

Studying the Level of Awareness among Malaysian Higher Educational Institutions (IPT) Regarding the Importance of Financial Counseling Through Counseling and Credit Management Agency (AKPK) from The Perspective of Maqasid Syariah

Mohd Izzat Mohd Zuki & Wan Nazjmi Mohamed Fisol

Centre for Islamic Finance Education and Research (CIFER), Sultan Abdul Halim Mu'adzam Shah International Islamic University (UniSHAMS), 09300 Kuala Ketil, Kedah, Malaysia

To Link this Article: <http://dx.doi.org/10.6007/IJARPED/v12-i2/17360>

DOI:10.6007/IJARPED/v12-i2/17360

Published Online: 22 May 2023

Abstract

Financial counselling knowledge in the Malaysian public is crucial in helping individuals to manage and plan their finances better and more efficiently, in which financial counselling means a process in helping relationships with the choices and beliefs required in involving finances. Problems arise due to the increase in cases of insolvencies and bankruptcy among Malaysians stemming from a lack of awareness and knowledge in financial counselling, as well as the failure of the public to plan their financial management. This study aims to identify the relationship between understanding, perception, consumers' demographic factors, and other factors with the awareness of the importance of financial counselling from the perspective of *Maqasid Syariah*. The type of methodology used in this study is quantitative by selecting a hundred respondents from (UniSHAMS) to answer a survey that has been prepared online and responses that have been given are analyzed to obtain data by using the Statistical Package for the Social Sciences (SPSS) to obtain descriptive and inferential values and multiple regression analysis. The findings from the analysis show that understanding factors and demographic factors are not the cause of the lack of awareness of financial counselling among members of higher learning institutions from the perspective of *Maqasid Syariah*. However, the perception factor strongly influences this study. The researcher hopes that with this study, the financial planning agency namely the Credit Counselling and Debt Management Agency (CCDM), also known as Agensi Kaunseling dan Pengurusan Kredit (AKPK) can increase the efforts in implementing various forms of programs in providing exposure of the importance of knowledge related to financial counselling to society, especially those from higher learning institutions. This can be done by encouraging them to get involved in the programs provided and also to improve the educational modules related to financial counselling from the perspective of *Maqasid Syariah* to foster awareness among the public as early as primary school.

Keywords: Agensi Kaunseling dan Pengurusan Kredit (AKPK) / Credit Counselling and Debt Management Agency (CCDM), Financial Counselling, *Maqasid Syariah*, Financial Management

Introduction

Financial counseling is very important in bringing awareness to the Malaysian community. When financial counseling services are used, it will be able to help an individual manage and plan their finances better. Before an individual goes to get financial counseling services, at least improve yourself with good financial knowledge to prevent them from making any mistakes directly or indirectly in doing any actions and decisions that are out of control. Islam demands its people to use advisory or counseling services as one of the ways to increase the level of awareness and knowledge to face any situation especially involving financial management so that there is no hardship in the future. Based on the words of Allah S.W.T. in Surah Taha, verses 43 to 44, which means: "Go with your brother carrying My verses and don't both of you be negligent in remembering Me. Go both of you to Pharaoh, indeed he has transgressed the limit." The meaning of the verse clearly shows that Islam advocates that advice or counseling be given to those who need it if they have gone beyond the limit so that they can avoid falling into oblivion and always be alert and afraid of what they are doing.

Based on a Sinar Harian newspaper clipping dated 28 December 2021, the Credit Counseling and Management Agency (AKPK) expects an increase in financial counseling cases as well as loan restructuring through the Credit Management Program after the end of the moratorium period. The situation was predicted because of many Malaysians losing their jobs and having their sources of income affected during the last Movement Control Order period. According to the latest data obtained from the Malaysian Insolvency Department, from 2018 until May 2022, there were 46,132 bankruptcy cases identified.

