving</p> <ul style="list-style-type: none"> <li>✓ It is permissible in Islam unless the way of saving is free from usury, uncertainty and other forms of prohibitions.</li> <li>✓ It is significant but should not be by depriving others.</li> <li>✓ It is a useful tool to cover the future needs.</li> <li>✓ Saving is important for capital formation.</li> <li>✓ It is required to reduce the possibility of debt</li> </ul> <p>Sub-theme: Shariah-compliant Investment</p> <ul style="list-style-type: none"> <li>✓ It must be free from Riba, Gharar and Mysin and other forms of the prohibitions set by Shariah.</li> <li>✓ Shariah-compliant investment is important to earn justified profit.</li> <li>✓ Islam encourages investment because it is key to build wealth, but the investment should be in a socially responsible manner</li> <li>✓ Investment helps individuals to generate wealth which helps them to avoid debt</li> <li>✓ Islamic investment is less exposure to risks compared to conventional investments</li> </ul> <p><b>Theme 4: Wealth Protection</b></p> <ul style="list-style-type: none"> <li>✓ The protection of accumulated wealth should be a major concern of every human being</li> <li>✓ Islamic finance has put great emphasis on Risk management to protect the wealth of human being. Nowadays, various models of Takaful are available as a wealth protection tool,</li> <li>✓ The earned wealth must be protected from any unexpected events and loss.</li> </ul> <p>Sub-theme: Importance of Takaful</p>

debts.

**Theme 5: Wealth Purification**

- ✓ The purification of accumulated wealth should be a major concern of every human being
- ✓ It is one of fifth pillars of Islam.
- ✓ It promotes social cooperation which ultimately reduces social difficulties.

Sub theme-Zakat

- ✓ It helps to improve the standards of living in the society.
- ✓ It helps people to overcome their financial difficulty
- ✓ It reduces crime rates.
- ✓ It reduces the gap of income inequalities
- ✓ It prevents people to become poor by flowing the fund from upper level

- ✓ Takaful practices are justified, which is free from gambling, usury and other prohibited elements. There is no ambiguity in fees, commissions
- ✓ It is a useful tool to protect the risk
- ✓ It facilitates capital formation of individual households
- ✓ Extends protection of the less fortunate members. A surplus of Takaful be used for the socket
- ✓ It can be used for retirement planning, education planning

to the lower level of the society

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**Interviewees Characteristics**

The participants or informants are divided into Shariah scholars and employees of AKPK. The scholars were mainly from ISRA. The employees of AKPK were from various sections, including the corporate section, debt management section, human resource, and education sections.

**Table 2:** Participant Characteristics

Number	Positions	Institutions
1	Researcher and Consultant	ISRA
2	Researcher and Consultant	ISRA
3	Researcher and Consultant	ISRA
4	Assistant Professor	INCIEF
5	Assistant Professor	IIUM
6	Researcher ISRA	ISRA
7	Head of Corporate Communication Department	AKPK
8	Senior Executive	AKPK
9	Senior Executive, HR	AKPK
10	Senior Executive	AKPK
11	Senior Executive, Financial Education Department	AKPK
12	Senior executives, Human Capital Department	AKPK

