

Critical Factors Influencing the Payment of Shariah Non-Compliant Money

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To Link this Article: <http://dx.doi.org/10.6007/IJARBS/v9-i6/5968>

DOI:10.6007/IJARBS/v9-i6/5968

Published Date: 27 June 2019

Abstract

In line with the decision of the Muzakarah of Fatwa Committee, the National Council of Islamic Affairs 2009, the amount of shariah non-compliant money (SNCM) paid to the Baitulmal showed a drastic increase from 2009 to 2017. However, previous studies showed that this situation was not caused by the increase of the public's level of understanding regarding SNCM. Additionally, some Muslims today are identified as being involved in generating income from shariah non-compliant sources. As such, there are two objectives in this current study: to identify the payers' sources of SNCM and also to identify the critical factors which influence the payment of SNCM. A total of 121 respondents were involved in this study which utilized a questionnaire as the research instrument. The findings showed that the Baitulmal institution was a critical factor which influenced the payment of SNCM while the surrounding community was the most non-critical factor. Every party is urged to play its role to ensure that Muslims do not own or capitalise on illegal or *haram* assets as outlined by Islamic principles and should not fully depend on the religious institution or the Baitulmal.

Keywords: Shariah Non-Compliant Money, Payer, Haram, Halal, Riba'

Introduction

Malaysia is a country which has a dual financial system which are the Islamic and conventional system. This situation not only allows for healthy competition among the industry players but it also provides an alternative for the community members to conduct their economic activities according to their own choices and beliefs. However, there are still some Muslims who might not be aware that they are directly involved with shariah non-compliant money (SNCM) generating activities (Fadzli, 2008).

Generally, SNCM refers to any income which is acquired via methods which are not in line with shariah principles and it cannot be owned or utilised by Muslims (Al-Zuhayli, 2003). Al-Qaradawi (2003) defined the SNCM sources in the current situation. These include income

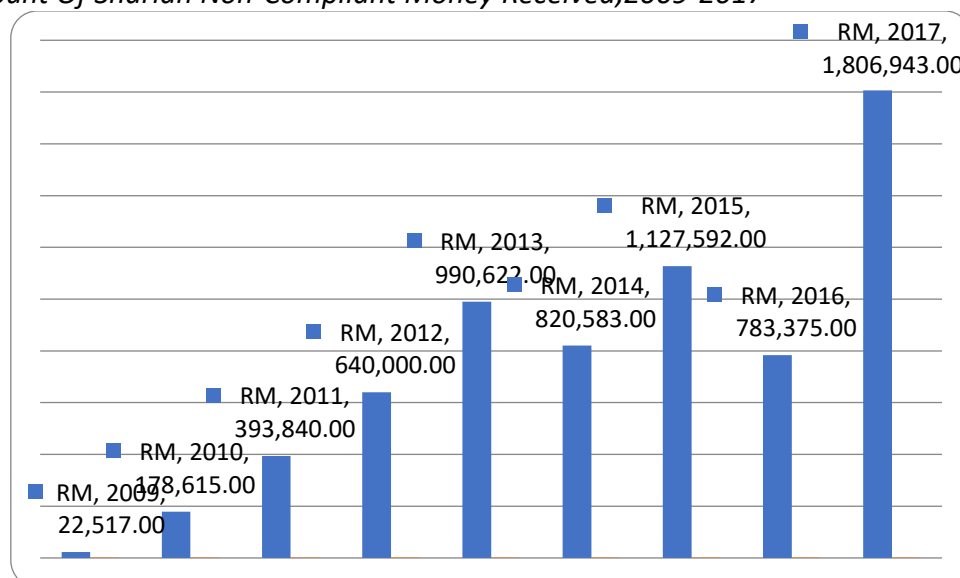
acquired from gambling, betting, riba' transactions, Shariah non-compliant investments, illegal sale and purchase of assets, insurance, prohibited entertainment activities, the sale of tobacco or dangerous goods, securities which are illegal according to Islamic principles and all forms of activities which violate the teachings of Islam.