Therefore, counseling services, advice or financial guidance is very important in making a person aware of his own abilities about wise financial management in terms of budget, money management and credit management, where any mistake made will cause oneself to become bankrupt without realizing it.

Financial Literacy

According to OECD (2005), it provides a detailed definition of financial literacy which involves a process where consumers or investors improve their understanding and knowledge of financial products and concepts and through information, instructions, advice and objectives, form skills and levels of confidence. to be more aware of financial risks and opportunities to make choices in making more effective decisions and actions in improving financial well-being.

Table 1

Summary of Definitions of Financial Literacy from Past Studies; Source: New Strait Time (2015)

Sources	Conceptual Definition
Hilgert, Hogarth & Beverley (2003)	Financial knowledge
The Financial Industry Regulatory Authority (FINRA) (2003)	Investors' general understanding of market principles, instruments, organizations and regulations.
Moore (2003)	Individuals will be said to be money literate if they are authoritative and can show that they practice the knowledge they have learned. Money literacy cannot be measured directly, so a proxy must be used. Money literacy is gained through practical experience and extensive knowledge. As people become more money literate, they will become more sophisticated and consequently more authoritative.
National Council on Economic Education (NCEE) (2005)	Familiarity with economic principles, knowledge of the U.S. economy, and understanding of some key economic terms.
Mandell (2007)	Ability to evaluate new and complex financial instruments and make sound judgments in both instrument selection and level of use that will be in own best long-term interest. Familiarity with most of the basic economic concepts required to make sound savings and investment decisions.
Lusardi and Mitchell (2007)	The focus on debt literacy, a component of money literacy, defines it as the ability to make simple decisions related to debt agreements, specifically applying basic knowledge of measured interest and the context of everyday financial choices.
Lusardi and Tufano (2008)	The ability to make appropriate judgments or decisions and take effective decisions related to the use and management of money.

Counseling

Counseling is an important and systematic process in helping a relationship based on psychological principles that has been implemented by a counselor registered with the Malaysian Council of Counselors in accordance with the counseling ethics code to achieve a comprehensive, good, and voluntary change, progress, and adjustment from the individual undergoing counseling so that change, progress, and adaptation can be achieved and agreed upon.

Counseling can also be interpreted as a process in helping relationships with choices or necessary beliefs. Counseling is understood as a process in changing an individual's behavior to be more meaningful and effective. It also means to solve a problem that occurs and as an effort to understand the soul of a human being. This counseling process involves an individual who has a problem being helped to express his heart and behave in a more pleasant atmosphere through interaction with someone who does not have a problem (counselor), by

providing help in terms of information and reactions that can help the individual to act with more effective and efficient decisions on himself and those around him (Amti, 2013)

Financial Management

Finance can be interpreted as an art and science in managing money. We as human beings work to earn money in our daily life. Every organization that exists has the same purpose and goal which is to get money so that it can provide pleasure and wealth to its owner. Because of that, in the financial field it is related to the movement of money involving individuals, businesses and governments (Samad, 2003)

The financial field can be divided into two parts, which are financial services and financial management. Financial services refer to how financial services are provided to individuals, businesses, and governments, for example those involving banking, insurance or takaful, investment and business. Financial management is related to the task of a financial manager in a business sector or firm, and it is related to our way of managing money. Which is not only important for organizations, but also for individuals, because if we know how to use money wisely and carefully, of course we can make any decision that involves proper financial management in maximizing our income.