**RESULTS**

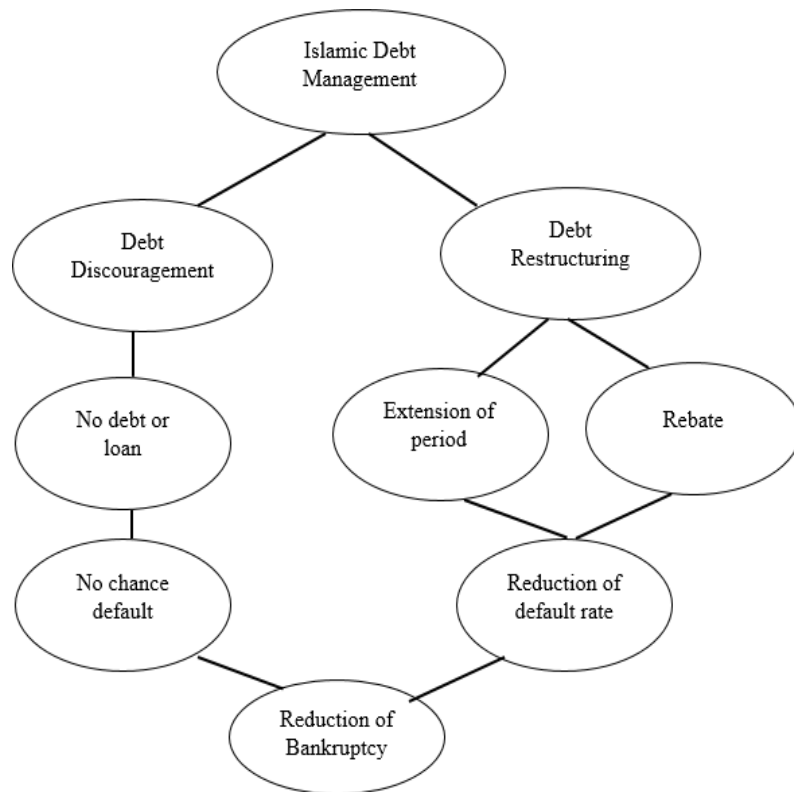
**Islamic Debt Management**

The study found that debt should be ignored under normal circumstances unless there are no necessities. Moreover, the use of debt to gain luxury should be ignored. As stated by interviewees:

- "Debt for luxuries should be ignored. Although it is not prohibited, it may lead to financial distress" [2].*
- "Debt is one of the legal means to seek for survival at the time when one is lacking of wants [3]."*



This is due to the fact that debt is a legal duty for the debtor, and its payment is required. Furthermore, debt isn't just a burden in this world but also hereafter. Debt is also discouraged in the as Hadith Prophet Muhammad (PBUH) said that *"Whoever dies of three things - arrogance, cheating and debt will enter paradise"* (Tirmidhi, 1572). Some of the interviewees (30%) claimed that nowadays, it is difficult to avoid debt due to the growth of debt-based products. Therefore, if a debt is incurred, it must be within the capacity of the debtor. According to them, the monthly debt instalment must not exceed 40% of an individual's monthly income.



**Figure 4:** Debt management in Islam to reduce personal bankruptcy

In regard to debt restructuring, Islam has warned of the burden of debt repayment. Besides if the debtor is in a difficulty, the study suggested either using a rebate or extending the debt repayment period to facilitate debt repayment (Zainol et al., 2016). In this regard, the Holy Quran says: *"And if the debtor is in a hard time, then grant him time till it is easy for him to repay, but if you remit it by the way of charity that is better for you if you did but know"* (Al Quran, 2:80). Besides, the messenger of Allah (PBUH) said: *"Whoever allows more time for a debtor who is in difficulty and waives the debt Allah will shade him with His shade"* (Muslim: 3014). Similarly, the majority (90%) of the interviewees suggested restructuring debt to overcome the issue of default and other debt related difficulties. In this case, two options have been suggested, including rebate and extension of the debt repayment period. As replied:

*"It is allowed by many scholars to say to your creditor: discount for me so that I pay you early. The creditor can also of his own reduce. The Prophet S.A.W said anyone who relieve the burden from the person who is in difficulty, Allah will remove his hardship on judgment day" [3].*

*Yeah, I think, when a debtor is in difficulty, the creditor should extend the period of time to reduce default rate. But the thing is that in this case, Banks need to be careful because the debtor may cheat, if bank give them an extra period of time to repay the debt [12].*

According to them, if the creditor feels that the indebted individual's difficulty is temporary, he ought to extend the time with a punishment so that the creditor gets the opportunity of completely retrieving his debt. Then, if the creditor feels that the difficulty is extended, discounts could be considered to encourage obligatory repayment.

### **Islamic Wealth Management Wealth Accumulation**

The study found that wealth accumulation is legal in Islam, unless the method of it is associated to usury, uncertainty, or other forms of prohibitions. Furthermore, wealth accumulation is necessary, but not at the expense of others. As mentioned by the majority (90%) of scholars:

*"Wealth accumulation is permissible in Islam and has also been encouraged. But it must be liberated from usury and other prohibited elements" [2].*

*"Wealth accumulation is permissible in Islam, but it should not be in a way that deprives others. Allah SWT says: "and those who hoard up gold and silver and spent them not in the way of Allah, announce up to them a painful torment." (9:34) [5].*

However, wealth accumulation without paying *zakat* and *sadaqah* has been seriously warned. Allah SWT says: *"And those who hoard up gold and silver and spent them not in the way of Allah, announce them a painful torment"* (Al Quran, 9:34). This is because Muslims should spend sufficiently for personal and social consumption before wealth accumulation.