Based on the decision of the Muzakarah of Fatwa Committee, the National Council of Islamic Affairs 2009, any assets acquired through such sources are illegal (*haram*) and should not be used for one's own benefit. There are 3 ways in which one can cleanse the assets. Firstly, they should be handed over to Baitulmal for general *maslahah* ; secondly, they should be given to the poor and the destitute ; thirdly, if the assets have been acquired through robbery or stealing, then they have to be returned to the owners. If the owners have passed away or cannot be traced, then the assets have to be handed over to the heirs. If the heirs are nowhere to be found, then the assets have to be handed over to Baitulmal.

In line with the decision, Muslims who are involved in any activities which are not in line with shariah laws should hand over their assets to Baitulmal for the purpose of cleansing. Based on the statistics published by Majlis Agama Islam Selangor from 2009 to 2017 as shown in Table 1 below, the amount of SNCM payment received in general shows a sudden increase. For example, the amount of SNCM payment received in 2009 was only RM22,517.00 and there was an 80 percent increase in 2010. This situation continued until 2013 with an amount of RM990,622.00. In 2014 and 2016, there was a slight decrease as shown by the amounts of RM820,583.00 and RM783,375.00 respectively. However, the amount of SNCM payment received in 2017 drastically increased to RM1,806,943.00 with a difference exceeding 50 percent compared to the previous years.

Table 1

The Amount Of Shariah Non-Compliant Money Received, 2009-2017



Source: Majlis Agama Islam Selangor

Although there has been an increase in the reception of SNCM, this may not show an increase in the community members' understanding of SNCM. As proof, more than half of the payers originally wanted to cleanse the money via zakat payment. This is not an accurate

choice as zakat only cleanses assets which have been acquired through halal means. Assets which have been acquired through shariah non-compliant means are not authorised as proper assets and have no value in Shariah terms (Majlis Agama Islam Selangor, 2018). Findings from Abd. Hadi et. al (2018) also informed that payers had a low and moderate understanding towards the SNCM concept. Additionally, the SNCM payers were not given tax deduction initiatives such as those given to zakat payers. However, they still made the payments and the numbers increased each year. While this can be seen as a unique situation, there is no specific study conducted which identifies the source of shariah non-compliant income and the main factor which drives the payers to pay SNCM. As such, there are two objectives outlined in this study which are to identify the source of SNCM and also to identify the critical factors which lead to the payment.

Literature Review

Although there are many studies focusing on shariah non-compliance money (SNCM), the main focus would centre on the definitions, source, law, evidence, purification method and such. In terms of the purification process, there are many methods to cleanse SNCM. According to Al-Zarqa (2004), all the assets acquired through illegal means have to be put in a special account and separated from assets acquired legally. Then the assets have to be handed over to the poor and the destitute or channelled as contribution for the benefit of Muslims. While in Al-Zuhayli's view (2003), the only way to free oneself from assets acquired through shariah non-complaint means is to channel the assets to the poor or as a contribution for the benefit of other Muslims.

According to Al-Haq (2005), assets or money acquired through illegal ways must be returned to the lawful owner. If the owner has passed away, his or her heirs have the right to own the assets. However, if the heirs cannot be traced, the assets have to be channelled as a contribution for the poor and the destitute. On the other hand, if the real owners cannot be traced, the assets have to be channelled for the benefit of the public. While according to Ibn Rushd (2004) and Al-Mawardi (1994), any assets or money which are not in line with shariah laws can be disposed of by handing them to the Baitulmal if the owners cannot be traced.

A few empirical studies have been conducted, including a study by Mohd Yunus, Haneef & Kamaruddin (2017) which focuses on new views regarding the purification of non-halal income. However, this study looks at the concept of haram income in Islam as well as matters which are not aligned with Shariah laws in Islamic banks in Malaysia. As for the study by Mohammed et al., (2017), this focuses on the purification of income from investment especially from the shariah non-compliant investments. The findings showed that the existing purification method for calculating the net income for purification has certain weaknesses from conceptual and practical perspective.