Maqasid Syariah and its Division

To understand Maqasid Syariah, you must first know its meaning both in terms of language and terms. Maqasid Syariah seen from a linguistic point of view (language) is a combination of words consisting of two words, namely *al-maqasid* and *al-shariah*. Maqasid is rooted in the word *qasada*, *yaqsidu* which means deliberately or intends to. The word *maqasid* is the plural form of the word *maqsid* or *maqsad* which means deliberate or intended. While Sharia in Arabic literature means the way to the source of water or can also be interpreted as the way to the main source of life which is Allah's Sharia. So, Maqasid Syariah contains the meaning of goals and secrets that have been set by Syar'i Allah S.W.T. from every law revealed by Him. (Aminah, 2017)

The jurists have divided the Maqasid Syariah into three parts, namely:

1. *Dharuriyyat* (necessity), i.e., everything that is important in human life both for the good of religion and life in the world. And if the importance of this principle cannot be fulfilled then human life will be ruined and suffer losses in this world and in the hereafter. The importance of *dharuriyyat* can be divided into five or also referred to as *dharuriyyat al-khams* by al-Shatibi (1997) as follows
 - a. Preservation of religion; what is meant by taking care of religion is to avoid anything that may happen resulting in damage or destruction to the religion itself. This includes our efforts as Malaysians who are Muslims to defend the country and the position of Islam as the official religion of the Federation of Nations and other religions can be practiced in peace as has been recorded in the Federal Constitution.
 - b. Preservation of life; Islam strongly emphasizes that everyone should take care of their own safety and at the same time prohibit any thing or act that may pose a threat to themselves and others. Islam strictly prohibits any form of oppression that involves life through the provision of *Qisas* law to protect the welfare of human life. Therefore, every act or thing that involves life should be preserved so that the life of the community will be more peaceful and peaceful.
 - c. Preservation of intellect; taking care of the mind by nourishing it by seeking and increasing knowledge and protecting the mind from things that can damage it. All

things that can damage the mind such as drinking alcohol, taking drugs and many other things that are against Islam must be strictly prohibited. Currently, the Credit Counseling and Management Agency (AKPK) indirectly plays an important role in providing financial counseling services as a medium in providing awareness about financial management to the entire community.

- d. Preservation of lineage; from the point of view of Maqasid Syariah, it does various efforts in preserving and protecting the descendants so that they are away from the shackles of poverty and immorality. All acts that lead to the collapse of morals and familial institutions such as free association between men and women must be avoided because it will lead to adultery which is prohibited in Islam to preserve the existing offspring.
 - e. Preservation of wealth; this action is very important in human life and well-being. Therefore, Islam forbids its people to consume and take wealth unjustly and illegally such as bribery, theft, robbery, breach of trust, fraud and many more related to it.
2. *Hajiyyat* (will) is an interest that is needed by mankind to provide ease to His servants and reduce all hardships that lead to difficulties and difficulties for them. If these basic interests are not met, it will not bring hardship in human life as it involves the basic interests of *dharuriyyat*, but it can cause difficulties in human life.
 3. *Tahsiniyyat* (comfort) is an interest that does not reach the importance of *dharuriyyat* or the importance of *hajiyyat*. But it can be fulfilled to give perfection and beauty to the life of a capable human being. Al-Yubi (1998)

Financial Counseling by the Credit Counseling and Management Agency (AKPK)

In line with the development of the concept of guidance and counseling, the purpose of guidance and counseling has also undergone changes, from a simple level to a higher comprehensive level. With this guidance and counseling, it can help people who are experiencing the problems they face to improve their own lives, in other words help in increasing positive changes in the community based on observations for the purpose of guidance and counseling itself.

In general, the purpose of guidance and counseling is to help an individual increase their self-confidence in an optimal way that suits their level of development from various backgrounds and the people around them. Counseling can help individuals to become a useful person in life who has various forms of insight, views, choices, adaptations, and skills that suit themselves and the people around them. The importance of counseling in financial management for individuals who are unable to manage their finances effectively. Therefore, the Credit Counseling and Management Agency (AKPK) has been established by Bank Negara Malaysia (BNM) with its vision of "Practice Prudent Financial Management as a Culture of Life". This aims to ensure that all Malaysians can live a life with the ability to manage their finances well and reduce debt (Kredit, 2018)

The financial counseling provided by AKPK is in the form of assistance and other alternatives for those who have problems in financial management. In the meantime, AKPK also helps any individual who is close to bankruptcy in settling all debts and everything is under the supervision of AKPK. If we do not manage our finances more effectively, it is likely that we will spend more than we earn, which will eventually lead us to debt problems and further serious financial problems. When we face financial problems, it not only affects our reputation, but also involves emotions regarding where we go to and in finding money to pay off debts and will result in relationships with family and friends also becoming tense and

murky. All of this will affect our physical and mental health. However, there are a few individuals who do not realize that they are facing financial problems and they continue their lives from day to day as usual.