The study has discovered two major ways of wealth accumulation including saving and investment. According to the majority (80%) of the employees of AKPK, saving serves as security, helps to form capital and supports avoiding debt. This is because if people can create an emergency reserve and build capital through saving it will reduce the possibility of debt as in many cases people go for debt due to the lack of capital and reserves to overcome emergencies. Apart from this, this study suggests saving at least 10% of monthly income. As replied:

*"Individuals need to develop their habit of saving to enjoy a healthy financial life. It will assist them to cover their future needs. Individuals should save at least ten percent of the monthly income" [7].*

*"Saving should be a major function of every human being to enjoy a better financial life. It is used to cover the future needs. We suggest to our client to save at least ten percent in a month" [9].*

In regard to investment, Dali et al. (2015) mentioned earlier that investment is highly encouraged in Islam as it is a source of long-term return. However, it must be free from *usury*, uncertainty, gambling and the sale and operation of prohibited elements and products. Garman and Fogue (2014) highlighted the importance of investment to increase income and liquidity. Similarly, the study reveals that personal investment is encouraged in Islam. As replied:

*"Islam has put great emphasis on the flow of fund throughout the economy. Therefore, investment in has been highly encouraged. However, it must be lawful based on Islamic sharia. For example, it must be free from *riba*, *gharar* and *Mysir*. Moreover, business of unlawful products like alcohol and smuggling" [1].*

*"Investment is one of the key parts of the Islamic economy. However, investment must be in a Shariah-compliant. Because it brings justified profit" [2].*

Moreover, Allah SWT mentions *"And when the prayer has been concluded, disperse within the land and seek of the bounty of Allah. And remember Allah often that you may succeed"* (Al Quran, 62:10). The verse encourages Muslims to strive for income. However, it disallows the presence of usury, gambling, and uncertainty in any form of investment so that it hardly put any undue pressure on society. As mentioned in the Holy Quran *"O you who believe, devour not usury, doubled and multiplied, but fear of Allah, that you may prosper"* (Al Quran, 3:120), *"Eat not your property among yourself unjustly by falsehood and deception, except it be a trade among you by mutual consent"* (Al Quran, 2:188). *"O you who believe, intoxicants, gambling, Al-Ansab and al-Azlamm are an abomination of Shaitan's handiwork. So, avoid*

*that so that you may be successful" (Al Quran, 5: 90). Thus, investment in Islam is allowed to generate income, but it must be in a legal way.*

The presence of these prohibited elements increases the chance of loss to the parties involved in an investment contract. Moreover, Shariah Compliant Investment (SCI) brings justified profit, for instance, an investment in Mudarabah is based on the concept of PLS (Profit and Loss Sharing) where profit or return is not fixed, unlike conventional deposits. If the Islamic banks earn more, the customer will get more and vice versa. Apart from that, it helps to avoid the debt and enables the investor to be liquid. As answered:

*"Yeah, it is, we also encourage people to invest so that they can build strong financial health. The more wealth you have, the less chance of falling into debt. [7].*

*"It is important, and we also encourage individuals to invest in a Shariah-compliant manner to build wealth. Because sometimes it enables individuals to maintain good liquidity and stay away from debt. We also provide them with the guidance of investment". [8].*

### **Moderation in Spending**

In regard to balanced spending on personal consumption, the study found that Islam emphasises moderation in spending and consumption. As mentioned by the majority (90%) of the scholars:

*"No, Unnecessary spending is completely disallowed in Islam. This is because over spending is considered as a waste of money and wealth. In addition, spending less is an action which is forbidden in Islam. A person should not be an over spender nor an under spender, but maintain a balance between these two". [1].*

*" No, Islam has forbidden to become an over spender because it is a type of extravagance. On the other hand, it suggests becoming a balanced spender because it helps to cover the basic needs and allows saving as well" [3].*

The Quran also says *"Those who, when they spend, are not extravagant and not niggardly, but hold a balance between those" (Al Quran, 25:67). Moreover, Islam has forbidden extravagance. Allah SWT mentions "And the give the relative his right, and also the poor and travellers, and do not spend wastefully. Indeed, the wasteful are brothers of the devils, and ever has Satan been to his Lord ungrateful" (Al Quran, 17:26-27). The Messenger of Allah (PBUH) mentioned that "Allah will bestow his grace upon a person who works decently, spends wisely and can spare the excess to anticipate the days he becomes poor" (Ahmed, 1135).*