Additionally, the study by Abd Hadi et al., (2018) focused directly on SNCM. Generally, the objective of the study was to identify the SNCM payers' level of knowledge about the types of income which are illegal in Islam and the sources. 115 respondents from Selangor and Kuala Lumpur took part in the study. Based on the data acquired, the findings showed that the payers' level of understanding was at low and moderate levels, while their knowledge of sources of illegal income was at high and very high levels depending on the items. The study also suggested that all relevant parties work together to disseminate the correct information

to the public regarding SNCM. This is important to enable the members of the public to avoid income sources which are illegal or to purify any illegal assets that they own. The difference between the study by Abdul Hadi et. al and the current one is that this current study was conducted to identify the illegal sources of income which are purified by the SNCM payers and the critical factors which lead them to make the payments.

Methodology

This quantitative study utilised a questionnaire as a research instrument to acquire the information needed. The study respondents comprised payers of SNCM in Selangor and Kuala Lumpur. The snowball sampling technique was utilised and 150 questionnaires were distributed. However, only 121 complete questionnaires were returned to the researcher and used for the analysis. All 15 items on haram income sources were adopted from Abd. Hadi et al., (2018) while items on factors influencing the payment of SNCM were adopted from various sources and adapted according to the aspects in the study conducted. For each item, respondents were asked to state their level of agreement based on the 5-point semantic scale (1: strongly disagree, 2: disagree, 3: neutral, 4: agree, 5: strongly agree). This study utilised descriptive analysis in terms of frequency and percentage. Additionally, the critical factor was determined based on the highest mean value among the factors analysed.

Findings

Profile of Respondents

The information about the study respondents is shown in Table 1 below. All of them are Muslims. Majority of them (93.38 percent) are males and only a small (6.62 percent) are females. Based on the education level, we can ascertain that many of them had at least a bachelor's degree. As for the other respondents, some of them had a diploma (8.26 percent), Master's degree (9.09 percent) and PhD (1.65 percent). Additionally, half of them belonged to the 40 years and above age group and only a small number were in the 30 years and below age group. 53.71 percent of the respondents worked in the private sector while the rest of them worked in the public sector (14.05 percent) and some of them were self-employed (32.24 percent). Majority of the respondents earned more than RM3,000 and 54.54 percent had an income of more than RM5,000 monthly.

Table 2

Respondents' Profile

Respondents' Profile	Description	Frequency (n=121)	Percentage (%)
Gender	Male	113	93.38
	Female	8	6.62
Highest Qualification	Diploma	10	8.26
	Bachelor's degree	98	81.00
	Master's degree	11	9.09
	PhD	2	1.65
Age	21 – 25 years	2	1.65
	26 – 30 years	2	1.65
	31 – 35 years	15	12.40
	36 – 40 years	32	26.44

	41 years and above	70	57.86
Occupation	Public service	17	14.05
	Private	65	53.71
	Self-employed	39	32.24
Net income (monthly)	RM2,001 – RM3,000	1	0.83
	RM3,001 – RM4,000	15	12.40
	RM4,001 – RM5,000	39	32.23
	≥ RM5,001	66	54.54

Sources of Shariah Non-Compliant Money

There are 15 items which have been listed as sources of shariah non-compliant money in this study. These include gambling, betting, bribery, riba transactions, conventional bank dividends, profit from hoarding products (*ihtikar*), sales of non-halal goods, proceeds from sales of cigarettes or similar goods, proceeds from sales of stolen goods, robbery, prostitution, conventional insurance coverage, shariah non-compliant investment dividends and also transactions which are full of uncertainty (*gharar*). However, the respondents were involved in only 13 sources of illegal income or SNCM as listed in the table below. This shows that no respondents were involved in hoarding products or transactions and also transactions which are full of uncertainty (*gharar*).