At AKPK, they offer face-to-face counseling and advice on how to manage finances wisely involving various forms of expenses and issues related to credit. The service provided is free for all individuals as an alternative for us apart from the help obtained online and other related sources.

Conclusion

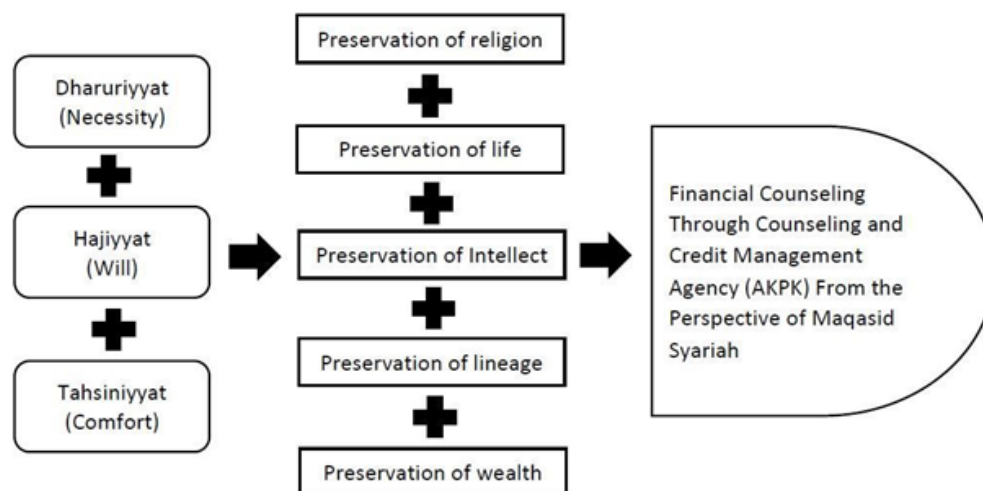


Figure 1 Financial Counseling Through Counseling and Credit Management Agency (AKPK) From the Perspective of Maqasid Syariah

Based on the figure provided above, we can see that the three categories of Maqasid Syariah namely *Dharuriyyat*, *Hajiyyat* and *Tahsiniyyat* play an important role in the life of a Muslim. Through those three categories, it includes five more sections that focus again on the importance of Maqasid Syariah which is to preserve religion, life, reason, lineage, and property. With these divisions, the Credit Counseling and Management Agency (AKPK) can help bring awareness to the community, especially IPT residents, in providing financial counseling services based on Islamic Sharia from the perspective of Maqasid Syariah.

With the proper care of religion, life, intellect, lineage, and property in the context of Maqasid Syariah, Islam has placed importance on taking care of and managing finances in life well. Islam strongly encourages its people to produce, expand, and use property more wisely, organized, and efficient. As Allah S.W.T has explained. in accordance with his decree through his words in surah Al-Baqarah verse 29 which means "He (Allah) created everything on earth for you then He went to the sky, then He completed it into seven heavens. And He is All-Knowing of everything".

It can be explained that if the understanding of Maqasid Syariah in a person is at a high level, then it will lead to any behavior which is good and in accordance with Sharia and the opposite happens if a person lacks knowledge in matters involving Maqasid Syariah.