Khan (2020) reported earlier that unplanned or overspending leads to financial distress like lack of liquidity. In addition, people suffer from lack of saving and are likely to fall in debt due to unplanned buying and spending (Neves, 2016). Similarly, the current study reveals that overspending is a type of action which is not allowed in Islam. This is because it causes financial suffering such as liquidity problem, poor saving and excessive debt. As mentioned by the majority (80%) of AKPK employees:

*"Yes, it is important, spending should be controlled and balanced to become financially successful, but nowadays a great number of youths have no control over their spending. As a result, they often feel a lack of money at the end of the month, but they can save money if they become moderate in spending" [9].*

*"Yes, it is important. Balance in spending helps individuals to live within the means. Besides, it helps individuals to avoid credit card debt, which is rising concern in Malaysia". [12].*

Furthermore, the study emphasised balance in spending as it satisfies basic needs while at the same time allows people to save money for future needs. Apart from this, balanced spending limits unethical behaviour and reduces the possibility of falling into debt. When an individual is moderate in spending, he or she hardly suffers from a lack of liquidity and saving. As a result, it reduces the probability to engage in unfair activities (such as fraudulent) and fall into the trap of debt or loan.

## **Wealth Purification**

In the case of wealth purification, the study discloses that Islam has made the payment of *zakat* compulsory on every capable Muslim in order to provide financial assistance to the helpless people in the society. As mentioned by Scholars:

*"It has a significant impact on the economy as it assists to move the fund from rich to poor sector. As a result, it helps to overcome the poverty". [1].*

*"It helps to develop the living standard of the people live within a society" [4].*

Allah SWT also has given instruction in Holy Quran by mentioning *they were not commanded except worshipping Allah, being sincere to Him in religion, inclining to truth and to establish prayer and to give the zakat, and that is the correct religion*" (Al Quran, 98:5). The Prophet (PBUH) also mentioned that *"I gave the pledge of allegiance to the prophet for offering prayer perfectly and giving the zakat and giving good advice to every Muslim"* (Bukhary, 484).

Ahmed and Salleh (2016) reported earlier that *zakat* helps to develop the standard of living of the poor by reducing income inequality. Besides this, *zakat* removes the misery and poverty from the society (Kasri, 2016). Similarly, the majority (70%) of the interviewees think *zakat* is a useful tool which neutralises extreme destitution, wretchedness and monetary troubles. It helps to overcome extreme poverty, misery and financial difficulty. As mentioned,

*"Zakat assists people financially to overcome their financial troubles and sadness". [2].*

*"Zakat is important because it helps to reduce personal financial difficulty in the economy by helping those people who are in financial trouble such as debt-driven. As a result, it helps to ensure stability in the society" [3].*

In the process of *zakat*, the fund is directed from the rich to the needy. In this way, the poor and needy receive support to improve their living standard. Moreover, *zakat* is distributable to those who are debt-ridden. Therefore, those who are in a difficulty due to financial obligation can benefit from the *zakat* fund. Thus, it helps people not to fall in bankruptcy. In the system of *zakat*, the amount of *zakat* depends on an individual's amount of wealth. The amount of *zakat* increases with the increase in wealth. Thus, it limits wealth aggregation in the hands of the few and ensures wealth is redistributed in support of the society.

## **Wealth Protection**

In regard to wealth protection, the study has found that Islam has given the highest concern to protecting the wealth of human beings. One of the main purposes of the Shariah is to protect the wealth and property of individuals. Allah SWT mentions: *"O you who believe, fear Allah and let every soul look to what it has put forth for tomorrow and fear Allah. Allah is acquainted with what you do"* (Al Quran, 59: 16). The Prophet (PBUH) told a *Bedouin* who left his camel untied trusting in Allah SWT *"Tie the camel first and then leave it to the willingness of Allah (SWT)"* (Tirmidhi: 3517). Moreover, all the Shariah scholars have mentioned that wealth protection has been given high importance in Islamic Shariah. As mentioned,

*"It is very encouraged by Islam because wealth protection is one of the five necessities of the Shariah." [3].*

*"Islam is all about protecting the interest of human being in this world and hereafter. Islam has given high focus on risk management to protect the wealth of human beings" [6].*