Table 3

Source of Income or Shariah Non-Compliant Money

No.	Description	Frequency	Percentage
1	Conventional bank dividends	98	80.99
2	Conventional insurance coverage	84	69.42
3	Profit from sales of cigarettes or similar goods	64	52.89
4	Riba' transactions	56	46.28
5	Bribery	45	37.19
6	Dividends from shariah non-compliant investments	41	33.88
7	Profit from sales of non-halal goods	15	12.40
8	Gambling	11	9.09
9	Profit from sales of stolen goods	6	4.96
10	Betting	3	2.50
11	Profit from robbery	3	2.50
12	Profit from prostitution services	2	1.65
13	Valuable items seized from someone	2	1.65

The table above shows the source of income or shariah non-compliant money acquired or owned by the study respondents. The findings showed that 80.99 percent of the respondents owned conventional bank dividends. Additionally, some 84 respondents had conventional insurance coverage. 64 out of the total number of respondents acquired profit from the sales of cigarettes or similar items. Almost 50 percent of the respondents were involved in riba' transactions and less than 40 percent were involved in bribery. Some 41

respondents acquired dividends from shariah non-compliant investments, 15 respondents acquired profits from sales of non-halal items and 11 respondents were involved in gambling. Only a small number were involved in the sales of stolen goods (4.96 percent), betting (2.50 percent), robbery (2.50 percent), prostitution (1.65 percent) and seized valuable goods (1.65 percent).

Critical Factors which Influence the Payment of Shariah Non-Compliant Money

Five factors were focused on in this study including the Baitulmal institution, the awareness to withdraw the illegal income, religious appreciation, understanding of the shariah non-compliant money and surrounding community. The Alpha Cronbach value for the 5 factors exceeded 0.7 as suggested by Uma Sekaran & Roger (2010). As such, all factors had been considered as reliable and applicable.

Based on the mean score guide for each factor as shown in the table below, the findings showed that the Baitulmal institution had the highest mean value at 4.67. This showed that this was the most critical factor influencing the payment of SNCM. Some of the activities conducted by the institution included talks, seminars, community activities and others. The main objective of these activities was to provide information and awareness to the public about SNCM. From the information given, the payer usually can understand SNCM better and this creates awareness about the need to purify the assets.

Table 4

Factors which Influence the Payment of SNCM

No	Description	Mean value
1.	Baitulmal institution	4.67
2.	Awareness to withdraw illegal income	3.57
3.	Religious appreciation	3.42
4.	Understanding of shariah non-compliant money	2.90
5.	Surrounding community	2.54

Additionally, the factor of the awareness to withdraw illegal income showed the second highest mean value at 3.57. On the other hand, the religious appreciation factor showed a mean value of 3.42 and the understanding of the SNCM only obtained 2.90. The factor of surrounding community was the most non-critical factor towards the payment of the SNCM. This situation occurs as community members were generally not informed about SNCM and they would find it impolite to talk about haram income among themselves. Furthermore, people could be rather secretive and they might not be open to talk about their source of income, especially when it comes to talking about income from illegal or haram sources.

Conclusion

Based on the findings, the payers of shariah non-compliant money (SNCM) were involved mostly in five sources of illegal (*haram*) income. These include dividends from conventional banks, conventional insurance coverage, profit from sales of cigarettes and similar items, *riba'* transactions and bribery. Additionally, the study also showed that the Baitulmal institution was a critical factor in influencing the payment of SNCM while the community members were the most non-critical factor. To increase the understanding and

awareness of SNCM assets, every party has to play its role and should not fully depend on the religious institution or the Baitulmal. This is vital to ensure that every Muslim should not own or capitalise illegal or haram assets as stipulated by the Islamic law. Any haram assets are not identified as assets in Islam and as such, they should not be utilised.

Acknowledgment

This paper is based on the research project entitled ***Faktor-Faktor Yang Mempengaruhi Gelagat Pembayaran Wang Tidak Patuh Syariah***. The authors would like to extend their gratitude to the Research Management and Innovation Centre (RMIC), Sultan Idris Education University, Perak, Malaysia for the University Research Grant [Code 2017-0164-106-01 (GPU)] that helped fund the research.

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