So, it is important for this study to also discuss the importance of Maqasid Syariah as a main medium in shaping an action or decision. It is very important for us to acknowledge and believe that Islam is *syumul* (perfect) whether in its rules and teachings that include all aspects

of human life such as economics and so on. This clearly shows the importance of a deeper discussion and study regarding Maqasid Syariah so that the level of awareness of financial counseling through the Credit Counseling and Management Agency (AKPK) from the perspective of Maqasid Syariah can be seen more clearly and transparently and full of grace.

References

- Al-'Alim, H. Y. (1993). *Al-Maqasid al-'Ammah Lil Shariah al-Islamiyyah*. 2nd ed. Maqrib: Dar al-Amat.. pp. 20.
- Al-Raysuni, A. (1992). *Nazhariyyat al-Maqasid 'inda al-imam al-Shatibi*. Beirut: Al-Muassasah alJam'iah li Dirasat.
- Al-Shatibi. (2003). *Al-Muwafaqat Fi Usul Al-Shariah* (Vol. 2). Beirut: Dar Kutub al-Ilmiyah.
- Al-Shatibi, A. I. (1997). *Al-Muwafaqat fi Ushul al-Shariah* (Vol. 2). Kaherah: Dar Ibn Affan.
- Al-Yubi, M. S. (1998). *Maqasid al-Shariah al-Islamiyyah Wa 'Alaqtuha Bi al-Adillah al-Shar'iyah*. Riyadh: Dar al-Hijrah.
- Aminah. (2017). Maqasid Asy-Syariah Pengertian dan Penerapan Dalam Ekonomi Islam. *Jurnal: Fitrah*, 3(1), 168-169.
- Amti, P. (2013). *Dasar-dasar Bimbingan dan Konseling*. Jakarta: PT Rineka Cipta.
- Hassan, W. Z. (2017). Maqasid Syariah in the Development of Fatwas on Cross Religion Culture Practices in Malaysia. *Al-Hikmah*, 8(2), 133.
- Kredit, A. K. (2018). *Celik Wang Pengurusan Wang Secara Bijak*. Kuala Lumpur: AKPK Edisi Ketiga.
- Mutakin, A. (2017). Teori Maqashid al Syariah dan Hubungannya Dengan Metode Istinbath Hukum. *Jurnal: Kanun*, 19(3), 551.
- Zambi, M. N., Hassan, M. H., & Jaafar, S. (2013). Hubungan Antara Amalan Pengurusan Kewangan Pelajar dan Kursus PA305: Pengurusan Kewangan Peribadi - Satu Kajian Kes Di Politeknik Tuanku Sultanah Bahiyah. *Technical and Education Colloquium (TEC) PTSB*, 25-31.
- Rafdi, J. N., Puad, M. N., Sahar, S. W., Nor, M. F., & Shahr, S. W. (2015). Faktor-faktor Muflis di Kalangan Belia. *Proceeding of The 2nd International Conference of Management and Muamalah*.
- Nyze, I. A. K. (2009). *Theories of Islamic Law: The Methodology of Ijtihad*. Pakistan: Islamic Research Institute Press Islamabad. pp. 63.
- Mamim, O., Husniyah, A., & Fazli, M. S. (2015). Differences in Financial Information and Financial Status Among Malaysia Bankrupts. *Proceedings of The Australasian Conference on Business and Social Sciences*, (pp. 525-531).
- Samad, M. F. (2003). *Pengurusan Kewangan*. Singapore: A Division Of Thomson Asia Pte Ltd.
- Fisol, M. W., & Ismail, N. (2019). Enhancing Halal Sustainability through Family Takaful Products Based on The Maqasid Shari'ah Framework. 101-106.
- Fisol, M. W., & Abu Hassan, N. (2019). Belanjawan 2019 Melalui Pendekatan Maqasid Syariah. 1-10.
- Zulkifly, A. A. (2016). Faktor Penentu Pengurusan Kewangan: Kes Mahasiswa Universiti Kebangsaan Malaysia. *Jurnal Personalita Pelajar*, 85-94.