In line with this, Muslim scholars have come up with the concept of *Takaful* as a tool of wealth protection. It has been mentioned earlier that *Takaful* is a significant tool for wealth protection which provides a sense of financial security to its member and policyholders (Haneef et al., 2015) In addition, it is useful for the less fortunate (Zuliani & Ab Rahman, 2018). Likewise, the current investigation has claimed that individuals who are poor and underprivileged often feel financial difficulties. *Takaful* is chiefly advantageous for them as the *Takaful* risk management fund mutually secures financial misfortunes. As replied:

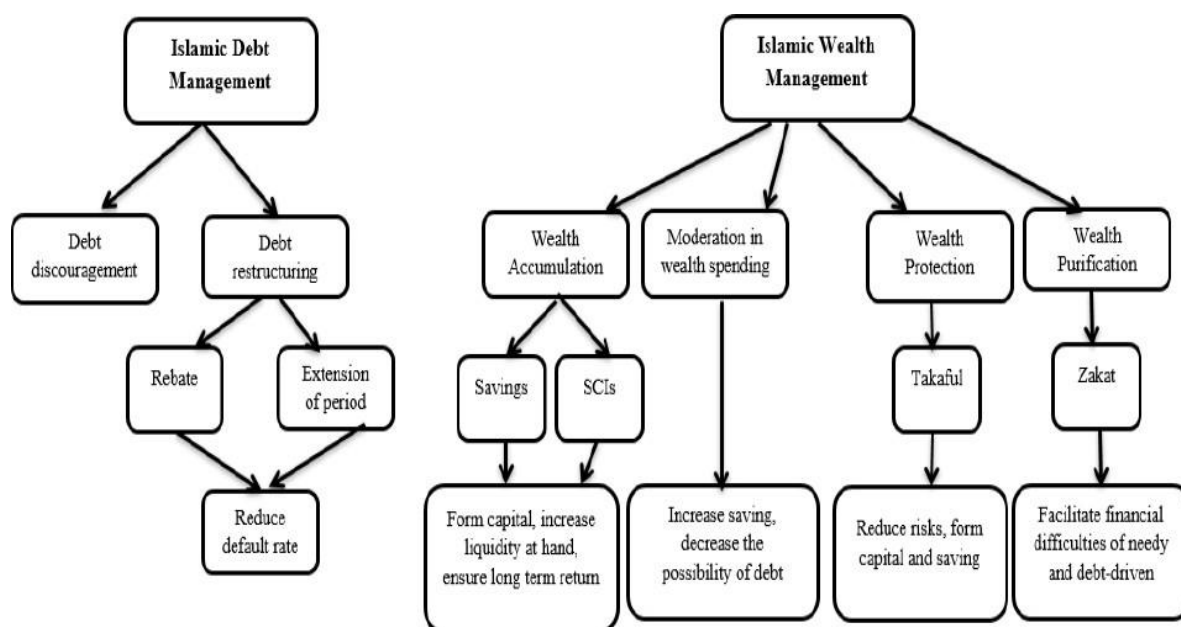
"I feel it is good, it helps the less fortunate people who usually suffer from financial calamities. Besides, the concept of Takaful is based on cooperation and risk-sharing. Therefore, the concept of Takaful is much better for the economy" [4].

"I think it is good and a Muslim should not deal with the conventional insurance because it is Haram. On the other hand, Takaful usually cares about those people who face more financial risks and it is good" [5].

Furthermore, it provides not only financial security but also helps to adopt personal financial planning. It allows people to adopt education, mortgage and retirement planning. Takaful works as an emergency scheme for a policyholder to overcome uncertain risks and losses. By doing this, it helps the policyholder to avoid the burden of debt or loan. Apart from this, the surplus of Takaful fund can be used in the form of *zakat* and *sadaqah* to serve the public interest. As mentioned by the interviewees:

"It is good. Nowadays it is a widely used Islamic product. It is not only used to protect the wealth, but also for personal financial planning. For example, Family Takaful is used for educational planning and retirement planning" [9].

"Yes, the surplus of the Takaful fund can be given to poor and bankrupt individuals in the form of *Zakat* or *Sadaqah*" [6].



**Figure 5:** Islamic Debt and Wealth Management framework

This study has developed an Islamic debt and wealth management framework to improve Malaysians' financial behaviours so that they can follow a distinct Shariah framework to become financially successful. The framework has been developed based on the concept of Islamic debt and wealth management. It has been found that Islam discourages the use of debt in personal financing though it is permissible. This is because it is a burden for the debtor which significantly affect his lifestyle. However, it is not easy to avoid debt due to the growth of debt-based products in the economy. Therefore, debt restructuring has been emphasised in the findings. According to the findings, an individual can incur debt, but it must be within the capacity of the debtor. The monthly debt instalment should not exceed 40% of the debtor's monthly income. In the case of debtor difficulty, the findings suggest using the concept of rebate and to extend the debt repayment period to minimise the default rate. This is because if the default rate reduces, financial difficulties like insolvency and bankruptcy also reduces.

The findings also disclose that wealth accumulation is not forbidden in Islam. It must, however, be done in accordance with Shariah. Individuals can amass wealth, but not at the expense of others. Muslims are also encouraged to invest and save in their personal life. This is because saving assists in the formation of resources, serves as a mechanism for covering future needs, and decreases the risk of debt. As a part of wealth management, the findings also emphasize the significance of personal spending restraint. Individuals should be moderate in their personal spending to manage excessive spending habits. They should invest in accordance with the Islamic Shariah's hierarchy of needs. For example, spending on essentials should come first, followed by comforts and embellishment. On the other hand, by being frugal about one's spending, one can keep a healthy amount of cash in hand. It also encourages people to put money aside for future needs. Individuals may also avoid debt by controlling their expenses. It is because spending according to one's capacity helps one to save and retain liquidity in hand. As a result, he is less likely to experience depression.

It is also found that Islam emphasises the importance of having a wealth protection plan in one's personal life in order to reduce financial and property risks. This is because any form of property loss can have a significant impact on a person's personal life. Thus, the findings show the value of Takaful in personal financial planning. This is because Takaful is focused on solidarity, with the poorer people having a better chance of receiving financial benefits. It not only serves as a wealth protection tool, but it also aids in the implementation of personal financial planning (such as schooling, retirement, and household planning) to meet future needs.

The role of Zakat in reducing financial difficulties in society is also highlighted in the findings. The Zakat fund is divided into eight categories. Someone who is in debt is one of the eight categories of Zakat fund recipients. As a result, it is regarded as a key to avoiding default and bankruptcy. Moreover, the Zakat fund can also be used for skill growth, especially for the poor and financially vulnerable, so that they can earn enough to meet their own and their family's needs.

## CONCLUSION

The current study mainly has developed an Islamic debt and wealth management framework to improve the financial behaviors of Malaysians. To do that, the study reviewed and collected data regarding Islamic debt and wealth management from the local Shariah scholars and employees of AKPK. Based on the collected data, the study developed an Islamic framework consisting of Islamic debt management and Islamic wealth management guidelines. The findings highlight that Islam discourages the use of debt. This is because it is one type of burden for the debtor which may harm the lifestyle. However, the avoidance of debt is not an easy task in recent times. Therefore, the study suggests incurring debt within the limit and it should not be more than 40% of an individual's income.

The study has also found that Islam encourages to accumulation of wealth in order to form capital and reduce the possibility of incurring debt. Malaysians may also avoid debt by controlling their expenses. It is because moderate spending upon consumption allows people to save money and increase liquidity at hand which ultimately reduces the chance of falling into the trap of debt. Moreover, the matter of wealth protection is also found in the study. This is because wealth protection is an important aspect of personal financial planning. Individuals are required to make sure that the accumulated wealth is protected. In that case, Malaysians are suggested to adopt the Takaful policy to ensure the security of their wealth. The study also points out the role of wealth purification in society. This is because Islam has ordered to give *zakat* to ensure overall social development. Therefore, the framework has highlighted the matter of *zakat*. *Zakat* is mainly for those who are suffering from financial difficulties. The practice of *zakat* in Malaysian society can remove the financial difficulties and suffering of many Malaysians.

Nevertheless, the current study is focused mainly on the qualitative approach. Quantitative instruments were not used throughout the study. Developing the Islamic debt and wealth

management framework can, therefore, be an agenda of future quantitative research. This is because the quantitative study may provide different outputs. The study results are primarily focused on an Islamic viewpoint. Further analysis may be carried out from a traditional perspective. Furthermore, the study's results have primarily focused on Islamic financial guidance in order to assist Malaysians in improving their debt and wealth-related financial behaviours. Thus, further research is required to address more specific financial issue.

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